Amendment to Issuer Filing Information

CSI MTN Limited

Reason for submission: This amendment is filed to update the information included in the Issuer Filing Information dated 24 June 2024.

ISSUER FILING INFORMATION

Type of Information:	Issuer Filing Information
Date of Submission (DD/MM/YY)	10/07/2024
Issuer Name:	CSI MTN Limited
Name and Title of Representative:	ZHENG Ying, Director
Address of Head Office:	18/F, One Pacific Place, 88 Queensway, Hong Kong
Telephone:	+852 2600 8118
Contact Person:	Camellia Feng
Matters related to Financial Instruments Exchange Market, etc.:	Not applicable
Address of Website for Announcement:	https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html

Notes to Investors:

1. TOKYO PRO-BOND Market is a market for specified investors, etc. Bonds listed on the market ("Listed Bonds") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Bonds on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions only after having carefully considered the contents of this Issuer Filing Information.

2. Where this Issuer Filing Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Issuer Filing Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (the "Act") (a director of the board (*torishimari-yaku*), accounting advisor (*kaikei-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer that announced this Issuer Filing Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with Article 22 of the Act applied mutatis mutandis in Article 27-34 of the Act). However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he /she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.

3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange website.

4. Tokyo Stock Exchange does not express opinions or issues guarantees regarding the content of the Issuer Filing Information (including, but not limited to, whether the Issuer Filing Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss including that described above.

PART I: CORPORATE INFORMATION

I. OUTLINE OF COMPANY

I-1 Trends of Key Management Indicators, etc.

The main business of CSI MTN Limited (the “Issuer”) is related to debt issuances under its MTN Programme. There have been three public debt issuances under the issuer’s MTN programme since the setup of the company:

Issue Date	Maturity Date	Currency	Amount
21-Apr-2022	21-Apr-2025	USD	300,000,000.00
13-Jul-2023	13-Jul-2026	CNY	2,500,000,000.00
25-Jan-2024	25-Jan-2027	JPY	14,700,000,000.00

I-2 Contents of Business

The Issuer has not engaged, since its incorporation, in any material activities other than those relating to the establishment of the MTN Programme, the issuance of Notes under the MTN Programme, the on-lending of the proceeds of the Notes to the CITIC Securities International Company Limited (the “Guarantor”) or the Guarantor’s subsidiaries and affiliates, and the authorisation of documents and agreements to which it is or will be a party.

I-3 Status of Affiliates

The Issuer is fully owned by the Guarantor indirectly through another wholly-owned subsidiary. The Guarantor is a company incorporated in Hong Kong with limited liability.

As of the date of this Filing Information, the Issuer is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00 each. As of the date of this Filing Information, one ordinary share, which is held by the Guarantor indirectly through other wholly-owned subsidiaries, had been issued and credited as fully paid, representing 100% of the issued shares of the Issuer. None of the equity securities of the Issuer was listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as of the date of this Filing Information.

II. FINANCIAL CONDITION

Consolidated Financial Statements, etc.

CSI MTN Limited (the “Issuer”) is a BVI company that has not engaged in any material activities other than those relating to the issuance of Notes under the MTN programme guaranteed by CITIC Securities International Company Limited (the “Guarantor”). The Issuer does not prepare any financial statements, and has previously obtained a waiver from the Exchange in relation to providing its financial statements.

The Guarantor’s financial statements are as below.

(1) Consolidated Financial Statements

(i) **Consolidated Balance Sheet**

Consolidated statement of financial position at 31 December 2023

	Notes	*2023* US$'000	*2022* US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	37,246	29,111
Right-of-use assets	16	85,621	85,624
Investment properties	17	22,741	26,976
Intangible assets	14(a)	4,427	14,104
Goodwill	14(b)	73,351	73,351
Investments in joint ventures	18	2,411	1,415
Investments in associates	19	173,177	234,846
Financial assets at fair value through profit or loss	22	115,563	61,263
Financial assets at fair value through other comprehensive income	21	12,421	18,970
Deferred tax assets	32	51,933	45,671
Other assets		37,800	43,193
		616,691	634,524
Current assets			
Intangible assets	14	-	271
Financial assets at fair value through profit or loss	22	20,883,597	16,578,092
Financial assets at fair value through other comprehensive income	21	198,827	214,418
Derivative financial instruments	23	1,984,916	2,421,920
Amounts due from clients, brokers and clearing houses	24	7,222,546	7,191,733
Reverse repurchase agreements	29	75,960	104,073
Tax recoverable		21,197	96,036
Cash collateral advanced for securities borrowing		971,678	825,939
Other debtors, deposits and prepaid expenses		50,302	83,303
Cash held on behalf of customers	26	1,107,406	1,296,252
Cash and bank balances	25	1,562,423	1,493,665
		34,078,852	30,305,702
Total assets		34,695,543	30,940,226

Consolidated statement of financial position at 31 December 2023 (continued)

	Notes	2023 US$'000	2022 US$'000
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	22	71,151	-
Deferred tax liabilities	32	8,499	5,719
Bonus provision		11,059	12,458
Creditors and other accruals		8,938	9,150
Repurchase agreements	29	229,281	220,779
Lease liabilities	16	69,514	67,607
Long term borrowings from related parties	28	99,354	498,413
Bank borrowings	27	24,143	22,874
Debt instrument issued	36	656,108	299,869
		1,178,047	1,136,869
Current liabilities			
Financial liabilities at fair value through profit or loss	22	10,261,291	8,274,078
Derivative financial instruments	23	1,880,545	1,870,123
Amounts due to clients, brokers and clearing houses	24	11,241,916	9,509,832
Bank borrowings	27	1,073,152	1,377,532
Short term borrowings from related parties	28	610,475	799,995
Repurchase agreements	29	5,342,305	4,796,122
Lease liabilities	16	21,779	22,912
Private placement notes issued to the parent company	35	919,172	1,058,666
Creditors and other accruals		86,571	97,317
Bonus payables		150,307	175,770
Tax payable		83,602	134,959
Short-term financing instruments payable	37	136,408	175,404
		31,807,523	28,292,710
Total liabilities		32,985,570	29,429,579
Net assets		1,709,973	1,510,647

Consolidated statement of financial position at 31 December 2023 (continued)

	Notes	2023 US$'000	2022 US$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	839,059	839,059
Retained earnings		987,668	742,231
Other reserves	31	(137,959)	(123,695)
		1,688,768	1,457,595
Non-controlling interests		21,205	53,052
Total equity		1,709,973	1,510,647

(ii) **Consolidated Income Statement and Consolidated Comprehensive Income Statement or Statement of Consolidated Income and Comprehensive Income**

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	*2023* US$'000	*2022* US$'000
Brokerage commission		302,063	318,310
Research fee income		26,848	31,601
Underwriting and placing commission and Sponsorship income		40,771	61,518
Corporate advisory and asset management fees		31,168	33,189
Net trading income	6	832,033	668,632
Interest income	7	227,705	129,269
Securities borrowing and lending income		58,592	29,064
Other income	8	83,131	142,769
Total operating income		1,602,311	1,414,352
Employee benefits expenses	9	(361,107)	(413,008)
Brokerage commission expenses		(151,069)	(166,218)
Finance costs	10	(495,848)	(350,278)
Securities borrowing and lending expenses		(27,929)	(28,435)
Rebates and introduction fees		(39,087)	(32,779)
Information services and communication expenses		(86,166)	(68,031)
Net settlement charges		(49,439)	(35,380)
Other operating expenses	11	(125,222)	(157,370)
Net impairment losses	3.1 (b)(ii)	(22,462)	(10,943)
Total operating expenses		(1,358,329)	(1,262,442)
Operating profit		243,982	151,910
Share of gains of joint ventures	18	1,452	4,104
Share of gains of associates	19	17,280	15,610
Gain on disposal of an associate	19	21,419	-
Profit before tax		284,133	171,624
Tax expense	12	(38,019)	(46,395)
Profit for the year		246,114	125,229

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (continued)

	Notes	2023 US$'000	2022 US$'000
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax	21	9,558	(13,572)
Foreign exchange translation differences		(1,182)	(43,273)
Reclassification to profit or loss upon disposal		(13,833)	-
Items that will not be reclassified to profit or loss			
Foreign exchange translation differences	41	(3,614)	4,295
Remeasurements of defined benefit plan obligations, net of tax		(156)	409
Changes in the fair value of equity investments designated at fair value through other comprehensive income, net of tax	21	(4,745)	(344)
Total other comprehensive loss, net of tax		(13,972)	(52,485)
Total comprehensive income for the year		232,142	72,744
Profit/(loss) attributable to:			
Equity holders of the Company		245,127	126,127
Non-controlling interests		987	(898)
		246,114	125,229
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		231,173	73,988
Non-controlling interests		969	(1,244)
		232,142	72,744

(iii) **Consolidated Statement of Changes in Shareholders' Equity**

Consolidated statement of changes in equity for the year ended 31 December 2023

	Attributable to equity shareholders of the Company								
			Other reserves						
	Share capital US$'000	*Retained earnings* US$'000	*Regulatory reserves* US$'000	*Capital and other reserve* US$'000	*Revaluation reserve* US$'000	*Foreign exchange translation reserve* US$'000	*Sub-Total* US$'000	*Non-controlling Interest* US$'000	*Total* US$'000
Balance at 1 January 2023	839,059	742,231	2,796	10,406	(28,516)	(108,381)	1,457,595	53,052	1,510,647
Profit/(loss) for the year	-	245,127	-	-	-	-	245,127	987	246,114
Other comprehensive income/(loss)	-	-	-	(14,030)	4,813	(4,737)	(13,954)	(18)	(13,972)
Total comprehensive income/(loss)	-	245,127	-	(14,030)	4,813	(4,737)	231,173	969	232,142
Transfer between reserves	-	310	(310)	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	(32,816)	(32,816)
Transactions recognised directly in equity	-	310	(310)	-	-	-	-	(32,816)	(32,816)
Balance at 31 December 2023	839,059	987,668	2,486	(3,624)	(23,703)	(113,118)	1,688,768	21,205	1,709,973

Consolidated statement of changes in equity for the year ended 31 December 2023 (continued)

	Attributable to equity shareholders of the Company								
			Other reserves						
	Share capital US$'000	Retained Earnings US$'000	Regulatory reserves US$'000	Capital and other reserve US$'000	Revaluation reserve US$'000	Foreign exchange translation reserve US$'000	Sub-Total US$'000	Non-controlling Interest US$'000	Total US$'000
Balance at 1 January 2022	839,059	615,809	3,091	10,156	(14,600)	(69,908)	1,383,607	7,635	1,391,242
Profit/(loss) for the year	-	126,127	-	-	-	-	126,127	(898)	125,229
Other comprehensive income/(loss)	-	-	-	250	(13,916)	(38,473)	(52,139)	(346)	(52,485)
Total comprehensive income/(loss)	-	126,127	-	250	(13,916)	(38,473)	73,988	(1,244)	72,744
Transfer between reserves	-	295	(295)	-	-	-	-	-	-
Dividends provided for or paid	-	-	-	-	-	-	-	(213)	(213)
Others	-	-	-	-	-	-	-	46,874	46,874
Transactions recognised directly in equity	-	295	(295)	-	-	-	-	46,661	46,661
Balance at 31 December 2022	839,059	742,231	2,796	10,406	(28,516)	(108,381)	1,457,595	53,052	1,510,647

(iv) **Consolidated Cash Flow Statement**

Consolidated statement of cash flows
for the year ended 31 December 2023

	Notes	*2023* US$'000	*2022* US$'000
Cash flows from operating activities			
Cash generate from operations	33.1	991,548	36,357
Interest received		232,391	158,568
Interest paid		(460,245)	(371,364)
Taxes paid		(19,439)	(41,460)
Net cash flow generated from/(used in) operating activities		744,255	(217,899)
Cash flows from investing activities			
Purchase of intangible assets		(373)	(715)
Purchase of property, plant and equipment		(20,283)	(17,951)
Proceeds from disposal of property, plant and equipment		15	-
Proceeds from disposal of investment properties		5,358	-
Decrease/(increase) in financial assets at fair value through OCI		12,301	(40,886)
Decrease/(increase) in short-term deposit		8,821	(48,000)
Capital injection in associates		(8,042)	(10,456)
Proceeds from return of capital from associates		9,466	3,279
Proceeds from return of capital from joint ventures		4	8,844
Dividends received from associates		6,184	13,893
Dividends received from joint ventures		454	-
Proceeds from disposal of an associate		78,920	18,070
Net cash inflow in respect of acquisition of subsidiaries		-	29,076
Net cash flow generated from/(used in) investing activities		92,825	(44,846)
Cash flows from financing activities			
Distributions paid to non-controlling shareholders in subsidiaries		-	(213)
Cash inflow from non-controlling shareholders		-	34,706
Lease payments			
- Capital elements	33.3	(23,887)	(26,947)
- Interest elements	33.3	(4,073)	(2,742)
Proceeds from borrowings	33.3	390,897	305,138
Repayments of borrowings	33.3	(999,210)	(1,561,032)
Repayments of private placement notes issued to the parent company	33.3	(138,277)	(193,743)
Proceeds from debt issued	33.3	307,267	472,346
Proceeds from bank borrowings	33.3	429,855	745,370
Repayments of bank borrowings	33.3	(736,637)	(476,366)
Net cash flow used in financing activities		(774,065)	(703,483)

Consolidated statement of cash flows
for the year ended 31 December 2023 (continued)

	Notes	2023 US$'000	2022 US$'000
Net increase/(decrease) in cash and cash equivalents		63,015	(966,228)
Cash and cash equivalents at the beginning of the year		1,428,427	2,436,738
Effect of changes in foreign exchange rates		(2,005)	(42,083)
Cash and cash equivalents at the end of the year	33.2	1,489,437	1,428,427

(v) **Consolidated Ancillary Statement**
N/A

(2) Description of Major Assets and Liabilities

Major assets of the Guarantor include financial assets at fair value through profit or loss, amounts due from clients, brokers and clearing houses, cash and cash equivalence etc., and major liabilities include amounts due to clients, brokers and clearing houses, financial liabilities at fair value through profit or loss, repurchase agreements, and bank borrowings etc.

(3) Other Matters

Consolidated financial statements for the year ended 31 December 2023:

KPMG

CITIC Securities International Company Limited

Consolidated financial statements
for the year ended 31 December 2023

CONTENTS **Pages**

Report of the directors

The directors submit herewith their annual report together with the audited consolidated financial statements of CITIC Securities International Company Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2023.

Principal activities

The principal activities of the Company are investment holding and the provision of general administration and support services to its subsidiaries. The principal activities of the subsidiaries comprise the businesses of investment banking, securities brokerage, asset management, investment and trading of securities and direct investments. The principal activities and other particulars of the principal subsidiaries are set out in Note 20 to the consolidated financial statements.

Recommended dividend

The directors do not recommend the payment of dividend in respect of the year ended 31 December 2023 (2022: US$Nil).

Share capital

Details of the movements in share capital of the Company are set out in note 30 to the financial statements. There were no movements in the Company's share capital during both years.

Charitable contributions

Charitable contributions made by the Group during the year amounted to US$133,000 (2022: US$9,000).

Directors

(a) Directors of the Company

The Directors of the Company during the year and up to the date of this report were:

Mr. LI Chunbo, Chairman
Mr. YU Yang
Mr. XU Jianqiang
Mr. SHI Benliang
Mr. PARK Edward

Directors (continued)

The Board confirmed that nothing relating to the affairs of the Group needed to be brought to the attention of the shareholders of the Group.

There being no provision in the Company's Articles of Association for retirement by rotation, all remaining directors continue in office.

(b) Directors of the Company's subsidiaries

The names of Directors who have served on the Boards of the Company's subsidiaries during the year and up to the date of this report were:

Akhilesh GUPTA	Geerts Jan HEBELS*	Marie Rosy Priscilla PATTOO
Alan Damian DWERRYHOUSE	Geok Lan TAY*	Megumi KIYOZUKA
Alexander Eugene DIDENKOWSKI	Gregg RIEBER	Michael FROST
Alfred O. DY	Hang LI	Mingliang LV
An soon YOO	Heng Foo Bernard YONG	Morten PAULSEN
Baifeng HU	Jae Min KIM	NSM Limited
Benliang SHI	James David MCINTOSH	Nuntana TAVEERATANASILP*
Boey XIANJIE	Jeremy Dalton D'SLYVA	Odette Rachelle C. PADRE-ISIP
Bradley SCHWARTZ	Jeremy David COLLARD	Oliver MATTHEW
Chi Chuen CHAN	Ji Hyun YOON	OSM Limited
Chi Yeung YUNG	Jiachun CHEN	Patrick FLATON
Chia Huan LEE	Jianqiang XU	Peitao SUN
Chirag KAKARIYA	Jingwei LYU	Peter Jae Sun MIN
Chunbo LI	Jiong LI	Philippe BREDEL
Chung Keat Eric TAN	Jong Min KIM	Ping Lun Alan FAN
CLSACP Holdings Ltd.	Kaneyalall HAWABHAY	Po Ki LEE*
Daniel Thian Liong OEN	Kazunari OHASHI	Pradeep Venkatraman HEGDE
Darragh COMER	Kin Ki CHIU	Qian QIN
Dayu ZHANG	Kit Yng LIM	Ramon G. Opulencia
Douglas REGINALD BURTON-CANTLEY	Li Jian TAN*	Ransi YUAN
Edward PARK	Liang LIU	Richard Eric Marshall FISCHER
Eileen Rosario CORDERO-BATAC	Liang SHI	Richard Owen PYVIS
Eric Louis Serge LALAUZE	Lim Sutjianto SJARIFUDIN	Richard Paul ZIEGLER
Floris LEDDER	Lin YANG	Rohit BHATTACHARJEE
Fooi Hin LIM	Ma. Martha A. de DIOS	Ruby Margaret Tan LAO

Directors (continued)

Rui WANG	Tingting LI	Yeu Liong CHONG*
Sang-soo HA	Vaibhav Vishnudas TOTLA	Yi SUN
Sharmila CHAKOWA	Vishal Suryakant PATEL	Ying Yeung HUNG
Shu FENG	Wei JIA	Ying ZHENG
Shuangyi WU	Weiwei CHEN	Yiu Lun CHEUNG
Simon Christopher HEMPEL	William Charles HOLUB	Yiu Wa CHENG
Simon COWEN	Xinguo LIU	Zheng ZHANG
Sonal JAIN	Yang YU	Zhongkai ZHANG*
Ting WANG	Yao MA	

* He/She has resigned/ceased as a Director of the relevant subsidiary(ies) of the Company.

Business review

No business review is presented for the year ended 31 December 2023 as the Group has been able to claim an exemption under section 388(3) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of CITIC Securities Company Limited.

Directors' interests in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company

At no time during the year was the Company, its holding company, its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to hold any interests in shares or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements and contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or entities connected with the director had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Permitted indemnity provisions

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year. The Company has also maintained for the directors insurance against certain liabilities in relation to the Company and its associates. The coverage and the sum insured under the policy are reviewed annually.

Auditor

KPMG were first appointed as auditors of the Company in 2023 upon the retirement of PricewaterhouseCoopers.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

李春波

(Director) Li Chunbo

14 March 2024

(Director) Yu Yang

14 March 2024

KPMG

Independent auditor's report
to the members of CITIC Securities International Company Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CITIC Securities International Company Limited ("the Company") and its subsidiaries ("the Group"), set out on pages 9 to 103, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the members of CITIC Securities International Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Independent auditor's report to the members of CITIC Securities International Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

Independent auditor's report
to the members of CITIC Securities International Company Limited (continued)
(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 March 2024

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	*2023* US$'000	*2022* US$'000
Brokerage commission		302,063	318,310
Research fee income		26,848	31,601
Underwriting and placing commission and Sponsorship income		40,771	61,518
Corporate advisory and asset management fees		31,168	33,189
Net trading income	6	832,033	668,632
Interest income	7	227,705	129,269
Securities borrowing and lending income		58,592	29,064
Other income	8	83,131	142,769
Total operating income		1,602,311	1,414,352
Employee benefits expenses	9	(361,107)	(413,008)
Brokerage commission expenses		(151,069)	(166,218)
Finance costs	10	(495,848)	(350,278)
Securities borrowing and lending expenses		(27,929)	(28,435)
Rebates and introduction fees		(39,087)	(32,779)
Information services and communication expenses		(86,166)	(68,031)
Net settlement charges		(49,439)	(35,380)
Other operating expenses	11	(125,222)	(157,370)
Net impairment losses	3.1(b)(ii)	(22,462)	(10,943)
Total operating expenses		(1,358,329)	(1,262,442)
Operating profit		243,982	151,910
Share of gains of joint ventures	18	1,452	4,104
Share of gains of associates	19	17,280	15,610
Gain on disposal of an associate	19	21,419	-
Profit before tax		284,133	171,624
Tax expense	12	(38,019)	(46,395)
Profit for the year		246,114	125,229

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (continued)

	Notes	*2023* US$'000	*2022* US$'000
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax	21	9,558	(13,572)
Foreign exchange translation differences		(1,182)	(43,273)
Reclassification to profit or loss upon disposal		(13,833)	-
Items that will not be reclassified to profit or loss			
Foreign exchange translation differences	41	(3,614)	4,295
Remeasurements of defined benefit plan obligations, net of tax		(156)	409
Changes in the fair value of equity investments designated at fair value through other comprehensive income, net of tax	21	(4,745)	(344)
Total other comprehensive loss, net of tax		(13,972)	(52,485)
Total comprehensive income for the year		232,142	72,744
Profit/(loss) attributable to:			
Equity holders of the Company		245,127	126,127
Non-controlling interests		987	(898)
		246,114	125,229
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		231,173	73,988
Non-controlling interests		969	(1,244)
		232,142	72,744

The notes on pages 18 to 103 form part of these financial statements.

Consolidated statement of financial position at 31 December 2023

	Notes	*2023* US$'000	*2022* US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	37,246	29,111
Right-of-use assets	16	85,621	85,624
Investment properties	17	22,741	26,976
Intangible assets	14(a)	4,427	14,104
Goodwill	14(b)	73,351	73,351
Investments in joint ventures	18	2,411	1,415
Investments in associates	19	173,177	234,846
Financial assets at fair value through profit or loss	22	115,563	61,263
Financial assets at fair value through other comprehensive income	21	12,421	18,970
Deferred tax assets	32	51,933	45,671
Other assets		37,800	43,193
		616,691	634,524
Current assets			
Intangible assets	14	-	271
Financial assets at fair value through profit or loss	22	20,883,597	16,578,092
Financial assets at fair value through other comprehensive income	21	198,827	214,418
Derivative financial instruments	23	1,984,916	2,421,920
Amounts due from clients, brokers and clearing houses	24	7,222,546	7,191,733
Reverse repurchase agreements	29	75,960	104,073
Tax recoverable		21,197	96,036
Cash collateral advanced for securities borrowing		971,678	825,939
Other debtors, deposits and prepaid expenses		50,302	83,303
Cash held on behalf of customers	26	1,107,406	1,296,252
Cash and bank balances	25	1,562,423	1,493,665
		34,078,852	30,305,702
Total assets		34,695,543	30,940,226

Consolidated statement of financial position at 31 December 2023 (continued)

	Notes	*2023* US$'000	*2022* US$'000
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	22	71,151	-
Deferred tax liabilities	32	8,499	5,719
Bonus provision		11,059	12,458
Creditors and other accruals		8,938	9,150
Repurchase agreements	29	229,281	220,779
Lease liabilities	16	69,514	67,607
Long term borrowings from related parties	28	99,354	498,413
Bank borrowings	27	24,143	22,874
Debt instrument issued	36	656,108	299,869
		1,178,047	1,136,869
Current liabilities			
Financial liabilities at fair value through profit or loss	22	10,261,291	8,274,078
Derivative financial instruments	23	1,880,545	1,870,123
Amounts due to clients, brokers and clearing houses	24	11,241,916	9,509,832
Bank borrowings	27	1,073,152	1,377,532
Short term borrowings from related parties	28	610,475	799,995
Repurchase agreements	29	5,342,305	4,796,122
Lease liabilities	16	21,779	22,912
Private placement notes issued to the parent company	35	919,172	1,058,666
Creditors and other accruals		86,571	97,317
Bonus payables		150,307	175,770
Tax payable		83,602	134,959
Short-term financing instruments payable	37	136,408	175,404
		31,807,523	28,292,710
Total liabilities		32,985,570	29,429,579
Net assets		1,709,973	1,510,647

Consolidated statement of financial position at 31 December 2023 (continued)

	Notes	*2023* US$'000	*2022* US$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	839,059	839,059
Retained earnings		987,668	742,231
Other reserves	31	(137,959)	(123,695)
		1,688,768	1,457,595
Non-controlling interests		21,205	53,052
Total equity		1,709,973	1,510,647

Approved and authorised for issue by the board of directors on 14 March 2024

李春波) Directors

The notes on pages 18 to 103 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2023

	Notes	*2023* US$'000	*2022* US$'000
Cash flows from operating activities			
Cash generate from operations	33.1	991,548	36,357
Interest received		232,391	158,568
Interest paid		(460,245)	(371,364)
Taxes paid		(19,439)	(41,460)
Net cash flow generated from/(used in) operating activities		744,255	(217,899)
Cash flows from investing activities			
Purchase of intangible assets		(373)	(715)
Purchase of property, plant and equipment		(20,283)	(17,951)
Proceeds from disposal of property, plant and equipment		15	-
Proceeds from disposal of investment properties		5,358	-
Decrease/(increase) in financial assets at fair value through OCI		12,301	(40,886)
Decrease/(increase) in short-term deposit		8,821	(48,000)
Capital injection in associates		(8,042)	(10,456)
Proceeds from return of capital from associates		9,466	3,279
Proceeds from return of capital from joint ventures		4	8,844
Dividends received from associates		6,184	13,893
Dividends received from joint ventures		454	-
Proceeds from disposal of an associate		78,920	18,070
Net cash inflow in respect of acquisition of subsidiaries		-	29,076
Net cash flow generated from/(used in) investing activities		92,825	(44,846)
Cash flows from financing activities			
Distributions paid to non-controlling shareholders in subsidiaries		-	(213)
Cash inflow from non-controlling shareholders		-	34,706
Lease payments			
- Capital elements	33.3	(23,887)	(26,947)
- Interest elements	33.3	(4,073)	(2,742)
Proceeds from borrowings	33.3	390,897	305,138
Repayments of borrowings	33.3	(999,210)	(1,561,032)
Repayments of private placement notes issued to the parent company	33.3	(138,277)	(193,743)
Proceeds from debt issued	33.3	307,267	472,346
Proceeds from bank borrowings	33.3	429,855	745,370
Repayments of bank borrowings	33.3	(736,637)	(476,366)
Net cash flow used in financing activities		(774,065)	(703,483)

Consolidated statement of cash flows for the year ended 31 December 2023 (continued)

	Notes	*2023* US$'000	*2022* US$'000
Net increase/(decrease) in cash and cash equivalents		63,015	(966,228)
Cash and cash equivalents at the beginning of the year		1,428,427	2,436,738
Effect of changes in foreign exchange rates		(2,005)	(42,083)
Cash and cash equivalents at the end of the year	33.2	1,489,437	1,428,427

The notes on pages 18 to 103 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2023

	Attributable to equity shareholders of the Company								
			Other reserves						
	Share capital US$'000	*Retained earnings* US$'000	*Regulatory reserves* US$'000	*Capital and other reserve* US$'000	*Revaluation reserve* US$'000	*Foreign exchange translation reserve* US$'000	*Sub-Total* US$'000	*Non-controlling Interest* US$'000	*Total* US$'000
Balance at 1 January 2023	839,059	742,231	2,796	10,406	(28,516)	(108,381)	1,457,595	53,052	1,510,647
Profit/(loss) for the year	-	245,127	-	-	-	-	245,127	987	246,114
Other comprehensive income/(loss)	-	-	-	(14,030)	4,813	(4,737)	(13,954)	(18)	(13,972)
Total comprehensive income/(loss)	-	245,127	-	(14,030)	4,813	(4,737)	231,173	969	232,142
Transfer between reserves	-	310	(310)	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	(32,816)	(32,816)
Transactions recognised directly in equity	-	310	(310)	-	-	-	-	(32,816)	(32,816)
Balance at 31 December 2023	839,059	987,668	2,486	(3,624)	(23,703)	(113,118)	1,688,768	21,205	1,709,973

The notes on pages 18 to 103 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2023 (continued)

	Attributable to equity shareholders of the Company								
			Other reserves						
	Share capital US$'000	*Retained Earnings* US$'000	*Regulatory reserves* US$'000	*Capital and other reserve* US$'000	*Revaluation reserve* US$'000	*Foreign exchange translation reserve* US$'000	*Sub-Total* US$'000	*Non-controlling Interest* US$'000	*Total* US$'000
Balance at 1 January 2022	839,059	615,809	3,091	10,156	(14,600)	(69,908)	1,383,607	7,635	1,391,242
Profit/(loss) for the year	-	126,127	-	-	-	-	126,127	(898)	125,229
Other comprehensive income/(loss)	-	-	-	250	(13,916)	(38,473)	(52,139)	(346)	(52,485)
Total comprehensive income/(loss)	-	126,127	-	250	(13,916)	(38,473)	73,988	(1,244)	72,744
Transfer between reserves	-	295	(295)	-	-	-	-	-	-
Dividends provided for or paid	-	-	-	-	-	-	-	(213)	(213)
Others	-	-	-	-	-	-	-	46,874	46,874
Transactions recognised directly in equity	-	295	(295)	-	-	-	-	46,661	46,661
Balance at 31 December 2022	839,059	742,231	2,796	10,406	(28,516)	(108,381)	1,457,595	53,052	1,510,647

The notes on pages 18 to 103 form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in United States dollars *unless otherwise indicated)*

1 General information

CITIC Securities International Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") provide equities, futures and derivatives brokerage, research, underwriting, investment banking, advisory services, investment and trading of securities and fund management, principally in the Asia and the U.S. markets.

In the opinion of the directors, the immediate holding company or parent company of the Company is CITIC Securities Company Limited, which is incorporated in the People's Republic of China and is listed on the Shanghai Stock Exchange (Stock code: 600030) and the Hong Kong Stock Exchange (Stock code: 6030).

On 13 April 2022, the parent company received a notification from CITIC Corporation Limited, the parent company's largest shareholder, that the operating performance and financial position of the parent company were consolidated into the financial statements of CITIC Corporation Limited as from the date. CITIC Limited and CITIC Corporation Limited held 2.93% and 15.52% equity interests of the parent company respectively. CITIC Limited is acting in concert with CITIC Corporation Limited and together have a shareholding of 18.45% of the total issued shares of the parent company.

2 Material accounting policies

2.1 Statement of compliance and basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

2 Material accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value or revalued amount (Note 2.8 & 2.9);

- Defined benefits pension plans – plan asset measured at fair value (Note 2.15(b))

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Updates in accounting policies

(i) New and amended HKFRSs

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the accounting period. None of these developments are relevant to the Group except for below:

- Amendments to HKAS12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

2 Material accounting policies (continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(ii) New HKICPA guidance on the accounting implications of the abolish of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance has no material impact in regard to the Group's LSP liability.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

For business combinations that are not under common control, the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group using uniform accounting policies for like transactions and other events in similar circumstances.

2 Material accounting policies (continued)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Investments in associates and joint ventures

Associates are all entities over which the group has significant influence but not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2 Material accounting policies (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount to share of profit of investments accounted for using equity method in the consolidated statement of comprehensive income.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollar. As the Group operates internationally, management considers that it is more appropriate to use United States dollar ("US dollar"), a globally recognised currency, as the presentation currency for the Group's consolidated financial statements. For the entity whose functional currency is not US dollar, its results and financial position have been translated into US dollar.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are generally recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income/(expense).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

2 Material accounting policies (continued)

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, computer hardware and software, furniture and fittings, telecommunication equipment and motor vehicles, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. Lease hold improvements are depreciated using the shorter of remaining lease terms and useful lives. For other items including computer hardware and software, furniture and fittings, motor vehicles, as well as telecommunication equipment, the Group has adopted 3 to 5 years useful lives for depreciation.

Depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

2 Material accounting policies (continued)

2.5 Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives of 35 years.

2.6 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at each reporting date. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating units (or groups of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2 Material accounting policies (continued)

(b) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.7 Impairment of non-financial assets

Non-financial assets have an indefinite useful life are not subject to amortisation, and are tested for impairment periodically. Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

2.8 Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets and financial liabilities are classified as a non-current asset or liability when the amount expected to be recovered or settled is more than 12 months; it is classified as a current asset or liability when the amount expected to be recovered or settled is less than 12 months or does not have rights to defer settlement for at least twelve months.

2 Material accounting policies (continued)

2.8.1 Financial assets

Classification and subsequent measurement

The Group classifies financial assets on the basis of the Group's business model for managing the assets and the cash flow characteristics of the assets:

(i) Amortised cost;

(ii) Fair value through other comprehensive income ("FVOCI"); or

(iii) Fair value through profit or loss ("FVTPL").

The classification requirements for debt and equity instruments are described below:

Debt instruments

The Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by an expected credit loss allowance recognised and measured as described in note 3.1(b).

FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gain or losses, interest income and foreign exchange gain and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "net trading income".

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relation is recognised in profit or loss and presented within net trading income in the period in which it arises. Interest income from these financial assets calculated based on coupon rates is presented within net trading income.

2 Material accounting policies (continued)

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether either Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how manager are compensated.

Where the business model is to hold assets to collect contractual cash flow or to collect contractual cash flow and sell, the Group assesses whether the financial instruments' cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measure at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be every infrequent and none occurred during the period.

Equity instruments

Equity instrument are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment a fair value through other comprehensive income. The Group's policy is to designate an equity investment as FVOCI when those investments are held for purposes other than to generate investment returns. There is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of equity movements designated at FVOCI. Impairment losses (and reversal of impairment losses) on such investments are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as net trading income when the Group's right to receive payment is established.

Gains and losses on equity investment at FVTPL are recognised in profit or loss and presented in net trading income.

2 Material accounting policies (continued)

Impairment

The Group assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current condition and forecasts of future economic conditions

Note 3.1(b) provides more detail of how the expected credit loss allowance is measured.

2.8.2 Financial liabilities

Classification and measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attribute to change in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent period, the Group recognises any expense incurred on the financial liability when continuing involvement approach applies.

The Group's financial liabilities include creditors and other accruals, amounts due to clients, brokers and clearing houses, derivative financial instruments, borrowing from fellow subsidiaries, amounts due to the parent company, bank borrowings, repurchase agreements, financial liabilities at fair value through profit or loss, interest-bearing bank borrowings, private placement notes issued to the parent company.

2 Material accounting policies (continued)

2.9 Derivative financial instruments and hedging activities

Initial recognition and subsequent measurement

The Group uses certain derivative financial instruments to hedge interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, where the Group hedges net investment in foreign operations and designates certain derivatives hedges of investments in foreign operations as net investment hedges.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

(a) Derivatives

Certain derivative financial instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss and classified as held for trading. Changes in the fair value of these derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

2.10 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 Material accounting policies (continued)

2.11 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Group.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, reflecting the transaction's economic substance as a loan by the Group.

Repurchase and reverse repurchase agreements are classified as a non-current asset or liability when the amount expected to be recovered or settled is more than 12 months; it is classified as a current asset or liability when the amount expected to be recovered or settled is less than 12 months.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalent include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, short-term borrowings including bank overdrafts which are subject to an insignificant risk of changes in value. In the consolidated statement of financial position, bank overdrafts are shown within bank borrowings in current liabilities.

2.13 Cash collateral advanced for securities borrowing

Cash collateral advanced in respect of securities borrowed is included in current assets. The securities borrowed are treated as off balance sheet items and the underlying commitments are disclosed in note 39 to the consolidated financial statements.

2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and consider whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 Material accounting policies (continued)

Deferred tax is recognised, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.15 Employee benefits

(a) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the operating profits of the Group after certain adjustments and any further amounts agreed by the Management.

Deferred bonus expense has been recognised for the period of service the staff rendered in the current year over the vesting period of each committed bonus pool. The deferred cash discretionary bonus is subject to various vesting conditions, including vesting periods of at least 3 years generally.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the reporting date.

(c) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

2 Material accounting policies (continued)

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.16 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue is recognised in the consolidated statement of comprehensive income on the following basis:

(i) commission income for dealing in broking, futures and options business is recognised when the underlying transaction is executed;

(ii) commission income from underwriting and placing of securities within the scope of HKFRS 15 generally consists of one performance obligation and recognised at a point in time when the underwriting and placing arrangements are completed. Sponsorship income within the scope of HKFRS 15 generally consists of one performance obligation and recognised over time as there is enforceable right to payment to the Group for performance of services completed up to date and by stage of completion to the agreements;

2 Material accounting policies (continued)

(iii) fees and commission income from research, consultancy and advisory services are recognised in the accounting period in which the services have been rendered, net of an appropriate allowance for related costs, which are customarily associated with the provision of such services;

(iv) interest income from debt investments measured at amortised costs and FVOCI, is calculated using amortised cost and effective interest rate;;

(v) dividend income is recognised when the shareholders' right to receive payment has been established;

(vi) handling income, trade processing fee and other service income are recognised when the services have been rendered;

(vii) fee income from asset management is recognised when the related services are rendered; carried interest income is recognised only to the extent that it is highly probable that such an inclusion will not result in a significant reversal in the future when the uncertainty associated is subsequently resolved. The measurement of carried interest income is based on the crystallisation of the Group's entitlement to receive such income and an assessment of the likelihood of any "clawback" provisions; and

(viii) net gains/losses on financial assets and liabilities at fair value through profit or loss include realised gains/losses which are recognised on the trade dates; and unrealised fair value gains/losses which are recognised in the period in which they arise.

2.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

2 Material accounting policies (continued)

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and 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 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 Material accounting policies (continued)

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.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

2 Material accounting policies (continued)

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

2.22 Share capital

Ordinary shares are classified as equity.

3 Financial risk management and fair values of financial instruments

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.

(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.

3 Financial risk management and fair values of financial instruments (continued)

Management uses VaR and other approved limits including stop loss, exposure (based on credit ratings), concentration, delta, IR DV01 and Spread DV01 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.

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$6,072,469 (2022: US$2,978,831).

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

	2023 US$	*2022* US$
Equity risk	1,580,563	1,397,268
Foreign exchange risk	2,950,333	3,035,059
Interest rate risk	3,766,230	2,059,928
Vega risk	1,002,657	2,054,466
Commodity risk	688,202	315,413
Total VaR *	6,072,469	2,978,831

* 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.

3 Financial risk management (continued)

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. Back-testing result falls in green zone with 3 exceptions observed during the year.

(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.

Exposure and sensitivity

The tables below detailed the Group's exposure at the end of the reporting period to currency risk arising significant foreign current exposure. The amounts of the exposure are show in US$, translated using the spot rate at the year end date. 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. The analysis is performed on the same basis for 2022.

Foreign currency	*Net Exposure*		*Assumed change in exchange rates*	*Estimated Impact on Pre-tax profit*		*Estimated Impact on Equity*	
As at 31 December	*2023* US$'000	*2022* US$'000		*2023* US$'000	*2022* US$'000	*2023* US$'000	*2022* US$'000
Australian dollar	16,123	27,412	+5%	112	592	806	1,371
Indian rupee	82,180	82,468	+5%	(48)	37	4,109	4,123
Indonesian rupee	45,811	40,610	+5%	165	70	2,291	2,031
Japanese yen	115,108	44,880	+5%	3,382	(367)	5,755	2,244
Korean won	73,954	73,267	+5%	77	26	3,698	3,663
Malaysian ringgit	12,515	13,131	+5%	(18)	14	626	657
Philippines peso	17,427	17,454	+5%	(19)	6	871	873
Renminbi	146,776	133,268	+5%	8,161	7,659	7,339	6,663
Singaporean dollar	5,182	1,196	+5%	259	60	259	60
Sterling	74,875	81,256	+5%	113	64	3,744	4,063
Thai baht	49,286	53,561	+5%	(237)	39	2,464	2,678
	639,237	568,503		11,947	8,200	31,962	28,426

3 Financial risk management (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

	2023	*2022*
	US$000	US$000
+100 basis points	129,689	108,150
- 100 basis points	(129,689)	(108,150)

Impact on equity

	2023	*2022*
	US$000	US$000
+100 basis points	131,677	110,294
- 100 basis points	(131,677)	(110,294)

In practice, the actual results may differ from the above sensitivity analysis and the difference could be significant. The analysis is performed on the same basis for 2022.

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.

3 Financial risk management (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.

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

3 Financial risk management (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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.

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 summarised 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;

3 Financial risk management (continued)

- 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.

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.

3 Financial risk management (continued)

- 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.

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 as at 31 December 2023 reconcile to the opening loss allowances as follows:

3 Financial risk management (continued)

	Amounts due from clients, brokers and clearing houses			
	Simplified approach Lifetime ECL	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL*	*Stage 3 Lifetime ECL*
	US$000	US$000	US$'000	US$000
Loss allowance as at 1 January 2022	1,834	-	20	7,796
Reversal of provision	-	-	(6)	-
Reclassification	1,060	-	-	-
As at 31 December 2022 and 1 January 2023	2,894	-	14	7,796
Reclassification	613	-	-	-
Increase in loss allowance recognised in profit or loss during the year	6,479	-	-	85
Reversal of provision	(96)	-	(13)	-
Exchange differences	(30)	-	-	(13)
As at 31 December 2023	9,860	-	1	7,868

The closing loss allowances for debt investments at fair value through other comprehensive income as at 31 December 2023 reconcile to the opening loss allowances as follows:

	Debt investments at fair value through other comprehensive income		
	Stage 1 12-month ECL	*Stage 2 Lifetime ECL*	*Stage 3 Lifetime ECL*
	US$'000	US$'000	US$'000
Loss allowance as at 1 January 2022	884	20,064	-
Transfer between stages	-	(20,064)	20,064
Increase in debt investments loss allowance recognised in profit or loss during the year	921	-	10,626
As at 31 December 2022 and 1 January 2023	1,805	-	30,690
Increase in debt investments loss allowance recognised in profit or loss during the year	727	-	15,345
As at 31 December 2023	2,532	-	46,035

3 Financial risk management (continued)

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
As at 31 December 2023				
Amounts due from clients, brokers and clearing houses - Margin receivable/loans receivable arising from business of loans and financing	682,236	(1,941)	680,295	4,096,402
Amounts due from clients, brokers and clearing houses – Others	6,558,039	(15,788)	6,542,251	6,542,251
Debt investments at fair value through other comprehensive income	288,125	(48,567)	239,558	198,827
Other debtors and deposits	29,597	(667)	28,930	-
Reverse repurchase agreements	75,960	-	75,960	68,828
Total	7,633,957	(66,963)	7,566,994	10,906,308

	Gross exposure US$'000	*Impairment allowance* US$'000	*Carrying amount* US$'000	*Fair value of collateral held* US$'000
As at 31 December 2022				
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	7,650,492	(43,927)	7,606,565	10,125,110

3 Financial risk management (continued)

(ii) Net impairment losses on financial assets

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

	2023 US$000	*2022* US$000
Amounts due from clients, brokers and clearing houses:		
Impairment losses	6,564	-
Reversal of impairment losses	(109)	(6)
	6,455	(6)
Impairment losses on debt investments at fair value through other comprehensive income	16,072	11,547
Impairment losses on other debtors	11	33
Reversal of impairment losses	(76)	(631)
Net impairment losses on financial assets	22,462	10,943

(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.

As at 31 December 2023, the Group's total available credit lines amounted to US$5,933,581,000 (2022: US$5,643,232,000) of which US$4,247,779,000 (2022: US$2,941,107,000) was unutilised.

3 Financial risk management (continued)

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
As at 31 December 2023				
Non-derivative financial liabilities				
Financial liabilities at fair value through profit or loss	2,980,772	729,036	6,622,634	10,332,442
Long term borrowings from related parties	-	-	107,502	107,502
Short term borrowings from related parties	515,787	102,517	-	618,304
Amounts due to clients, brokers and clearing houses	11,271,422	-	-	11,271,422
Repurchase agreements	5,193,191	168,337	248,138	5,609,666
Creditors and other accruals	109,530	-	8,946	118,476
Lease liabilities	7,030	19,128	78,357	104,515
Bank borrowings	1,076,119	-	24,536	1,100,655
Private placement notes issued to the parent company	-	919,172	-	919,172
Debt instrument issued	-	26,153	675,086	701,239
Short-term financing instrument payable	93,730	45,258	-	138,988
	21,247,581	2,009,601	7,765,199	31,022,381
Cash flows from derivative financial liabilities settled on a net basis	308,037	224,511	1,165,535	1,698,083
Gross-settled derivative financial liabilities:	72,379	55,392	54,691	182,462
Contractual amounts receivable	(10,979,700)	(4,830,478)	(2,954,010)	(18,764,188)
Contractual amounts payable	11,052,079	4,885,870	3,008,701	18,946,650

3 Financial risk management (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 2022				
Non-derivative financial liabilities				
Financial liabilities at fair value through profit or loss	3,914,237	678,074	3,834,516	8,426,827
Long term borrowings from a fellow subsidiary	-	10,027	514,137	524,164
Short term borrowings from fellow subsidiaries	292,093	513,547	-	805,640
Amounts due to clients, brokers and clearing houses	9,509,832	-	-	9,509,832
Repurchase agreements	4,613,406	212,341	247,178	5,072,925
Creditors and other accruals	97,309	8	9,150	106,467
Lease liabilities	7,414	18,889	75,538	101,841
Bank borrowings	1,286,618	100,759	24,733	1,412,110
Private placement notes issued to the parent company	20,443	1,042,194	-	1,062,637
	19,741,352	2,575,839	4,705,252	27,022,443
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

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 2023, a subsidiary company of the Group has certain bank borrowings, total outstanding amount of US$450,000,000 (2022: US$800,000,000), 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 2023 and 2022, 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 2023 was US$1,712,470,000 (2022: US$1,486,111,000).

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).

3 Financial risk management (continued)

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 2023				
Assets				
Financial assets at fair value through profit or loss				
- listed equities	14,170,377	-	-	14,170,377
- managed funds	1,030,591	29,267	109,873	1,169,731
- unlisted equities	-	-	5,710	5,710
- debt securities	1,806	5,463,727	187,809	5,653,342
Derivative financial instruments				
- for own account purposes	33,712	758,627	4,600	796,939
- for client account purposes	51,735	1,136,242	-	1,187,977
Financial assets at fair value through other comprehensive income				
- unlisted equities	-	-	12,421	12,421
- debt securities	-	144,652	54,175	198,827
Total assets	15,288,221	7,532,515	374,588	23,195,324
Liabilities				
Financial liabilities at fair value through profit or loss				
- listed equities	1,417,968	-	-	1,417,968
- managed funds	35,671	10,096	29,622	75,389
- medium term notes	-	8,365,445	-	8,365,445
- debt securities	-	50,963	-	50,963
- equity linked notes	-	422,677	-	422,677
Derivative financial instruments				
- for own account purposes	3,548	743,617	-	747,165
- for client account purposes	7,910	1,125,470	-	1,133,380
Total liabilities	1,465,097	10,718,268	29,622	12,212,987

3 Financial risk management (continued)

	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				
- unlisted equities	-	-	18,970	18,970
- debt securities	-	159,662	54,756	214,418
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

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 or other comprehensive income.

3 Financial risk management (continued)

The Group's valuation process

Product Control team within the 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. The carrying amount of receivables and payables are assumed to approximate their fair values.

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 defaulted debt instruments, investments in unlisted investment funds, equity investment in partnerships and derivatives.

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

	Financial assets at fair value through profit or loss - Unlisted equity securities	*Financial assets at fair value through profit or loss - Debt securities*	*Financial assets at fair value through profit or loss - Managed funds*	*Trading derivatives at FVPL*	*Financial assets at fair value through other comprehensive income*	*Total*
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2023	4,565	267,742	56,717	8,400	73,726	411,150
Acquisitions	926	69,878	48,994	-	-	119,798
Disposals	-	(138,489)	(4,113)	-	(13,363)	(155,965)
Gains recognised in other comprehensive income	-	-	-	-	6,233	6,233
Gains/(losses) recognised in profits or loss	219	(11,322)	8,275	(3,800)	-	(6,628)
At 31 December 2023	5,710	187,809	109,873	4,600	66,596	374,588

3 Financial risk management (continued)

	Financial liabilities at fair value through profit or loss - Unlisted managed funds US$'000	*Total* US$'000
At 1 January 2023	-	-
Acquisitions	28,732	28,732
Losses recognised in profits or loss	890	890
At 31 December 2023	29,622	29,622

	Financial assets at fair value through profit or loss - Unlisted equity securities US$'000	*Financial assets at fair value through profit or loss - Debt securities* US$'000	*Financial assets at fair value through profit or loss - Managed funds* US$'000	*Trading derivatives at FVPL* US$'000	*Financial assets at fair value through other comprehensive 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 profits or loss	766	(3,122)	1,096	(900)	-	(2,160)
At 31 December 2022	4,565	267,742	56,717	8,400	73,726	411,150

	Valuation Methodologies	*Unobservable Inputs*	*Unit*	*Range of unobservable inputs* *2023*	*2022*	*Relationship to fair value*
Debt securities investments	Market approach	EV / EBITDA multiples	Multiples	6x	7x	Positive
		Marketability discount	%	-3.84 ~ 60	-4.12 ~ 60	Negative
		Latest transfer price	USD per share	8.58	7.76	Positive
	Latest financial information	Net Asset Value / Investment cost	USD'000	19 ~ 82,807	19 ~ 126,467	Positive
Unlisted equity investments	Market approach	Marketability discount	%	9 ~ 22	4 ~ 22	Negative
		P/S Multiples	Multiples	14.9x	10.6x	Positive
	Latest financial information	Net Asset Value / Investment cost	USD'000	6,836 ~ 199,127	2,750 ~ 11,828	Positive
		EV / Revenue multiples	Multiples	2.6x	N/A	Positive
Unlisted managed fund	Market approach	P/E Multiples	Multiples	40.9x	N/A	Positive
		Marketability discount	%	10 ~ 15	N/A	Negative

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 statement of financial position; 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 statement of financial position.

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

	Gross amount of recognised financial assets/ liabilities US$'000	*Gross amount of recognised financial liabilities/ assets offset in the consolidated statement of financial position* US$'000	*Net amount of financial assets/ liabilities presented in the consolidated statement of financial position* US$'000	*Related amounts not offset in the consolidated statement of financial position — Financial instruments other than cash collateral* US$'000	*Net amount* US$'000
31 December 2023					
Financial assets					
Derivative financial instruments (b)	1,984,916	-	1,984,916	(655,511)	1,329,405
Reverse repurchase Agreement (b)	75,960	-	75,960	(75,960)	-
Margin receivables	738,148	(56,194)	681,954	(681,954)	-
Amounts due from clearing houses (a)	1,032,715	(797,348)	235,367	-	235,367
	3,831,739	(853,542)	2,978,197	(1,413,425)	1,564,772
Financial liabilities					
Derivative financial instruments (b)	1,880,545	-	1,880,545	(655,511)	1,225,034
Repurchase agreements (b)	5,571,586	-	5,571,586	(5,571,586)	-
Amounts due to clearing houses (a)	1,165,397	(797,348)	368,049	-	368,049
	8,617,528	(797,348)	7,820,180	(6,227,097)	1,593,083

3 Financial risk management (continued)

	Gross amount of recognised financial assets/ liabilities US$'000	Gross amount of recognised financial liabilities/ assets offset in the consolidated statement of financial position US$'000	Net amount of financial assets/ liabilities presented in the consolidated statement of financial position US$'000	Related amounts not offset in the consolidated statement of financial position — Financial instruments other than cash collateral US$'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)	-
Margin receivables	786,966	(77,828)	709,138	(709,138)	-
Amounts due from clearing houses (a)	2,833,970	(2,450,898)	383,072	-	383,072
	6,146,929	(2,528,726)	3,618,203	(1,486,371)	2,131,832
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
	9,379,002	(2,450,898)	6,928,104	(5,690,061)	1,238,043

(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.

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.

(a) Estimation of goodwill impairment

Goodwill 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(b) 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$72,692,000 (2022: US$66,867,000) in relation to tax losses and deductible temporary differences. Refer to Note 32 to the consolidated financial statements for details.

(c) Fair value estimation

The Group holds investments in various financial instruments that measured at fair value which are classified as level 3 under HKFRS 13.

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 Critical accounting estimates and judgments (continued)

The fair value of these investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. These valuations require level of judgement of the Group to make estimates about expected future cash flows, credit risks, discount rates, volatilities and operating results. The inclusion of these estimates in determining the fair values are subject to uncertainty.

(d) 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).

5 Revenue

	2023 US$'000	*2022* US$'000
Brokerage commission from:		
- equities trading	298,542	312,993
- derivatives trading	3,521	5,317
Total brokerage commission	302,063	318,310
Research fee income	26,848	31,601
Underwriting and placing commission and Sponsorship income	40,771	61,518
Corporate advisory and asset management fees	31,168	33,189
Total revenue	400,850	444,618

Notes: Total revenue arising from customer contracts under HKFRS 15.

6 Net trading income

	2023 US$'000	*2022* US$'000
Net gains on financial assets and financial liabilities at FVTPL	584,266	473,061
Net gains/(losses) on financial assets at FVOCI	1,540	(1,629)
Dividend income	136,287	113,863
Interest income from debt securities at FVTPL	109,940	83,337
Total net trading income	832,033	668,632

7 Interest income

	2023 US$'000	*2022* US$'000
Interest income		
- bank deposits	90,963	35,449
- loan receivable arising from business of loans and financing	48,953	32,897
- reverse repurchase agreements	4,015	6,947
- deposits with clearing houses and brokers	34,105	28,271
- financial assets at fair value through other comprehensive income	9,420	10,977
- collateral placed with counterparties	36,524	9,635
- others	3,725	5,093
Total interest income	227,705	129,269

Notes: Total interest income are calculated using effective interest method.

8 Other income

	Notes	*2023* US$'000	*2022* US$'000
Service fee income		2,150	2,150
Overhead expenses recharge to related companies	(ii)	8,621	7,411
Overhead expenses recharge to fellow subsidiaries		-	158
Miscellaneous income	(i)	6,454	5,631
Sales of healthcare products		22,728	4,093
Rental income		1,505	1,790
Gain on disposal of property, plant and equipment		15	-
Gain on disposal of investment properties		1,165	-
Net foreign exchange gain	(iii)	40,493	121,536
Total other income		83,131	142,769

8 Other income (continued)

Notes:

(i) Miscellaneous income

The balance comprises mainly government grants, which represents job support grants of US$149,000 (2022: US$492,000) 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 2023 and 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.

9 Employee benefits expenses

	Notes	*2023* US$'000	*2022* US$'000
Salaries and other short-term employee benefits		347,013	398,747
Pension costs – contribution to pension plans	(i)	13,453	13,749
Termination benefits		641	512
Total employee benefits expenses		361,107	413,008

Notes:

(i) Pension costs included both contributions to defined contribution and defined benefits plans.

10 Finance costs

	2023	*2022*
	US$'000	US$'000
Interest expense on:		
- bank borrowings	86,842	47,121
- client securities accounts	672	925
- private placement notes	2,394	5,465
- borrowings from related parties	47,636	37,090
- repurchase agreements	295,040	103,009
- lease liabilities	4,073	2,742
- collateral received from counterparties	18,564	130,032
- medium term notes	24,262	8,581
- others	13,597	13,898
	493,080	348,863
Banking facilities related fees and charges	2,768	1,415
Total finance costs	495,848	350,278

11 Other operating expenses

	2023	*2022*
	US$'000	US$'000
Amortisation of intangible assets (Note 14)	10,301	17,662
Impairment charge of intangible assets (Note 14)	18	47,228
Auditor's remuneration	3,098	3,408
Bank charges	2,148	1,642
Business tax	1,803	2,610
Charitable donation	133	9
Depreciation on property, plant and equipment (Note 15)	12,105	10,872
Depreciation on investment properties (Note 17)	845	869
Depreciation on right-of-use assets (Note 16)	24,888	26,821
Fixed asset written off	19	736
Impairment loss on investment properties (Note 17)	674	840
Legal and professional fees	8,119	9,177
Office premises costs	10,792	11,302
Promotion and advertising expenses	9,868	6,485
Research expenses	2,277	2,316
Loss on disposal of property, plant and equipment	-	4
Sundry expenses	25,701	10,728
Travelling and entertainment	10,603	2,851
Expense relating to short-term leases	1,830	1,810
Total other operating expenses	125,222	157,370

12 Tax expense

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

	2023 US$'000	*2022* US$'000
Current tax on profits for the year	41,811	53,277
Current tax of prior years	(2,328)	4,170
Withholding tax	3,438	3,544
Deferred tax (Note 32)	(4,902)	(14,596)
Total tax expense	38,019	46,395

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates if taxation ruling in the relevant countries.

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:

	2023 US$'000	*2022* US$'000
Profit before tax	284,133	171,624
Tax calculated at domestic rates applicable to profits in respective jurisdictions	**44,612**	**33,563**
Income not subject to tax	(9,815)	(9,598)
Expenses not deductible for tax purposes	2,321	13,462
Utilisation of previously unrecognised tax losses	(2,646)	(371)
Tax losses for which no deferred tax asset was recognised	2,195	3,383
Current tax of prior periods	(2,328)	4,170
Deferred tax of prior periods	(501)	(559)
Recognition of prior year deferred tax assets	184	-
Withholding tax	3,438	3,544
Others	559	(1,199)
Tax expense	38,019	46,395

12 Tax expense (continued)

In addition to profit tax provision, the Group has recognised the below tax-related provision as at 31 December 2023 and 2022:

(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$54,390,000 have been made as at 31 December 2023 (2022: US$52,775,000).

(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$20,588,000 as at 31 December 2023 (2022: US$19,864,000) based on management best estimates.

<u>Pillar Two income taxes</u>

The Group operates in countries across Asia, Europe and the US. Although certain countries have announced the adoption of Pillar Two model rules published by the OECD effective either in year 2024 or 2025, the local tax rules and regulations relative to the same are yet to be finalized. As a result, the Group has applied the temporary mandatory exception to the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two, if any.

13 Dividends

No final dividend in respect of the year ended 31 December 2023 was to be proposed by the Company (2022: Nil).

14 Goodwill and intangible assets

(a) Goodwill

	2023 US$'000	*2022* US$'000
Cost		
At 1 January	379,951	377,154
Additions	-	2,797
At 31 December	379,951	379,951
Accumulated impairment		
At 1 January	306,600	259,372
Provision for the year	-	47,228
At 31 December	306,600	306,600
Net book value		
At 31 December	73,351	73,351

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.

Impairment test for cash-generating units containing goodwill

As at 31 December 2023, the carrying amounts of goodwill allocated to the Group's cash-generating units ("CGUs") as follows:

	Note	*2023* US$'000	*2022* US$'000
Goodwill arising from business acquisitions:			
- Investment Banking	(i)	31,849	31,849
- Equity Derivatives	(i)	41,483	41,483
- Acquisitions of operations in several countries		19	19
Total		73,351	73,351

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

14 Goodwill and 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 US$'000
CGUs:	
Institutional Brokerage	169,482
Investment Banking	31,849
Fixed Income	44,431
Equity Derivatives	41,483
Asset Management *	-
CLSA Group acquired in 2013	287,245

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

14 Goodwill and intangible assets (continued)

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

	As at 31 December 2023			*As at 31 December 2022*		
	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	15.6%	2%	10%	16.8%	2%	22%
Equity Derivatives	18.0%	2%	49%	14.9%	2%	50%
Fixed income	N/A	N/A	N/A	16.4%	2%	10%

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% (2022: 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 2023. The Group has revised the average operating profit-margin forecast taking into consideration the actual financial results of 2023. The discount rate is calculated using the latest market data inputs.

14 Goodwill and intangible assets

(b) Intangible assets

	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
Cost							
At 1 January 2023	172,368	42,500	82,600	3,627	6,805	14,350	322,250
Additions	-	-	-	373	-	-	373
Exchange differences	-	-	-	(6)	2	-	(4)
At 31 December 2023	172,368	42,500	82,600	3,994	6,807	14,350	322,619
Accumulated amortisation							
At 1 January 2023	160,556	-	82,600	3,410	3,070	14,079	263,715
Amortisation charges	9,911	-	-	119	-	271	10,301
Exchange differences	-	-	-	(3)	1	-	(2)
At 31 December 2023	170,467	-	82,600	3,526	3,071	14,350	274,014
Accumulated impairment							
At 1 January 2023	1,660	42,500	-	-	-	-	44,160
Provision for the year	-	-	-	-	18	-	18
At 31 December 2023	1,660	42,500	-	-	18	-	44,178
Net book value							
At 31 December 2023	241	-	-	468	3,718	-	4,427
Cost							
At 1 January 2022	172,368	42,500	82,600	3,562	6,859	13,700	321,589
Additions	-	-	-	65	-	650	715
Exchange differences	-	-	-	-	(54)	-	(54)
At 31 December 2022	172,368	42,500	82,600	3,627	6,805	14,350	322,250
Accumulated amortisation							
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	160,556	-	82,600	3,410	3,070	14,079	263,715
Accumulated impairment							
At 1 January 2022	1,660	42,500	-	-	-	-	44,160
At 31 December 2022	1,660	42,500	-	-	-	-	44,160
Net book value							
At 31 December 2022	10,152	-	-	217	3,735	271	14,375

The trademarks and exchange trading rights are not amortised 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 amortised over the expected useful lives of 10 years, 5 years and 5 years respectively.

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 2023						
At 1 January 2023	5,900	19,518	2,283	1,321	89	29,111
Additions	1,720	16,601	776	1,186	-	20,283
Disposals/written off	(7)	(6)	(6)	-	-	(19)
Depreciation	(2,158)	(8,451)	(918)	(564)	(14)	(12,105)
Exchange differences	7	(48)	20	(4)	1	(24)
At 31 December 2023	5,462	27,614	2,155	1,939	76	37,246
At 31 December 2023						
Cost	28,953	182,941	8,797	10,182	602	231,475
Accumulated depreciation	(23,491)	(155,327)	(6,642)	(8,243)	(526)	(194,229)
Net book amount	5,462	27,614	2,155	1,939	76	37,246

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 2022						
At 1 January 2022	4,649	16,365	1,511	581	105	23,211
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)
Exchange differences	(245)	(257)	(47)	(9)	(5)	(563)
At 31 December 2022	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

16 Leases

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 US$'000	*2022* US$'000
Right-of-use assets		
Buildings	85,423	85,522
Motor vehicles	142	23
IT equipments	56	79
	85,621	85,624
Lease liabilities		
Current	21,779	22,912
Non-current	69,514	67,607
	91,293	90,519

Additions to the right-of-use assets during the 2023 financial year were US$14,662,000 (2022: US$14,656,000). During 2023, the Group has extended three of the office lease contracts in Hong Kong and Singapore for 3 years.

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

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

	2023 US$'000	*2022* US$'000
Depreciation charge of right-of-use assets		
Buildings	24,823	26,755
Motor vehicles	45	43
IT equipments	20	23
	24,888	26,821
Interest expense (included in finance costs)	4,073	2,742
Expense relating to short-term leases	1,830	1,810

The total cash outflow for leases in 2023 was US$29,790,000 (2022: US$31,499,000).

16 Leases (continued)

(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 1 year 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.

17 Investment properties

	Commercial and industrial building	
	2023	*2022*
	US$'000	US$'000
Cost		
At 1 January	40,841	45,841
Disposal	(8,724)	-
Exchange differences	2,266	(5,000)
At 31 December	34,383	40,841
Accumulated depreciation		
At 1 January	(3,529)	(3,005)
Depreciation charge	(845)	(869)
Disposal	787	-
Exchange differences	(212)	345
At 31 December	(3,799)	(3,529)
Allowance for impairment		
At 1 January	(10,336)	(10,657)
Impairment loss on investment properties	(674)	(840)
Disposal	3,744	-
At 31 December	(577)	1,161
Closing book amount	(7,843)	(10,336)
Net book amount	22,741	26,976

As at 31 December 2023 and 2022, the net book amount of the investment properties are approximated to its fair value.

17 Investment properties (continued)

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

	2023 US$'000	*2022* US$'000
Rental income from operating leases	1,505	1,790
Direct operating expenses from property that generated rental income	(1,882)	(3,388)
Impairment loss on investment properties	(674)	(840)

(ii) Non-current assets pledged as security

Refer to Note 27 for information on non-current assets pledged as security by the Group for 2022.

(iii) Leasing arrangement

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

18 Investments in joint ventures

	2023 US$'000	*2022* US$'000
At 1 January	1,415	6,101
Return of capital	(4)	(8,844)
Share of gains of joint ventures	1,452	4,104
Dividend	(454)	-
Reclassification to amount due from clients, brokers and clearing house	-	283
Exchange differences	2	(229)
At 31 December	2,411	1,415

Set out below are the joint ventures of the Group as at 31 December 2023 and 2022. The joint ventures are held directly by the Group. The country of incorporation or registration is also their principal place of business.

18 Investments in joint ventures (continued)

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 2023*	*Group interest as at 31 December 2022*	*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
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

All joint ventures are held indirectly through other subsidiaries. They 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.

The Group has no individually material joint venture as at year-end.

19 Investments in associates

	2023 US$'000	*2022* US$'000
As at 1 January	234,846	243,646
Additional investment in associates	8,042	10,456
Share of gains	17,280	15,610
Dividends	(6,184)	(13,893)
Return of capital	(9,466)	(3,279)
Disposal of investments invested by the associates	(71,334)	(18,070)
Exchange differences	(7)	376
As at 31 December	173,177	234,846

19 Investments in associates (continued)

The Group's share of the results of its associates, all of which are unlisted whose quoted market price is not available, and their aggregated assets (including goodwill) and liabilities are as follows:

Name	*Place of Incorporation*	*Principal activities*	*Effective percentage of interest in ownership*	
			As at 31 December 2023	*As at 31 December 2022*
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%
Fudo Capital IV, L.P. #	Cayman Islands	Real estate fund	-	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%	3.00%
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 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%
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%
Holisol Logistics Private Limited	India	Asset management	20.29%	20.29%

19 Investments in associates (continued)

Name	*Place of Incorporation*	*Principal activities*	*Effective percentage of interest in ownership*	
			As at 31 December 2023	*As at 31 December 2022*
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%
Fudo Capital Limited (Formerly name as CLSA Real Estate Limited)	Cayman Islands	Proposed investment advisor on real estate investments	-	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 certain funds at Group level, management considers the Group have significant influence on those funds' investments and recognise those funds as investment in associate accordingly.

All associates are held indirectly through other subsidiaries.

In 2023, the Group disposed its interest of 30% in MEC Global Partners Asia Ltd. and incurred a gain on disposal of US$3,970,000.

In 2023, the Group disposed its interest of 40% in Fudo Capital Limited and incurred a gain on disposal of US$17,803,000. After the transaction, the Group lost significant influence on Fudo Capital Limited and also the funds (Fudo Capital III, L.P. and Fudo Capital IV, L.P.) which the subsidiaries of Fudo Capital Limited act as managers. Fudo Capital III, L.P. and Fudo Capital IV, L.P. are classified as Financial assets at fair value through profit or loss upon the disposal.

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.

<u>Summarised balance sheet</u>

	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$'000
<u>As at 31 December 2023</u>					
Total current assets	2,145	43,830	13,105	984	12,764
Total current liabilities	(96)	(10,304)	(502)	(370)	(11,877)
Total non-current assets	32,736	68,982	191,084	103,634	174,477
Total non-current liabilities	-	-	-	(19,828)	(33,238)
Net assets	34,785	102,508	203,687	84,420	142,126
Reconciliation to carrying amounts:					
Closing net assets	34,785	102,508	203,687	84,420	142,126
Group's share in %	39.14%	35.00%	22.16%	23.99%	6.08%
Group's share in US$	13,616	35,878	45,146	20,255	8,647
Carrying value	13,616	35,878	45,146	20,255	8,647
<u>As at 31 December 2022</u>					
Total current assets	198	149,399	14,479	503	108,340
Total current liabilities	(230)	(9,485)	(3,776)	(159)	(4,354)
Total non-current assets	52,233	784	196,131	271,986	235,713
Total non-current liabilities	-	(228)	(292)	(51,810)	(51,522)
Net assets	52,201	140,470	206,542	220,520	288,177
Reconciliation to carrying amounts:					
Closing net assets	52,201	140,470	206,542	220,520	288,177
Group's share in %	39.14%	35.00%	22.16%	23.99%	6.08%
Group's share in US$	20,431	49,164	45,770	52,903	17,521
Carrying value	20,431	49,164	45,770	52,903	17,521

19 Investments in associates (continued)

Summarised statement of comprehensive income

	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 2023					
Revenue	-	12,170	22,946	-	3
Expenses	(324)	(2,760)	(3,384)	(3,687)	(9,838)
Depreciation and amortisation	-	-	-	-	-
Interest income	-	1,846	188	1,327	-
Interest expense	-	-	-	-	-
Net realised gain/(loss) on investments	7,425	(86)	(35)	-	-
Net change of unrealised appreciation/(depreciation) on investments	(3,693)	(9,840)	330	(2,197)	196,145
Profit/(loss) before tax	3,408	1,330	20,045	(4,557)	186,310
Income tax (expenses)/credit	-	(16)	-	-	-
Total comprehensive income/(loss)	3,408	1,314	20,045	(4,557)	186,310

	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 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	(5,041)	(40,382)	(7,530)	91,704	80,734
Profit/(loss) before tax	(5,879)	10,293	7,295	73,940	61,973
Income tax (expenses)/credit	-	116	-	-	-
Total comprehensive income/(loss)	(5,879)	10,409	7,295	73,940	61,973

19 Investments in associates (continued)

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	801	(8,916)
Other comprehensive income	-	-
Total comprehensive income	801	(8,916)
Carrying amount	49,635	48,960

20 Subsidiaries

20.1 Information about subsidiaries

The following is a list of the principal subsidiaries of the Company as at 31 December 2023 and 31 December 2022:

Name	*Place of incorporation*	*Group interest as at 31 December 2023*	*Group interest as at 31 December 2022*	*Principal activities*
CLSA B.V.	Netherlands	100%[1]	100%[1]	Investment holding
CLSA Europe B.V.	Netherlands	100%[1]	100%[1]	Provision of securities brokerage and investment banking services
CITIC Securities (Hong Kong) Limited	Hong Kong	100%[1]	100%[1]	Corporate finance and advisory services
CITIC Securities Brokerage (HK) Limited	Hong Kong	100%[1]	100%[1]	Securities brokerage and margin financing
CITIC Securities Futures (HK) Limited	Hong Kong	100%[1]	100%[1]	Brokerage of futures and options contracts
CITIC Securities Finance (HK) Limited (Formerly known as CLSA Finance Limited)	Hong Kong	100%[1]	100%[1]	Treasury services
CLSA Investments Ltd.	Cayman Islands	100%[1]	100%[1]	Investment holding
CLSA Australia Holdings Pty Ltd	Australia	100%[1]	100%[1]	Investment holding
CITIC Securities CLSA Capital Partners Limited (Formerly known as CLSA Capital Partners Limited)	Hong Kong	100%[1]	100%[1]	Investment holding
CLSA Fund Services (Asia) Limited	Hong Kong	100%[1]	100%[1]	Fund Administrative services
CLSA Global Investments Management Limited	British Virgin Islands	100%[1]	100%[1]	Investment holding
SetClear Pte. Ltd.	Singapore	100%[1]	100%	IT & middle / back office services
CSI Global Markets Holdings Limited	British Virgin Islands	100%[1]	100%	Holding company
CLSA Americas Holdings, Inc.	United States of America	100%[1]	100%	Holding company

20 Subsidiaries (continued)

20.1 Information about subsidiaries (continued)

Name	*Place of incorporation*	*Group interest as at 31 December 2023*	*Group interest as at 31 December 2022*	*Principal activities*
CLSA Premium Limited[2]	Cayman Islands	59.03%[1]	59.03%[1]	Investment holding
CLSA Asset Management Limited	Hong Kong	100%	100%	Asset management
CITIC Securities CLSA Capital Partners (HK) Limited (Formerly known as CLSA Capital Partners (HK) Limited)	Hong Kong	100%	100%	Investment advisory services
CLSA Limited	Hong Kong	100%	100%	Broking and dealing in securities and underwriting
CITIC Securities International Capital Management Limited (Formerly known as CSI Capital Management Limited)	British Virgin Islands	100%	100%	Investment and securities trading
CITIC Securities International Global Markets Limited (Formerly known as CSI Global Markets Limited)	Hong Kong	100%	100%	Securities brokerage
XinZheng Operation Management Limited	PRC	100%[1]	100%[1]	IT & middle / back office services

[1] Subsidiaries held directly by the Company

[2] The subsidiary is not audited by KPMG.

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

The total non-controlling interest as at 31 December 2023 is US$21,205,000 (2022: US$53,052,000), of which US$5,496,000 (2022: US$4,407,000) is for PT CLSA Sekuritas Indonesia, US$2,845,000 (2022: US$2,681,000) is for CLSA Funding (Cayman) Limited, US$298,000 (2022: US$890,000) is for Avignon Holdings Limited and US$12,566,000 (2022: US$12,258,000) is for CLSA Premium Limited.

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*
		2023	*2022*	*2023*	*2022*	
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
CLSA Premium Limited	Cayman Islands	59.03%	59.03%	40.97%	40.97%	Investment holding

20 Subsidiaries (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*		*Avignon Holdings Limited*		*CLSA Premium Limited*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current								
Assets	106,710	63,301	225	185	2,140	6,108	32,018	36,172
Liabilities	(66,368)	(25,992)	(4)	(161)	(2,261)	(4,094)	(1,395)	(6,359)
Total current net assets	40,342	37,309	221	24	(121)	2,014	30,623	29,813
Non-current								
Assets	2,167	1,903	9,959	9,896	888	804	50	108
Liabilities	-	-	-	-	-	-	-	-
Total non-current net assets	2,167	1,903	9,959	9,896	888	804	50	108
Net assets	42,509	39,212	10,180	9,920	767	2,818	30,673	29,921

Summarised consolidated statement of comprehensive income

	PT CLSA Sekuritas Indonesia		*CLSA Funding (Cayman) Limited*		*Avignon Holdings Limited*		*CLSA Premium Limited*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2023*
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	12,442	13,784	463	-	1,987	2,091	23,959	4,037
Post-tax profit/(loss) from continuing operations	2,550	4,353	452	(2,043)	(2,178)	(304)	800	(181)
Total comprehensive income/(loss)	3,298	504	452	(2,043)	(2,057)	(679)	800	(181)
Profit/(loss) allocated to non-controlling interest	1,020	1,741	126	(571)	(578)	(105)	328	(74)
Dividends paid to non-controlling interest	-	-	99	131	49	82	-	-

20 Subsidiaries (continued)

Summarised cash flows

	PT CLSA Sekuritas Indonesia		*CLSA Funding (Cayman) Limited*		*Avignon Holdings Limited*		*CLSA Premium Limited*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash generated from/(used in) operating activities	3,648	3,654	293	325	(1,469)	590	1,271	(2,332)
Cash flows used in investing activities	-	-	-	-	(16)	(15)	-	-
Cash flows used in financing activities	(250)	(269)	(354)	(306)	(188)	(223)	-	(1)

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

21 Financial assets at fair value through other comprehensive income

	2023	*2022*
	US$'000	US$'000
Non-current portion		
Unlisted equities	12,421	18,970
Current assets		
Debt securities	198,827	214,418

During the year, the following losses were recognised in other comprehensive income.

	2023	*2022*
	US$'000	US$'000
Losses recognised in other comprehensive income		
Related to equity investment, net of tax	(4,745)	(344)
Related to debt investment, net of tax	9,558	(13,572)
	4,813	(13,916)

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

	As at 31 December 2023	
	Assets	*Liabilities*
	US$'000	US$'000
Non-current portion		
Fair value through profit or loss		
For own account purposes:		
- Unlisted equities	5,690	-
- Managed funds	109,873	71,151*
Total for non-current portion	115,563	71,151
Current portion		
Held for trading		
For own account purposes:		
- Listed equities	411,485	169,692
- Managed funds	51,286	4,239
- Debt securities	1,625,857	50,963
	2,088,628	224,894
For client account purposes:		
- Listed equities	13,755,897	1,240,755
- Managed funds	1,008,503	-
- Debt securities	3,997,918	-
	18,762,318	1,240,755
Fair value through profit or loss		
For own account purposes:		
- Unlisted equities	19	7,521
- Debt securities	29,568	-
	29,587	7,521
For client account purposes:		
- Listed equities	2,995	-
- Managed funds	69	-
- Equity linked notes	-	422,677
- Medium term notes	-	8,365,444
	3,064	8,788,121
Total for current portion	20,883,597	10,261,291

Note:
* Balance of financial liabilities at fair value through profit or loss represents net assets attributable to non-controlling interests of investment funds.

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

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

23 Derivative financial instruments

	Assets US$'000	*Liabilities* US$'000
As at 31 December 2023		
For own account purposes:		
- Credit default swaps	830	108
- Foreign currency forward contracts	88,056	90,730
- Index futures	23,480	5,425
- Bond futures	6,988	949
- Interest rate swaps	369,144	275,416
- Equity swaps	16,893	3,088
- Equity options	268,862	311,072
- Cross currency swaps	12,485	55,212
- Foreign currency option	2,651	4,125
- Commodity futures	2,765	100
- Warrants	4,600	-
- Credit derivatives	-	901
- Foreign currency futures	185	35
- Dividend futures	-	3
	796,939	747,164
For client account purposes:		
- Credit default swaps	435	801
- Foreign currency forward contracts	72,031	66,648
- Index futures	50,271	8,171
- Bond futures	1,734	58
- Interest rate swaps	8,698	8,254
- Equity swaps	1,008,698	946,191
- Equity options	21,250	5,744
- Foreign currency option	-	13
- Bond performance swap	19,525	95,801
- Cross Currency swaps	5,335	1,700
	1,187,977	1,133,381
Total	1,984,916	1,880,545

23 Derivative financial instruments

	Assets US$'000	*Liabilities* US$'000
As at 31 December 2022		
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

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

	2023 US$'000	*2022* US$'000
Amounts due from		
- clients	1,920,298	1,165,038
- brokers	4,401,706	4,943,316
- clearing houses	235,367	383,072
Margin receivable	681,954	709,138
Loans receivable arising from business of loans and financing	282	272
Accounts receivable arising from assets management business	499	539
Others	169	-
	7,240,275	7,201,375
Less: provision for impairment losses (i)	(17,729)	(9,642)
Total amounts due from clients, brokers and clearing houses	7,222,546	7,191,733
Amounts due to		
- clients	8,777,547	7,488,680
- brokers and other counterparties	2,096,320	1,980,072
- clearing houses	368,049	41,080
Total amounts due to clients, brokers and clearing houses	11,241,916	9,509,832

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

25 Cash and bank balances

	2023 US$'000	*2022* US$'000
Cash at bank and in hand	1,387,643	1,329,676
Time deposits with banks	174,780	163,989
Total cash and bank balances	1,562,423	1,493,665

As at 31 December 2023, the Group had restricted funds of US$67,591,000.

26 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.

27 Bank borrowings

	2023 US$'000	*2022* US$'000
Non-current		
Bank borrowings (secured)	24,143	22,874
Current		
Bank borrowings (secured)	727	78,886
Bank borrowings (unsecured)	1,072,194	1,298,646
Bank overdrafts (unsecured)	231	-
	1,073,152	1,377,532
Total bank borrowings	1,097,295	1,400,406

As at 31 December 2023, 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$467,542,000 (2022: US$680,363,000) were pledged to banks as collateral for short-term floating rate bank loans of US$384,000 (2022: US$77,200,000) for its margin financing businesses. The remaining secured bank loans were secured by company shares of certain subsidiaries of US$39,606,000 (2022: investment properties of US$40,642,000).

27 Bank borrowings (continued)

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

	2023 US$'000	*2022* US$'000
HKD	90,053	77,200
USD	982,524	1,298,646
GBP	24,487	24,560
	1,097,064	1,400,406

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

	HKD	USD	GBP
As at 31 December 2023			
Bank borrowings	6.06%	5.97%	6.50%
As at 31 December 2022	3.98%	4.84%	6.81%
Bank borrowings			

28 Long term borrowings /Short term borrowings from related companies

	2023 US$'000	*2022* US$'000
Non-current		
Borrowings from a fellow subsidiary	97,591	498,413
Borrowings from a related company	1,763	-
	99,354	498,413
Current		
Borrowings from fellow subsidiaries	510,250	798,846
Borrowings from parent company	100,225	1,149
	610,475	799,995
Total borrowings from related companies	709,829	1,298,408

28 Long term borrowings /Short term borrowings from related companies (continued)

Long term borrowings from a fellow subsidiary amounting to US$98 million (2022: face value of US$500,000,000) are unsecured, interest bearing at a fixed rate of 3.4% (2022: 2.00%) per annum and repayable in 2026 (2022: 2025). The loan balance of US$500,000,000 as at 31 December 2022 was early repaid in 2023.

Long term borrowings from a related company amounting to USD$1,763,000 (2022: US$ Nil) are unsecured, interest bearing at a fixed rate of 0.31% per annum and repayable in 2028.

Short term borrowings from fellow subsidiaries are unsecured, interest bearing and repayable in 2024. Short term borrowings amounting to US$490,487,000 (2022: US$798,846,000) are interest bearing at a fixed rate of 5.98% - 6.73% (2022: 1.21% - 5.78%) per annum.

Short term borrowings from parent company are unsecured, interest bearing and repayable in 2024. Short term borrowings amounting to US$98,294,000 (2022: US$ Nil) are interest bearing at a fixed rate of 2.25% (2022: Nil) per annum. The remaining balance amounting to US$1,130,000 (2022: US$1,149,000) is interest free.

29 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$68,828,000 (2022: US$104,007,000), of which US$53,704,000 (2022: US$67,559,000) has been sold or repledged to third parties as at 31 December 2023.

Financial assets placed as collaterals

As at 31 December 2023, the carrying amount and fair value of securities sold under agreements to repurchase was US$6,269,111,000 (2022: US$5,821,568,000). 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.

30 Share capital

	Number of shares	*Share Capital* US$'000
Ordinary shares, Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	6,516,050,000	839,059

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

31 Other reserves

Other reserves mainly comprise of regulatory reserves, capital and other reserves, revaluation reserves, as well as foreign currency translation reserves. Please refer to Statement of Changes in equities for detail movements of each item.

During the year, the Group has transferred US$310,000 (2022: US$295,000) from regulatory reserves in accordance with regulatory requirements in respective territories where certain subsidiaries operate and are not available for distribution.

32 Deferred tax

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

	2023 US$'000	*2022* US$'000
Beginning of the year	39,952	26,221
Exchange differences	-	(865)
Charged to profit or loss (Note 12)	4,902	14,596
Charged to other comprehensive income	(1,420)	-
End of the year	43,434	39,952

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$78,429,000 (2022: US$66,867,000) of which US$77,616,000 (2022: US$66,079,000) relate to tax losses amounting to US$359,443,000 (2022: US$314,239,000) that can be carried forward against future taxable income.

32 Deferred tax (continued)

Deferred tax liabilities of US$13,783,000 (2022: US$13,338,000) 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$160,606,000 as at 31 December 2023 (2022: US$154,493,000).

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* US$'000	*Depreciation allowances* US$'000	*Tax loss* US$'000	*ECL provision on financial assets* US$'000	*Others* US$'000	*Total* US$'000
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	13,079	155	23,144	4,998	4,295	45,671
At 1 January 2023	13,079	155	23,144	4,998	4,295	45,671
Recognised in profit or loss	1,097	1,953	10,470	(4,998)	(1,688)	6,834
Exchange differences	(143)	9	(376)	-	(62)	(572)
At 31 December 2023	14,033	2,117	33,238	-	2,545	51,933

Deferred tax liabilities	*Depreciation allowances* US$'000	*Others* US$'000	*Intangible assets* US$'000	*Total* US$'000
At 1 January 2022	2,008	686	9,818	12,512
Recognised in profit or loss	(368)	(210)	(6,215)	(6,793)
Exchange differences	-	-	-	-
At 31 December 2022	1,640	476	3,603	5,719
At 1 January 2023	1,640	476	3,603	5,719
Recognised in profit or loss	1,508	4,027	(3,603)	1,932
Recognised in other comprehensive income	-	1,420	-	1,420
Exchange differences	-	(572)	-	(572)
At 31 December 2023	3,148	5,351	-	8,499

33 Cash flows information

33.1 Cash generated from operations

	2023 US$'000	2022 US$'000
Profit before tax	284,133	171,624
Adjustments for:		
Interest income and securities lending income	(227,705)	(158,333)
Finance costs and securities borrowing expenses	495,848	378,713
Depreciation	37,838	38,562
Amortisation of intangible assets	10,301	17,662
Share of profit from joint ventures	(1,452)	(4,104)
Share of profit from associates	(17,280)	(15,610)
Gain on disposal of an associate	(21,419)	-
Fixed asset written off	19	736
(Gain)/loss on disposal of property, plant and equipment	(15)	4
Gain on disposal of investment properties	(1,165)	-
Impairment loss on intangible assets	18	47,228
Impairment loss on investment properties	674	840
Net impairment losses	22,462	10,943
	582,257	488,265
Changes in working capital:		
Decrease in reverse repurchase agreements	28,622	83,197
Increase in other assets	(11,176)	(22,576)
(Increase)/decrease in financial assets/liabilities at fair value through profit or loss & derivative financial instruments	(1,886,831)	3,662,951
Increase in amounts due from clients, brokers and clearing houses	(37,268)	(1,909,937)
Increase in cash collateral advanced for securities borrowing	(145,739)	(605,751)
Decrease in other debtors, deposits and prepaid expenses	27,871	12,378
Increase/(decrease) in amounts due to clients, brokers and clearing houses	1,732,084	(1,671,334)
(Decrease)/increase in bonus payable, creditors and accruals	(30,941)	23,629
Increase/(decrease) in repurchase agreements	543,823	(404,742)
Decrease in cash held on behalf of customers	188,846	380,277
Cash generated from operations	991,548	36,357

33.2 Analysis of cash and cash equivalents

	2023	*2022*
	US$'000	US$'000
Cash and cash equivalent on consolidated statement of position	1,562,423	1,493,665
Less: Restricted balance	(33,807)	(17,238)
Less: Short-term deposit with original maturity more than 3 months	(39,179)	(48,000)
Cash and cash equivalent on consolidated statement of cashflow	1,489,437	1,428,427

33 Cash flows information (continued)

33.3 Reconciliation of liabilities arising from financing activities

	Bank borrowings US$'000	*Lease Liabilities* US$'000	*Borrowings from related parties* US$'000	*Private placement notes issued to the parent company* US$'000	*Debt instrument issued and short-term financing instruments payable* US$'000
At 1 January 2022	(1,135,542)	(91,582)	(2,556,743)	(1,253,735)	-
Financing cash flows	(269,004)	29,689	1,255,894	193,743	(472,346)
New leases	-	(14,656)	-	-	-
Lease modifications	-	(13,491)	-	-	-
Foreign exchange adjustments	4,131	2,263	2,441	1,326	-
Other changes:					
Interest expense (Note 10)	(47,121)	(2,742)	(37,090)	(5,465)	(8,581)
Interest payments (Presented as operating cash flows)	47,130	-	37,090	5,465	5,654
At 31 December 2022	(1,400,406)	(90,519)	(1,298,408)	(1,058,666)	(475,273)
At 1 January 2023	(1,400,406)	(90,519)	(1,298,408)	(1,058,666)	(475,273)
Financing cash flows	306,782	27,960	608,313	138,277	(307,267)
New leases	-	(14,662)	-	-	-
Lease modifications	-	(10,070)	-	-	-
Foreign exchange adjustments	(1,269)	71	831	1,217	(5,240)
Other changes:					
Interest expense (Note 10)	(86,842)	(4,073)	(47,636)	(2,394)	(24,262)
Interest payments (Presented as operating cash flows)	84,440	-	27,071	2,394	19,526
At 31 December 2023	(1,097,295)	(91,293)	(709,829)	(919,172)	(792,516)

34 Acquisition of subsidiaries

	CLSA Premium Limited US$'000
Net assets acquired:	
Property, plant and equipment	124
Right-of-use assets	12
Other debtors, deposits and prepaid expenses	4,673
Cash and bank balances	29,076
Lease liabilities	(13)
Creditors and other accruals	(4,170)
Non-controlling interests	(12,168)
	17,534
Goodwill	2,797
	20,331
Satisfied by:	
Creditors and other accruals	(20,331)
	-

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:	
Cash and bank balances	29,076

During the year ended 31 December 2022, the Company acquired 59.03% of equity interest in CLSA Premium Limited, a service provider of leveraged foreign exchange business, for consideration of US$20,331,000 from CITIC Securities Overseas Investment Company Limited, a fellow subsidiary of the Company. Goodwill of US$2,797,000 arising from acquisition was impaired in full during the year ended 31 December 2022.

35 Private placement notes issued to the parent company

As at 31 December 2023, the private placement notes issued to the parent company are unsecured. Within current portion, of which US$919,172,000 (2022: US$920,194,000) are interest-free and repayable on demand, and US$ Nil are interest-bearing (2022: US$138,472,000 charged at an average interest rate 3.6% per annum) and repayable in 2024. There is no non-current portion of such balance as at 31 December 2023 and 2022.

The private placement notes outstanding at 31 December 2022 totalling US$138,472,000 was repaid in full during the year ended 31 December 2023.

36 Debt instrument issued

	Note	*2023* US$'000	*2022* US$'000
By category			
- Medium term notes issued	(a)	656,108	299,869
By maturity			
- Maturity within five years		656,108	299,869

As at 31 December 2023, there was no default related to any issued debt instruments.

(a) Medium term notes issued

Item	*Note*	*2023* US$'000	*2022* US$'000
CSI MTN N2504	(i)	300,752	299,869
CSI MTN N2607-R	(ii)	355,356	-
Carrying amount		656,108	299,869

(i) CSI MTN Limited issued US$300,000,000 3.375 per cent Guaranteed Notes due 2025 under the US$3,000,000,000 Medium Term Note Programme (the "MTN Programme") to the public on 21 April 2022. The programme is unconditionally and irrevocably guaranteed by CITIC Securities International Company Limited.

(ii) CSI MTN Limited issued CNY2,500,000,000 3.1 per cent Guaranteed Notes due 2026 under the US$3,000,000,000 Medium Term Note Programme (the "MTN Programme") to the public on 13 July 2023. The programme is unconditionally and irrevocably guaranteed by CITIC Securities International Company Limited.

37 Short-term financing instruments payable

ISIN	*Issue date*	*Maturity date*	*Coupon rate*	*Opening balance as at 1 January 2023* US$'000	*Increase* US$'000	*Repayment* US$'000	*Ending balance as at 31 December 2023* US$'000
XS2537465481	22/09/2022	22/03/2023	3.90%	50,539	436	(50,975)	-
HK0000892692	25/11/2022	25/02/2023	-	99,175	825	(100,000)	-
HK0000898400	20/12/2022	20/03/2023	-	25,690	310	(26,000)	-
HK0000942356	25/07/2023	24/07/2024	5.40%	-	7,147	-	7,147
HK0000942554	27/07/2023	29/01/2024	-	-	43,705	-	43,705
HK0000946852	16/08/2023	16/02/2024	-	-	9,927	-	9,927
HK0000954260	13/09/2023	13/03/2024	-	-	5,881	-	5,881
XS2712556674	31/10/2023	31/01/2024	-	-	14,926	-	14,926
HK0000968211	20/11/2023	20/02/2024	-	-	4,944	-	4,944
HK0000963576	07/11/2023	07/02/2024	-	-	2,797	-	2,797
HK0000972080	08/12/2023	07/06/2024	-	-	5,457	-	5,457
HK0000975752	12/12/2023	12/03/2024	-	-	5,927	-	5,927
HK0000979473	21/12/2023	21/03/2024	5.75%	-	5,002	-	5,002
HK0000979630	22/12/2023	20/12/2024	5.62%	-	21,006	-	21,006
HK0000979853	29/12/2023	28/06/2024	-	-	4,858	-	4,858
HK0000979861	29/12/2023	27/12/2024	-	-	4,831	-	4,831
Total				175,404	137,979	(176,975)	136,408

As at 31 December 2023, short-term financing instruments payable are guaranteed notes under the MTN Programme.

As at 31 December 2023, there was no default related to any short-term financing instruments payable issued.

38 Commitments

At 31 December 2023, the Group has financial commitments of US$38,871,000 (2022: US$39,307,000) arising from having partnership interests in various investment funds.

At 31 December 2023, the Group has no underwriting commitment (2022: Nil) arising from underwriting and placing of securities business.

At 31 December 2023, the Group entered into securities borrowing arrangements with third parties under which it has securities borrowing and lending commitments. The Group had US$1,288,243,000 (2022: US$1,011,800,000) cash collaterals placed with securities lenders for its borrowing of equity securities of a total market value US$1,447,766,000 (2022: US$1,385,890,000) and US$316,824,000 (2022: US$185,861,000) cash collaterals received from securities borrowers for their borrowing of equity securities of a total market value US$14,668,000 (2022: US$26,523,000).

At 31 December 2023, the Group has unrecognised deferred bonus commitments of US$25,440,000 (2022: US$32,572,000) payable to staff subject to vesting periods, for at least 3 years in the future.

At 31 December 2023, the Group has unrecognised gratuity commitments of US$222,000 (2022: US$2,835,000) payable to staff subject to various vesting and claw back period conditions.

39 Related-party transactions

39.1 Balance sheet items

	Note	*2023* US$'000	*2022* US$'000
Right-of-use assets granted to the fellow subsidiaries		1,721	4,692
Derivative financial assets			
- parent company		773,515	1,095,843
- fellow subsidiaries		-	23,005
Amounts due from clients, brokers and clearing houses			
- parent company		784,962	561,826
- fellow subsidiaries		335,917	572,387
Other debtors, deposits and prepaid expenses			
- parent company		43	31
- fellow subsidiaries		21,145	4,118
Other assets from fellow subsidiaries		4,260	6,930
Cash and cash equivalents placed in a bank related to the parent company		35,761	16,835
Cash held on behalf of customers placed in a bank related to the parent company		104,122	110,476
Financial asset at fair value through profit or loss to fellow subsidiaries		-	39,981
Financial asset at fair value through other comprehensive income to fellow subsidiaries		55,963	54,756
Financial liabilities at fair value through profit or loss			
- parent company		(3,581,507)	(2,581,026)
- fellow subsidiaries		(30,794)	-
Derivative financial liabilities			
- parent company		(846,313)	(744,270)
- fellow subsidiaries		(89,149)	(30,244)
Amount due to group companies			
- parent company	24	-	(125)
Amount due to clients, brokers and clearing houses			
- parent company		(1,310,727)	(2,224,859)
- fellow subsidiaries		-	(216)
Creditors and other accruals			
- parent company		(151,606)	(16,348)
- fellow subsidiaries		-	(1,808)
Long term borrowings from a fellow subsidiary	28	(97,591)	(498,413)
Short term borrowings			
- parent company	28	(99,423)	(1,149)
- fellow subsidiaries	28	(490,487)	(798,846)
Lease liabilities from fellow subsidiaries		(1,953)	(5,176)
Private placement notes issued to parent company	35	(919,172)	(1,058,666)
Debt instrument issued		(91,669)	(42,260)

39 Related-party transactions (continued)

39.2 Statement of profit or loss and comprehensive income items

	Note	*2023* US$'000	*2022* US$'000
Corporate advisory fee from:			
- fellow subsidiaries		13,270	1,365
Brokerage commission from fellow subsidiaries		-	1
Other income from:			
- fellow subsidiaries	8	-	158
- related companies	8	8,621	7,411
Net trading (losses)/income from fellow subsidiaries		(34,479)	5
Net interest income from:			
- parent company		-	4,137
- fellow subsidiaries		12,455	10,614
- related companies		(1)	(1)
Underwriting commission and placement fee and sponsorship income from:			
- parent company		-	7,200
Brokerage commission expense			
- parent company		(9,536)	(8,760)
Information services and communication expenses paid to fellow subsidiaries		(345)	(420)
Net settlement charges			
- fellow subsidiaries		(2,613)	(2,215)
Other operating expenses paid to fellow subsidiaries		(7,101)	(7,126)
Finance costs:			
- parent company		(2,393)	(61,722)
- fellow subsidiaries		(81,613)	(50,970)

Note: The fee received and expenses paid are on terms mutually agreed.

39 Related-party transactions (continued)

39.3 Key management compensation

(a) Key management compensation

	2023 US$'000	*2022* US$'000
Salaries and other short-term employee benefits	13,507	18,420
Post-employment benefits	184	281
Termination benefits	-	6
Other long-term benefits	2,051	1,037
	15,742	19,744

(b) Loans advanced to key management

There are no loans, quasi-loans and other dealings, whether directly or indirectly, subsisted at the end of the year or at any time during the year, entered into by the Company or subsidiary undertaking of the Company in favour of directors of Company and of the holding company of the Company, controlled bodies corporate by and connected entities with such directors (2022: Nil).

39.4 Co-investment arrangements in investment funds

In relation to the Group's investment funds business, the Group operates certain co-investment arrangements in some investment funds currently managed by the Group.

Under these arrangements, certain eligible staff are allowed to invest in these funds and the terms are defined in the respective funds' agreements. The directors consider the overall committed co-investments to be insignificant in terms of the respective size of funds under the Group's management.

The Group provides financial support in the form of a loan to those eligible staff up to a maximum of 50% of their committed amounts for investing in those funds. The loan is interest bearing. The eligible staff are required to fully repay the loan upon termination of employment. The loan is secured by the staff's respective fund investment. At 31 December 2023, the total amounts committed by the Group under these arrangements was US$4,674,500 (2022: US$17,310,500) and the total amounts utilised was US$511,201 (2022: US$1,139,400).

40 Directors' remuneration

Benefits and interests of directors disclosed pursuant to section 383 of the Hong Kong Company Ordinance (Cap.622G), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap 622G) is as follows:

	2023 US$'000	*2022* US$'000
Directors' Fees	-	-
Other emoluments:		
Salaries, bonuses, allowance and other non-cash benefits	5,200	5,611
Pension scheme contributions	64	64
Other long-term benefits	486	232
	5,750	5,907

Note: Other benefits include leave paid, insurance premium and club membership.

During the years ended 31 December 2023 and 2022, all emoluments paid were related to a person's services as a director, whether of the Company or its subsidiary undertaking. There were no emoluments paid to in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

During the year ended 31 December 2023, there was no payment made as compensation for the early termination of the appointment and no consideration was provided to third parties for making available directors' services (2022: Nil).

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Nil).

There were no loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors of Company and of the holding company of the Company, controlled bodies corporate by and connected entities with such directors (2022: Nil).

41 Balance Sheet of the Company

	Notes	2023 US$'000	2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,048	1,712
Right-of-use assets		52,056	60,698
Investments in subsidiaries	20	3,117,401	2,441,887
Subordinated loan due from a subsidiary		-	128,239
Other assets		141	143
Deferred tax assets		277	358
Total non-current assets		3,170,923	2,633,037
CURRENT ASSETS			
Prepayments, deposits and other receivables		7,848	8,126
Loan due from subsidiaries		157,393	180,555
Due from subsidiaries		259,570	329,376
Cash and cash equivalents		18,298	8,596
Tax recoverable		-	1,958
Total current assets		443,109	528,611
CURRENT LIABILITIES			
Due to subsidiaries		108,020	203,825
Loan due to subsidiaries		-	138,091
Creditors and other accruals		37,806	38,024
Short term borrowings from parent company		98,294	-
Private placement notes issued to the parent company		919,172	1,058,666
Lease liabilities		11,311	12,253
Tax payable		632	1,626
Total current liabilities		1,175,235	1,452,485
NET CURRENT LIABILITIES		(732,126)	(923,874)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,438,797	1,709,163

41 Balance Sheet of the Company (continued)

	2023 US$'000	*2022* US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,438,797	1,709,163
NON-CURRENT LIABILITIES		
Lease liabilities	40,501	46,351
Creditors and other accruals	995	-
Total non-current liabilities	41,496	46,351
Net assets	2,397,301	1,662,812
EQUITY		
Share capital	839,059	839,059
Other reserves (Note (a))	1,558,242	823,753
Total equity	2,397,301	1,662,812

The balance sheet of the Company was approved by the Board of Directors on 14 March 2024 and was signed on its behalf

李春波
Director Li Chunbo

Director Yu Yong

41 Balance Sheet of the Company (continued)

Note (a): Reserve movement of the Company

	Other reserves US$'000
At 1 January 2022	117,628
Profit for the year	701,830
Effect of change in foreign exchange rate	4,295
At 31 December 2022	823,753
Profit for the year	738,103
Effect of change in foreign exchange rate	(3,614)
At 31 December 2023	1,558,242

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("2020 amendments")	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability.*	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

PART II: MATTERS RELATED TO OTHER SECURITIES

N/A

PART III: INFORMATION ON GUARANTOR OF THE COMPANY

The Guarantor is a wholly owned subsidiary of CITIC Securities, a leading full service securities firm in China with international reach, and is the principal platform for implementing CITIC Securities' international strategy. Headquartered in Hong Kong, the Group provides comprehensive financial services to institutional and corporate customers, retail and high-net worth individuals, ranging from corporate finance and capital market, securities brokerage, fixed income, currencies & commodities, equity derivatives and prime brokerage to asset management. We are well-equipped to provide one-stop solutions to our clients with the wide range of key SFC licences we have obtained.

Our sole shareholder, CITIC Securities, is the leading full-service securities firm in China. CITIC Securities was one of the first companies approved by the CSRC to be an integrated securities company, and was the first China-based securities firm listed on the Shanghai Stock Exchange. With its IPO completed in January 2003, CITIC Securities was listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6030) on 6 October 2011. CITIC Securities' leading position amongst all securities firm in China has been widely recognised. In 2020, amongst other awards, CITIC Securities was named the No. 1 Best Investment Bank, No. 1 Best Local Investment Bank, 2020 Best Securities Company and 2020 Pioneer Investment Bank, by Caixin Media, New Fortune, Financial Times and International Financial News, respectively. In 2021, amongst other awards, CITIC Securities was again named 2021 Best Securities Company by Financial Times, and was named the Golden Bull Securities Company for the 2021 Golden Bull Award in Chinese Securities Industry by China Securities Journal. In 2022, amongst other awards, CITIC Securities was named an ''Excellent Trading Partner'' in Forex Futures Trading for 2022 by the Singapore Exchange, and the Best Sustainable Financial Institution by Finance Asia. CITIC Securities operates a wide range of businesses, mainly including securities services, wealth management, institutional stock brokerage, financial market, asset management, custody, equity investment and research. The founders of CITIC Securities were CITIC Group Corporation (under its former name of China International Trust Investment Company), and three other investors. CITIC Group Corporation is one of the largest state-owned conglomerates, with a more than 35-year track record in China. It operates in a wide range of industry sectors including finance, real estate and infrastructure, construction, energy and resources, manufacturing, IT, trading and consumer. CITIC Group Corporation is directly administered by Ministry of Finance of the PRC.

The Group has a comprehensive financial service platform covering both primary and secondary markets across multiple products. We are a premium securities company in Hong Kong with businesses spanning corporate finance and capital markets, securities brokerage, FICC, equity derivatives and prime brokerage, asset management and others, with a market leading position in all respective businesses. The Group is fully integrated and utilises the platform resources of the Group, CITIC Securities and the CITIC Group to provide customers with one-stop solutions, with the aim to grow the Group's all-rounded securities services into a global and leading multi-asset, multi-strategy, cross-market and full-service financial institution.

Our principal operations are in Hong Kong. We also operate in mainland China together with our parent company CITIC Securities which has a vast network and strong presence in mainland China, and we believe that we are well positioned to benefit from the strong growth potential of China's economy and the opportunities presented by the development of China's capital markets. The completion of our acquisition of the entire equity interest in CLSA on 31 July 2013 significantly reinforced our research capabilities and extended our global coverage. Our global network spans across Asia (including Hong Kong and mainland China), Australia, Europe, United Kingdom and the United States.

The Company was established on 9 April 1998. In 2006, CITIC Securities commenced our international operations and acquired the equity business of CITIC Capital Holdings Limited and incorporated it into CITIC Securities (HK) Company Limited, which was the former name of the Company. With the Company's acquisition of the entire equity interest in CLSA, which was completed on 31 July 2013, and the alignment of CLSA and CITIC Securities Group's international business, our business network has been expanded to the United States, the United Kingdom, Australia, Europe, and certain Asian markets.

We have extended our services to a diverse clientele in Hong Kong and other jurisdictions. We believe that we are well positioned to capitalise on China's growing cross-border business opportunities arising from the globalisation of China's economy and companies, such as equity offerings by China-related companies in Hong Kong and issuances of RMB-denominated products, as well as the demand for brokerage services arising from the growing financial needs of China's high-net-worth individuals and institutional investors, such as QDIIs and sovereign funds.