

ALUMINIUM

COAL

OIL

MANGANESE

IMPORT AND EXPORT
OF COMMODITIES



中信資源控股有限公司
CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 1205

ANNUAL REPORT
2020
年報



OIL Major income driver with steady production and development in oilfields located in Kazakhstan, China and Indonesia.

COAL A 14% participating interest in the Coppabella and Moorvale coal mines joint venture (a major producer of low volatile pulverized coal injection coal in the international seaborne market) and interests in a number of coal exploration operations in Australia with significant resource potential.

ALUMINIUM (1) a 22.5% participating interest in the Portland Aluminium Smelter joint venture, one of the largest and most efficient aluminium smelting operations in the world; and (2) a 9.6117% equity interest in Alumina Limited (ASX: AWC), one of Australia's leading companies with significant global interests in bauxite mining, alumina refining and selected aluminium smelting operations.

MANGANESE Single largest shareholder of CITIC Dameng Holdings Limited (SEHK: 1091), one of the largest vertically integrated manganese producers in the world. In December 2020, the Group has disposed all the equity interest in CITIC Dameng Holdings Limited.

IMPORT AND EXPORT OF COMMODITIES An import and export of commodities business, based on strong expertise and established marketing networks, with a focus on international trade.

Contents

目錄

Corporate Information		公司資料
Chairman's Statement	01	主席致辭
Management's Discussion and Analysis	04	管理層討論和分析
Board of Directors and Senior Management	18	董事會和高級管理人員
Corporate Governance Report	22	企業管治報告
Report of the Directors	34	董事會報告

Financial Results

財務業績

Independent Auditor's Report	44	獨立核數師報告
Consolidated Income Statement	49	綜合利潤表
Consolidated Statement of Comprehensive Income	50	綜合全面利潤表
Consolidated Statement of Financial Position	51	綜合財務狀況報表
Consolidated Statement of Changes in Equity	53	綜合權益變動表
Consolidated Statement of Cash Flows	55	綜合現金流量表
Notes to Financial Statements	57	財務報表附註
Five Year Financial Summary	156	五年財務資料概要
Reserve Quantities Information	156	儲量資料
Glossary of Terms	157	詞彙表



Corporate Information

Board of Directors

Executive Directors

Mr. Sun Yufeng (*Chairman*)
Mr. Suo Zhengang
(*Vice Chairman and Chief Executive Officer*)
Mr. Sun Yang (*Vice Chairman*)

Non-executive Director

Mr. Chan Kin

Independent Non-executive Directors

Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Look Andrew

Audit Committee

Mr. Fan Ren Da, Anthony (*Chairman*)
Mr. Gao Pei Ji
Mr. Look Andrew

Remuneration Committee

Mr. Gao Pei Ji (*Chairman*)
Mr. Fan Ren Da, Anthony
Mr. Look Andrew
Mr. Suo Zhengang

Nomination Committee

Mr. Sun Yufeng (*Chairman*)
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji

Risk Management Committee

Mr. Look Andrew (*Chairman*)
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Sun Yufeng
Mr. Suo Zhengang

Company Secretary

Mr. Wong Wai Kwok

Registered Office

Clarendon House
2 Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

Suites 6701-02 & 08B
67/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

Telephone : (852) 2899 8200
Facsimile : (852) 2815 9723
E-mail : ir@citicresources.com
Website : <http://resources.citic>

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Auditor

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
China Construction Bank Corporation, Hong Kong Branch
China Development Bank Hong Kong Branch
Mizuho Bank, Ltd., Hong Kong Branch
Sumitomo Mitsui Banking Corporation

Chairman's Statement

Dear Shareholders,

First of all, on behalf of the Board, I would like to express my sincere appreciation to my fellow management and all of my colleagues for their faith in the Company, smooth cooperation and relentless dedication under such extraordinarily challenging business environment over the past year. In addition, on behalf of the Group, I would also like to extend my heartfelt gratitude to all our shareholders, customers, suppliers, bankers and business associates for their trust and support throughout these years.

The year 2020 passed in a blink, and we have witnessed the impact brought by the COVID-19 pandemic on the global economy. The lockdown measures implemented worldwide have also affected global economic activities and suppressed market demands, thus led to the decline in the prices of key commodities related to the Group's major businesses, such as crude oil, coal, aluminum and alumina. During the year, the Group's revenue decreased 16.8% year-on-year to HK\$2,850,058,000, and loss attributable to shareholders was HK\$363,848,000. Responding to severe challenges, we actively reduced our investment and management costs as well as refined and tightened our cost control. Through striving for higher efficiency with improved technology and management levels, we tried our best to overcome the adverse effects brought by the macro environment and realized a consolidated operating profit in the crude oil segment. Although the Group's annual performance has turned from profit to loss compared to last year, we still managed to maintain good cash flow. By optimizing our asset structure and management structure, we further improved the Company's operational efficiency and risk control capabilities, thus laying the foundation for the Group's future development.

Assets Disposal and Structure Optimization

During the year, the Group completed the transaction to dispose its 34.39% equity interests in CDH, which brought a gain on disposal of asset of approximately HK\$192,040,000 and a cash inflow of approximately HK\$1,080,613,000 for the Group. This partially offset the declining financial performance of the Company against the backdrop of economic downturn and tightened market demands, and it also replenished the cash reserve of the Company. The transaction also included clauses to maintain the stability of CDH's principal businesses and employees, which yielded both good economic benefits and social benefits.

We also sorted out redundant legal entities and corporate layers during the year, and completed the disposals of Gundyer West coal exploration project and auto parts business in Australia. Through the above, we optimized the overall asset structure of the Group, improved operational efficiency and were able to manage risks more effectively.

Chairman's Statement

Increasing Income and Reducing Expenditure

At the beginning of the year, we proactively deployed stress tests in response to the pressure caused by low oil prices and the pandemic, required our subsidiaries to strictly control operating risks and reduce costs. With our clear goals and effective measures, we managed to control our operating costs and cash expenditure. Together with the cash inflow supplemented by the disposal of the equity interests in CDH, the overall liquidity of the Group has been improved in the adverse market environment. By the end of 2020, the Group's financial position remained stable with sufficient cash flow. The carrying amount of cash balance increased to HK\$2,314,285,000 compared with last year while the current ratio increased to 2.9 times, and the ratio of net debt to net total capital dropped to 30.8%. Interest expenses for bank and other borrowings decreased by 46.8% compared with the same period of last year.

Pandemic Prevention and Production Safety Control

As for the pandemic prevention and control, we referred to the successful experience of Mainland China and supervised our subsidiaries to formulate and gradually improve their pandemic prevention and control plans and guidelines depending on their own situations, so as to minimize the impact of the pandemic on production and operation. Facing the outbreak and rapid spread of the pandemic, the management of the Group made careful arrangements, while all employees actively cooperated and worked hard to achieve "zero confirmed cases" at all oilfield operation sites during the year and achieved its preliminary stage success to fight the pandemic.

While taking into account our own production safety, we also tried our best to contribute to the pandemic prevention work at project countries by donating a large amount of anti-pandemic supplies to local communities and medical institutions.

Improve Governance and Increase Efficiency

In order to improve our corporate governance and management efficiency, we enhanced the coordination between the finance department and technical team in the management of existing oil and gas business during the year, which enabled them to play a better role in providing guidance, services and supervision in the production and operating activities.

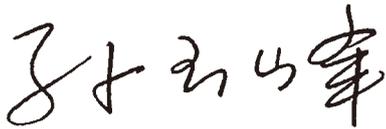
Considering the "working from home" policy during the pandemic as well as the needs including the improvement in office efficiency, the Group also set up and gradually improved an online office platform and a documents management system, and achieved milestone progress in the construction of an information system.

Moreover, the Group complied with the latest requirement of the Stock Exchange by incorporating "Environmental, Social and Governance" functions into the terms of reference of the Risk Management Committee. The Group also established relevant work groups to conduct effective management and control on the environmental, social and governance issues, striving to become a more socially responsible enterprise.

Chairman's Statement

2021 is the first year of the "14th Five-Year Plan". We will proactively plan ahead and seize the opportunities to enhance the value of our existing assets. On one hand, we will maintain and improve oilfield reserves by conducting thorough reservoir research as well as launching and applying new technologies, so as to establish a solid foundation for value enhancement of our existing assets. On the other hand, we will continue to strengthen our refined management and achieve success in operation and management with a focus on increasing asset value, while striving to exceed the annual business targets and grasping the opportunities arising from market recovery to improve our operating results.

No matter how complex and volatile the external environment is, we will remain persistent, pragmatic, hardworking and dedicated, and continue to be unremitting in realizing the Company's new development and creating value for shareholders!



Mr. Sun Yufeng
Chairman
Hong Kong, 26 March 2021

Management's Discussion and Analysis

The Board of Company presents the 2020 annual results of the Group.

Financial Review

Group's financial results:

HK\$'000

Operating results and ratios

	Year ended 31 December		Increase / (decrease)
	2020	2019	
Revenue	2,850,058	3,425,510	(16.8%)
EBITDA ¹	257,448	1,304,298	(80.3%)
Adjusted EBITDA ²	618,664	1,723,302	(64.1%)
Profit/(loss) attributable to shareholders	(363,848)	600,293	N/A
Adjusted EBITDA coverage ratio ³	2.8 times	4.8 times	
Earnings/(loss) per share (Basic) ⁴	(HK 4.63 cents)	HK 7.64 cents	

Financial position and ratios

	Year ended 31 December		Increase / (decrease)
	2020	2019	
Cash and cash equivalents	2,314,285	1,595,429	45.1%
Total assets *	12,275,299	12,668,010	(3.1%)
Total debt ⁵	4,900,719	5,143,910	(4.7%)
Net debt ⁶	2,586,434	3,548,481	(27.1%)
Equity attributable to shareholders	5,807,715	6,253,389	(7.1%)
Current ratio ⁷	2.9 times	1.4 times	
Net debt to net total capital ⁸	30.8%	36.20%	
Net asset value per share ⁹	HK\$0.74	HK\$0.80	

¹ profit/(loss) before tax + finance costs + depreciation + amortisation

² EBITDA + (share of finance costs, depreciation, amortisation, income tax credit/expense and non-controlling interests of a joint venture) – share of reversal of asset impairment loss of a joint venture

³ adjusted EBITDA / (finance costs + share of finance costs of a joint venture)

⁴ profit/(loss) attributable to shareholders / weighted average number of ordinary shares in issue during the year

⁵ bank and other borrowings + lease liabilities

⁶ total debt – cash and cash equivalents

⁷ current assets / current liabilities

⁸ net debt / (net debt + equity attributable to shareholders) x 100%

⁹ equity attributable to shareholders / number of ordinary shares in issue at end of year

* including capital expenditure in respect of exploration, development and mining production activities during the year, totalling HK\$608,612,000 (2019: HK\$301,589,000)

Management's Discussion and Analysis

A long-lasting outbreak of the COVID-19 pandemic since end of January 2020 led to a large variety of anti-epidemic measures, including full or partial lockdown such as restriction of road and air travel, suspension of schooling and work from home arrangements, implemented by governments around the globe. Global energy demands including crude oil had plummeted during the year. Even we have seen a bit of recovery in crude oil prices by end of 2020, the COVID-19 is not yet behind us up to the date of this annual report and we have yet seen the light at the end of the tunnel. The recovery of global economy is likely to be bumpy and slow.

In comparing with last year, the average Dated Brent and Platts Dubai crude oil prices slump by 35.4% and 33.4% to US\$41.8 per barrel and US\$42.3 per barrel, respectively. Revenue of the Group dropped by 16.8% year-on-year and two out of four business segments recorded segment losses in the year. The Group had recorded a loss attributable to shareholders of HK\$363.8 million in the year which was mainly due to:

- a substantial share of loss of a joint venture of HK\$279.9 million from the Group's investment in Karazhanbas oilfield as a result of decrease in crude oil price and sale volume of crude oil. Depreciation of KZT also led to an unrealized translation loss of US\$ dominated loans that escalated the share of loss. A share of profit of HK\$615.1 million was recorded in last year;
- both aluminium smelting and coal segments recorded segment losses which were mainly due to slump in average selling prices of 8.8% year-on-year and 22.4% year-on-year, respectively, as well as contraction in sale volume of 11.3% year-on-year and 19.7% year-on-year, respectively, as a results of the COVID-19 and economic slowdown.

The above two main profit destructive drivers, were partially eased by:

- an aggregated share of profit of associates of HK\$110.5 million in AWC;
- a gain of HK\$192.0 million on disposal of CDH, one of our investments in associates, in December 2020; and
- a significant saving in finance cost of HK\$127.7 million, a drop of 45.9% year-on-year, which was mainly due to the Group successfully refinanced its loan at a significant lower cost, repayment of loan by internal generated cash flow during 2019 in reducing its debt and the ease of monetary policies across the globe during the year.

The Group recorded a profit attributable to shareholders of HK\$67.0 million in 2H 2020 in comparing with a loss attributable to shareholders of HK\$430.8 million in 1H 2020. The loss attributable to shareholders shrunk from HK\$430.8 million during the period of 1H 2020 to HK\$363.8 million for the year. This was mainly a combination effect of an improvement in crude oil price in 2H 2020 and the gain on disposal of CDH recorded in 2H 2020 above stated.

Management's Discussion and Analysis

The following is a description of the operating activities in each of the Group's business segments during the year, with a comparison of their results against those in last year.

Aluminium smelting

- The Group holds a 22.5% participating interest in the PAS JV. The PAS sources alumina and produces aluminium ingots.

- Revenue HK\$836.4 million (2019: HK\$1,033.3 million) ▼ 19%
Segment results a loss of HK\$31.6 million (2019: a profit of HK\$ 20.0 million) N/A

Even the aluminium selling price trended upwards since August 2020, resulting from rise in China demand, the average selling price decreased by 9%, mainly driven by the negative global economies impacts of the COVID-19 pandemic. Together with the decrease in sales volume of 11%, the revenue, therefore, decreased by 19% as compared to 2019.

The negative effect from the decrease in the average selling price of aluminium was overcome by a lower alumina cost per tonnes. However, due to the drop in the government loan forgiveness, the segment result turned gain into loss for the year.

The Group's aluminium smelting business is a net US\$ denominated asset while certain costs are payable in A\$. Fluctuations between A\$ and US\$ throughout the period caused a net exchange loss of HK\$43.9 million (2019: a net exchange loss of HK\$3.9 million).

- In January 2017, the Group entered into EHA2. The EHA2 swaps a floating electricity price for a fixed electricity price to minimise the variability in cash flow. Hedge accounting has been applied to the EHA2.

In accordance with HKFRSs, the EHA2 is considered to be a derivative financial instrument and revalued at the end of each reporting period during its term and on its expiry, based on forward market prices of electricity with its fair value gain or loss recognised in the consolidated statement of comprehensive income.

- In 1H 2019, an insurance claim of HK\$22.8 million was received in compensating for the damage of business interruptions due to the Victorian transmission network power outage on 1 December 2016 and recorded in "Other income and gains" in the consolidated income statement.
- At the end of 2020, as the terms for loan forgiveness of HK\$67.6 million (2019: HK\$123.0 million) from State Government of Victoria were met, therefore, the amount was treated as a government loan forgiveness and recorded as "Other income and gains" in the consolidated income statement.

Management's Discussion and Analysis

Coal

- The Group holds a 14% participating interest in the CMJV and interests in a number of coal exploration operations in Australia. The CMJV is a major producer of low volatile pulverized coal injection coal in the international seaborne market.

Revenue	HK\$400.4 million	(2019: HK\$643.1 million)	▼	38%
Segment results	a loss of HK\$67.5 million	(2019: a profit of HK\$ 44.4 million)		N/A

Average selling price and sales volume of coal fell by 22% and 20% respectively mainly due to the outbreak of the COVID-19 pandemic. In additions, cost of sales per tonne increased by 1%, the segment recorded a decrease in revenue, gross margin and results for the year.

The Group's coal business is a net US\$ denominated asset while most of its costs are payable in A\$. Fluctuations between A\$ and US\$ throughout the year caused a net exchange loss of HK\$15.0 million (2019: a net exchange gain of HK\$1.5 million).

- In March 2020, the Group disposed of its interests in the Gundyer west coal tenements located in central Queensland in Australia to Fitzroy Australia Resources Pty Ltd. As a result, a pre-tax gain on disposal of other assets of HK\$15.1 million was recorded in "Other income and gains" in the consolidated income statement.
- In 1H 2020, an exchange fluctuation reserve of HK\$18.2 million was reclassified to profit or loss upon the deregistration of a foreign subsidiary. The amount was treated as a gain on deregistration of a subsidiary and recorded as "Other income and gains" in the consolidated income statement.

Import and export of commodities

- Exported products include aluminium ingots and alumina sourced from Australia and other countries for trade into China and other Asian countries. Imported products include steel, and vehicle and industrial batteries and tyres from China and other countries into Australia.

Revenue	HK\$805.8 million	(2019: HK\$742.4 million)	▲	9%
Segment results	HK\$53.3 million	(2019: HK\$ 50.9 million)	▲	5%

Market and operating conditions remained difficult for the segment during the year. Attributable to an increase in sales volume, the segment recorded an improvement in revenue and results when compared to 2019.

The Group's import and export of commodities business is a net US\$ denominated asset while certain costs are payable in A\$. Fluctuations between A\$ and US\$ throughout the year caused a net exchange loss of HK\$1.3 million (2019: HK\$1.2 million).

Management's Discussion and Analysis

- The first compensation distribution of HK\$17.9 million in 2019 and the second compensation distribution of HK\$19.1 million in 2020 were awarded by Qingdao Intermediate People's Court to compensate for the losses incurred in the allegedly fraudulent multiple use warehouse receipts in 2014. It was recorded as "Other income and gains" in the consolidated income statement.
- In April 2020, Weihai commenced three claims in the Shandong High People's Court against, amongst others, CACT. It is alleged that the Claims relate to three letters of credit issued in favour of CACT as payment for the sale by CACT to Decheng of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. CACT refutes the Claims and has engaged local counsel in China to defend the Claims accordingly. The Shandong High People's Court has issued a first instance judgment that CACT is not liable for Weihai's losses as there is no evidence of any intention to commit fraud on the part of CACT. Details of the Claim have been disclosed in the announcements of the Company dated 1 September 2020 and 7 January 2021.

Crude oil (the Seram Island Non-Bula Block, Indonesia)

- CITIC Seram, an indirect wholly-owned subsidiary of the Company, owns a 41% participating interest in the PSC until 31 October 2039. CITIC Seram is the operator of the Seram Block.

As at 31 December 2020, in respect of the PSC, the Seram Block had estimated proved oil reserves of 3.3 million barrels (2019: 2.3 million barrels) as determined in accordance with the standards of the PRMS.

- For the year, the segment results of CITIC Seram recorded a profit of HK\$37.5 million (2019: HK\$8.6 million). The following table shows a comparison of the performance of the Seram Block for the years stated:

		2020 (41%)	2019 (41%)	Change
Average benchmark Mean of Platts Singapore (MOPS):				
Platts HSFO 180 CST Singapore	(US\$ per barrel)	36.6	55.0	▼ 33%
Platts HSFO 380 CST Singapore	(US\$ per barrel)	35.6	53.9	▼ 34%
Average crude oil realised price	(US\$ per barrel)	45.6	43.9	▲ 4%
Sales volume	(barrels)	298,000	184,000	▲ 62%
Revenue	(HK\$ million)	106.1	63.1	▲ 68%
Total production	(barrels)	234,000	241,000	▼ 3%
Daily production	(barrels)	640	660	▼ 3%

Management's Discussion and Analysis

The sales volume and average crude oil realised price increased by 62% and 4% respectively resulting in a 68% increase in revenue when compared to 2019.

Production decreased by 3% year-on-year due to change in the sharing method under current PSC. In May 2020, a new development well was drilled in the Seram Block and started to produce oil.

Cost of sales per barrel increased by 25% as compared to 2019, of which depreciation, depletion and amortisation per barrel increased by 436% due to a new development well operated during the year.

- Since no tax loss deduction was carried forward from previous PSC, during the year, under current PSC, an income tax expense of HK\$8.3 million was debited to "income tax expense" in the consolidated income statement.
- A tax regulation in Indonesia, effective in 1H 2015, limited VAT reimbursements to equity oil distributed to the government under the previous PSC. In 2015, as it was uncertain whether any equity oil would be available for distribution to the government prior to the expiry of the previous PSC, an impairment of other receivables of HK\$105.7 million was made in respect of the potentially unrecoverable VAT reimbursement and charged to "Other expenses, net" in the consolidated income statement for the year ended 31 December 2015.

Following an amendment to this tax regulation in October 2016, VAT reimbursements are claimed after each delivery of the first tranche production to the government. Accordingly, a reversal of impairment of other receivables of HK\$11.2 million was credited to "Other income and gains" in the consolidated income statement for 2019.

- The Lofin area has been plugged and abandoned since 2H 2015. CITIC Seram reactivated exploration activities in Lofin area during the year.
- In August 2017, KUFPEC, which owned a 30% participating interest in the PSC at that time, filed a claim in the Queensland Court against CITIC Seram for US\$1.6 million (HK\$12.3 million) in respect of certain expenditure alleged by KUFPEC as unauthorised under the PSC. In July 2019, CITIC Seram reached a settlement agreement with KUFPEC and compensated for US\$0.83 million (HK\$6.5 million). The court case was closed.

Management's Discussion and Analysis

Crude oil (the Hainan-Yuedong Block, China)

- CITIC Haiyue, an indirect wholly-owned subsidiary of the Company, owns a 90% interest in Tincy Group.

Pursuant to a petroleum contract entered into with CNPC in February 2004, as supplemented by an agreement signed in May 2010, Tincy Group holds the right to explore, develop and produce petroleum from the Hainan-Yuedong Block until 2034. Tincy Group is the operator of the Hainan-Yuedong Block in cooperation with CNPC.

As at 31 December 2020, the Yuedong oilfield had estimated proved oil reserves of 30.3 million barrels (2019: 30.1 million barrels) as determined in accordance with the standards of the PRMS.

- For the year, the segment results of CITIC Haiyue recorded a profit of HK\$128.6 million (2019: HK\$311.6 million), being a 59% decrease. The following table shows a comparison of the performance of the Yuedong oilfield for the years stated:

		2020 (Tincy Group's share)	2019	Change
Average benchmark quote:				
Platts Dubai crude oil	(US\$ per barrel)	42.3	63.5	▼ 33%
Average crude oil realised price	(US\$ per barrel)	44.7	63.9	▼ 30%
Sales volume	(barrels)	2,031,000	1,893,000	▲ 7%
Revenue	(HK\$ million)	701.4	943.6	▼ 26%
Total production	(barrels)	2,031,000	1,918,000	▲ 6%
Daily production	(barrels)	5,550	5,260	▲ 6%

- A 26% decrease in revenue was a result of a 30% decrease in the average crude oil realised price coupled with a 7% increase in sales volume filtered from increase in production when compared to 2019. Production increased by 6% as compared to 2019 which was mainly attributable to an increase in number of production wells in the Yuedong oilfield.
- Cost of sales per barrel decreased by 20% as compared to 2019, of which (a) depreciation, depletion and amortisation per barrel decreased by 19% as a result of an upward revision of estimated proved developed oil reserves; and (b) direct operating costs per barrel decreased by 21% mainly due to a decrease in transportation fee because of drilling new wells and a decrease in number of shipment usage to reduce human flows during the COVID-19 pandemic.
- Under a stringent cost control program, only essential repairs and maintenance works have been deployed to maintain production level of existing wells. Drilling program has been resumed in 4Q 2019. Capital expenditure will continue to be applied in respect of drilling new wells in the Yuedong oilfield.

Management's Discussion and Analysis

- In April 2019, KEER applied a cancellation of compensation of Shengli Oilfield Claim A occurred in 2017 to the Dalian Court, in respect of which KEER was seeking compensation from Tincy Group of RMB29.5 million (HK\$35.2 million) for, among other things, standby costs and expenses of labour and equipment, work slowdown losses, staying expenses and losses for overtime construction and loss of profits plus interest due to its sub-contraction work to perform at the Hainan-Yuedong Block. The court case was closed.

In July 2019, KEER commenced a joint legal claim action with a general contractor of Tincy Group. Pursuant to the Shengli Oilfield Claim B, KEER was seeking a compensation from Tincy Group of RMB30.9 million (HK\$36.9 million) in respect of loss of construction contract and relevant warranty plus interest. Certain bank amount of RMB35.0 million (HK\$41.7 million) has been frozen as a blockade fund by the Dalian Court. The general contractor applied to withdraw its legal claim from the Shengli Oilfield Claim B to the Dalian Court. The general contractor was requested as a third party by the Dalian Court to participate in the litigation.

Pursuant to the civil judgement issued by the Dalian Court in December 2020, Tincy Group had to pay a compensation of RMB17.3 million (HK\$20.6 million) plus interest to KEER.

Based on a legal advice from its legal counsel, Tincy Group has justifiable arguments on determination of the contractual relationships amongst Tincy Group, KEER and the general contractor, any rights and obligations thereunder and judgement on compensation amount, in respect of which, Tincy Group lodged an appeal to the Dalian Court in January 2021.

Up to the date of this report, no notification has been issued by the Dalian Court in respect of the appeal.

Manganese

- The Group has an interest in manganese mining and production through its 34.39% equity interest in CDH, a company listed on the Main Board of the Stock Exchange (Stock Code: 1091). CDH is an associate of the Group and the Group is the single largest shareholder of CDH.
- CDH owns a 100% interest in the Daxin manganese mine, the Tiandeng manganese mine and the Waifu manganese mine in Guangxi Province, China; a 64% interest in the Changgou manganese mine in Guizhou Province, China; and a 51% interest in the Bembélé manganese mine in Gabon, West Africa. CDH is one of the largest vertically integrated manganese producers in the world, principally engaged in (a) manganese mining, ore processing and manganese downstream processing operations in China; (b) manganese mining and ore processing operations in Gabon, West Africa; and (c) trading of manganese products at various stages of the production chain.

CDH owns a 29.99% interest in Greenway Mining, a company listed on the Main Board of the Stock Exchange (Stock Code: 2133), CDH has diversified its investment into the non-ferrous metal sector, changing itself from a pure manganese producer to an integrated mineral producer. In 1H 2020, CDH did not participate in the rights issue of Greenway Mining, immediately after the completion of the rights issue, CDH's percentage holding in Greenway Mining was reduced from 29.99% to 23.99%. Nevertheless, CDH continues to be the single largest shareholder of Greenway Mining. A one-off extraordinary non-cash loss of HK\$92.4 million arising from the deemed disposal of CDH's equity interest in Greenway Mining was recognised by CDH and the Group's share was HK\$31.8 million.

Management's Discussion and Analysis

- On 29 October 2020, the Group entered into the sale and purchase agreements with two purchasers for the disposal of an aggregate of 1,179,000,000 shares of CDH, representing 34.39% of the issued share capital of CDH, for the total considerations of HK\$1,084.7 million. On 22 December 2020, all conditions precedent under the sale and purchase agreements have been fulfilled and the transactions were completed. Upon the completion, the Group ceased to hold any equity interest in CDH and the financial results of CDH will not be equity accounted for in the consolidated financial statements of the Group. The gain on disposal of HK\$192.0 million was credited to "Other income and gains" in the consolidated income statement.

Details of the disposal are set out in the announcements of the Company dated 29 October 2020, 13 November 2020, 14 December 2020 and 22 December 2020 and the circular of the Company dated 24 December 2020.

- Up to and including 22 December 2020, the Group accounts for its share of profit or loss in CDH using the equity method.

Share of loss of an associate HK\$150.6 million (2019: HK\$69.7 million) ▲ 116%

The Group recorded a share of loss from 1 January to 22 December 2020 with respect to its interest in CDH. From 1 January to 22 December 2020, the average selling prices of major manganese products were dropped substantially when compared to 2019, this was mainly due to the adverse condition of manganese markets and the outbreak of the COVID-19 has constrained the growth of market demand. Due to the provision for impairment loss on its investment in an associate, CDH recorded a substantial loss. The above negative impacts were partially offset by a one-off gain on further acquisition of the remaining equity interest of a joint venture to become a wholly owned subsidiary of CDH.

Detailed financial results of CDH are available on the websites of the Stock Exchange and CDH at <http://www.hkexnews.hk> and <http://www.dameng.citic.com> respectively.

Bauxite mining and alumina refining

- The Group has an interest in a world-class global portfolio of upstream mining and refining operations in the aluminium sector through its 9.6117% equity interest (2019: 9.6846%) in AWC, a leading Australian company listed on the ASX (Stock Code: AWC). Other subsidiaries of CITIC Limited have a total 9.3070% equity interest (2019: 9.3775%) in AWC. AWC is treated as an associate of the Group.

AWC has significant global interests in bauxite mining, alumina refining and selected aluminium smelting operations through its 40% ownership of the Alcoa World Alumina and Chemicals joint venture, the world's largest alumina producer.

- On 10 August 2020, AWC reactivated dividend reinvestment plan, which allows eligible shareholders in Australia and New Zealand to reinvest dividends in additional AWC ordinary shares. The Group did not participate in the plan and equity interest in AWC is, therefore, dropped from 9.6846% to 9.6117% after AWC's new issuance of 21,837,919 shares under dividend reinvestment plan.

Management's Discussion and Analysis

- The Group accounts for its share of profit or loss in AWC using the equity method.

Share of profit of an associate HK\$110.5 million (2019: HK\$141.2 million) ▼ 22%

The Group recorded a share of profit in respect of its interest in AWC. For the year, the Group recorded a drop in share of profit of AWC as a result of decrease in average selling price of alumina.

During the year, the Group received a dividend of HK\$139.2 million (2019: HK\$402.5 million) from AWC.

Detailed financial results of AWC are available on its website at <http://www.aluminalimited.com>.

Crude oil (the Karazhanbas oilfield, Kazakhstan)

- CITIC Oil & Gas Holdings Limited, an indirect wholly-owned subsidiary of the Company, and JSC KazMunaiGas Exploration Production, through CCEL, jointly own, manage and operate KBM. Effectively, the Group owns 50% of the issued voting shares of KBM (which represents 47.31% of the total issued shares of KBM).

KBM is engaged in the development, production and sale of oil and holds the right to explore, develop, produce and sell oil from the Karazhanbas oilfield until 2035.

As at 31 December 2020, the Karazhanbas oilfield had estimated proved oil reserves of 167.5 million barrels (2019: 180.9 million barrels) as determined in accordance with the standards of the PRMS.

- The Group accounts for its share of profit or loss in CCEL using the equity method.

Share of loss of a joint venture HK\$279.9 million (2019: a profit of HK\$615.1 million) N/A

The following table shows a comparison of the performance of the Karazhanbas oilfield for the years stated:

		2020 (50%)	2019 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US\$ per barrel)	41.4	64.3	▼ 36%
Dated Brent crude oil	(US\$ per barrel)	41.8	64.7	▼ 35%
Average crude oil realised price	(US\$ per barrel)	37.2	61.1	▼ 39%
Sales volume	(barrels)	5,842,000	6,687,000	▼ 13%
Revenue	(HK\$ million)	1,694.2	3,188.0	▼ 47%
Total production	(barrels)	6,688,000	7,228,000	▼ 7%
Daily production	(barrels)	18,300	19,800	▼ 8%

Management's Discussion and Analysis

When compared to 2019, a 47% decreased in revenue during the year was a result of a 39% decrease in the average crude oil realised price couple with a 13% decrease in sales volume filtered from decrease in production. Production decreased by 7% as compared to 2019 which is mainly due to the hits from both production limit imposed by the government and the pandemic.

In CCEL's consolidated income statement, "Cost of sales" includes MET while "Selling and distribution costs" includes export duty and rent tax. Different progressive rates are applied in respect of these taxes. The applicable rate of MET is determined by reference to production volume whereas the applicable rates of export duty and rent tax are determined by reference to average oil prices.

MET is charged on production volume on a quarterly basis at rates per tonne by reference to the average oil price for the quarter. Export duty is charged on export volume on a monthly basis at rates per tonne by reference to the average oil price for the month. Rent tax is charged on export revenue on a quarterly basis at rates per US\$ amount by reference to the average oil price for the quarter.

Cost of sales per barrel increased by 3% as compared to 2019, of which (a) direct operating costs per barrel decreased by 2% mainly due to a 8% devaluation of KZT, the functional currency of KBM, had a favourable impact on the costs payable by KBM in KZT; and (b) depreciation, depletion and amortisation per barrel increased by 16% as a result of a write-back of a prior year provision for impairment in respect of certain oil and gas properties of KBM in 2019.

Selling and distribution costs per barrel decreased by 33% as compared to 2019. As export duty and rent tax are charged at progressive rates which are determined by reference to average oil prices, export duty per barrel and rent tax per barrel decreased by 33% and 63%, respectively, in line with decreases in average oil prices.

- In 2019, a write-back of a prior year provision for impairment was made in respect of certain oil and gas properties of KBM and credited to "Reversal of impairment of items of property, plant and equipment" in CCEL's consolidated income statement. The Group's share was HK\$273.3 million (after tax expense) and the amount was credited to "Share of profit of a joint venture" in the consolidated income statement.

Previously, KBM had to bear withholding tax for the foreign vendor which provides freight forwarding service. In 2019, KBM confirmed with the Tax Authorities that only freight forwarding service provided inside Kazakhstan is subject to withholding tax and the withholding tax for freight forwarding service provided outside Kazakhstan in 2017 and 2018 was refundable. As a result, KBM is able to significantly reduce its selling and distribution costs going forward and its operating results and cash flows will be increased accordingly.

Management's Discussion and Analysis

- In 2019, the EC Department completed an environmental inspection on KBM in respect of the placement of industrial waste in the landfill without appropriate environmental permit for the five years from 2015 to 2019 and the industrial waste has to be recycled within three years. As a result, the Tax Authorities issued tax assessments on KBM in 2020 and the Group's share was HK\$172.3 million.

KBM paid the tax for the placement of industrial waste in the landfill each quarter for five years from 2015 to 2019. Neither the EC Department, nor any other legal act requires reapply for an environmental permit in the case of non-recycling of industrial waste within three years.

KBM appealed to the Court of Nur-Sultan requesting to rescind the tax assessments, but the Court of Nur-Sultan decided against KBM on 17 August 2020. KBM lodged an appeal to the Specialized Judicial Board of the Supreme Court and the Specialized Judicial Board of the Supreme Court issued a judgement in favour of KBM on 15 October 2020.

Liquidity, Financial Resources and Capital Structure

Cash and liquidity fund

As at 31 December 2020, the Group maintained strong liquidity with undrawn bank facilities of HK\$1,852.8 million and had cash and cash equivalents of HK\$2,314.3 million.

During the year, the prepayment of the A Loan (as defined below) totalling US\$40.0 million (HK\$312.0 million) was made prior to the final maturity date of the facility on 15 May 2020.

Borrowings

As at 31 December 2020, the Group had total debt of HK\$4,900.7 million, which comprised:

- unsecured bank borrowings of HK\$914.9 million;
- unsecured other borrowing of HK\$3,900.0 million; and
- lease liabilities HK\$85.8 million.

Most of the transactions of the Group's import and export of commodities business are debt funded. However, in contrast to term loans, these borrowings are self liquidating, transaction specific and of short durations, and matching the terms of the underlying transaction. When sale proceeds are received at the completion of a transaction, the related borrowings are repaid accordingly.

In May 2017, the Company entered into a facility agreement with a bank in respect of an unsecured 3-year term loan facility of US\$40.0 million (HK\$312.0 million) (the "A Loan"). During the year, the A Loan was fully prepaid in April 2020 by a drawdown of the C Loan (as defined below).

Management's Discussion and Analysis

In June 2017, a wholly-owned subsidiary of the Company entered into a facility agreement with a subsidiary of CITIC Limited (a substantial shareholder of the Company) in respect of an unsecured 5-year term loan facility of US\$500.0 million (HK\$3,900.0 million) (the "**B Loan**"). The proceeds of the B Loan were used mainly to finance the repayment of a term loan of US\$490.0 million (HK\$3,822.0 million) signed in June 2015. As at 31 December 2020, the outstanding balance was US\$500.0 million (HK\$3,900.0 million).

In December 2019, the Company entered into an unsecured 4-year of committed US\$200.0 million (HK\$1,560.0 million) credit facility agreement composing of US\$100.0 million term loan and US\$100.0 million revolving loan in form of a self-arranged club loan with 5 financial institutions (the "**C Loan**") commencing from 31 December 2019. The purpose of the C Loan is to refinance existing indebtedness and/or for general corporate funding requirement to support the operation and growth of the business of the Group. As at 31 December 2020, the outstanding balance was US\$100 million (HK\$780 million).

Further details of the bank and other borrowings are set out in note 28 to these Financial Statements.

The Group leases certain plant and machinery for its aluminium and coal mine operations under finance leases. The lease liabilities arising from these finance leases as at 31 December 2020 were HK\$16.1 million.

As at 31 December 2020, the Group's net debt to net total capital was 30.8% (31 December 2019: 36.2%). Of the Group's total debt, HK\$171.0 million was repayable within one year, including trade finance and lease liabilities.

Share capital

There was no movement in the share capital of the Company during the year.

Financial risk management

The Group's diversified business is exposed to a variety of risks, such as market risks (including foreign currency risk, price risk, interest rate risk and inflation risk), credit risk and liquidity risk. The management of such risks is dictated by a set of internal policies and procedures designed to minimise potential adverse effects to the Group. The policies and procedures have proved effective.

The Group enters into derivative transactions, including principally forward currency contracts, forward commodity contracts, interest rate swap contracts, embedded derivatives and electricity hedge agreements. Their purpose is to manage the foreign currency risk, price risk, interest rate risk and inflation risk arising from the Group's operations and sources of finance.

Management's Discussion and Analysis

Opinion

The Board is of the opinion that, after taking into account the existing available borrowing facilities and internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

Employees and Remuneration Policies

As at 31 December 2020, the Group had 189 full time employees, including management and administrative staff.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance. Rent-free quarters are provided to some employees in Indonesia.

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The Group operates the following contribution retirement benefit schemes for its employees:

- (a) a defined scheme under the Government Law No.13/2003 of Indonesia for those employees in Indonesia who are eligible to participate;
- (b) a defined scheme under the superannuation legislation of Australia for those employees in Australia who are eligible to participate; and
- (c) a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate.

Contributions are made based on a percentage of the employees' basic salaries. The assets of the above schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into these schemes.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible persons.

Board of Directors and Senior Management

Directors

Mr. Sun Yufeng	<i>Chairman and Executive Director</i>
Mr. Suo Zhengang	<i>Vice Chairman, Executive Director and Chief Executive Officer</i>
Mr. Sun Yang	<i>Vice Chairman and Executive Director</i>
Mr. Chan Kin	<i>Non-executive Director</i>
Mr. Fan Ren Da, Anthony	<i>Independent Non-executive Director</i>
Mr. Gao Pei Ji	<i>Independent Non-executive Director</i>
Mr. Look Andrew	<i>Independent Non-executive Director</i>

Directors – Biographies

Executive Directors

Mr. Sun Yufeng, aged 56, joined in 2019 as an executive director and the Chairman of the Company. He is the chairman of the Nomination Committee and a member of the Risk Management Committee. He is also a director of several subsidiaries of the Company. He is responsible for the strategic and corporate development, management and operations of the Group. Mr. Sun holds a bachelor's degree in English Literature from the Shanghai International Studies University and a master's degree in Business and Administration from the University of Delaware. Mr. Sun is the vice chairman and president of CITIC Metal Group Limited, positions he has held since 2016. Mr. Sun is a non-executive co-chairman of Ivanhoe Mines Ltd., a company listed on the Toronto Stock Exchange (Stock Code: IVN) and OTC Markets (Stock Code: IVPAF). He also holds directorships in several metal mining processing and trading companies, including 中博世金科貿有限責任公司 (China Platinum Co. Ltd.), 西部超導材料科技股份有限公司 (Western Superconducting Technologies Co., Ltd.), Companhia Brasileira de Metalurgia e Mineração (CBMM) and MMG South America Management Company Limited, which owns Las Bambas copper project. Mr. Sun joined CITIC Group in 1987 and CITIC Metal Co. Ltd. in 1999, where he served as General Manager and Chairman of CITIC Metal Co. Ltd. between 2003 and 2016, responsible for the management of its trading and investment business. Mr. Sun has over 33 years' experience in business management and investment.

Mr. Suo Zhengang, aged 58, joined in 2015 as an executive director, a Vice Chairman and the Chief Executive Officer of the Company. He is a member of the Remuneration Committee and the Risk Management Committee. He is also a director of several subsidiaries of the Company. He is responsible for the strategic and corporate development, management and operations of the Group. Mr. Suo holds a Bachelor of Science degree in Mechanical Engineering from North China University of Technology and was granted the title of senior economist by CITIC Senior Specialised Technique Qualification Evaluation Committee. Mr. Suo has held directorship in several subsidiaries of CITIC Group. He was a non-executive director of CDH listed on the Main Board of the Stock Exchange (Stock Code: 1091) from December 2014 to December 2020. Mr. Suo has over 31 years' experience in business operations and development, and project investments. He has experience in the natural resources industry.

Mr. Sun Yang, aged 54, joined in 2014 as an executive director and a Vice Chairman of the Company. He is also a director of several subsidiaries of the Company. He is responsible for the strategic and corporate development, management and operations of the Group. Mr. Sun holds a master's degree in Management from Renmin University of China. He is the President of CITIC Kazakhstan LLP, an independent director of JSC AB Bank of China Kazakhstan and a director of KBM. Mr. Sun has held senior positions in several subsidiaries of CITIC Group since 1995. Mr. Sun has over 14 years' experience in the oil and gas industry.

Board of Directors and Senior Management

Non-executive Director

Mr. Chan Kin, aged 54, joined in 2017 as a non-executive director of the Company. Mr. Chan holds an AB degree from Princeton University and a master's degree in Business Administration from the Wharton School of University of Pennsylvania where he was a Palmer Scholar. He is the founder, a partner and chief investment officer of Argyle Street Management Limited ("**ASM Limited**"). He is the chairman and a deemed executive non independent director of TIH Limited (Stock Code: T55) and a non-executive director of OUE Limited (Stock Code: LJ3), both companies listed on the Singapore Exchange. On 18 April 2019, Mr. Chan was appointed a member of the board of commissioners of PT Lippo Karawaci Tbk, a real estate company listed on Indonesia Stock Exchange. Mr. Chan ceased to act as a non-executive director of Mount Gibson Iron Limited (Stock Code: MGX), a company listed on the ASX and The ONE Group Hospitality, Inc. (Stock Code: STKS), a company listed on the Nasdaq Stock Market in January 2018 and January 2019 respectively. Mr. Chan is a responsible officer of ASM Limited and is licensed under SFO to carry on Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activity. He is also a licensed representative in Singapore for TIH Investment Management Pte Ltd. Mr. Chan has over 30 years' experience in international capital markets, investment banking, corporate advisory and major transactions, particularly in Asia.

Board of Directors and Senior Management

Independent Non-executive Directors

Mr. Fan Ren Da, Anthony, aged 60, joined in 2000 as an independent non-executive director of the Company. He is the chairman of the Audit Committee and a member of the Remuneration Committee, Nomination Committee and the Risk Management Committee. Mr. Fan holds a master's degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. He is also an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Raymond Industrial Limited (Stock Code: 229), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Semiconductor Manufacturing International Corporation (Stock Code: 981), China Development Bank International Investment Limited (Stock Code: 1062), Technovator International Limited (Stock Code: 1206), China Dili Group (Stock Code: 1387), Neo-Neon Holdings Limited (Stock Code: 1868), Hong Kong Resources Holdings Company Limited (Stock Code: 2882) and Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), all listed on the Main Board of the Stock Exchange. Mr. Fan ceased to act as an independent non-executive director of LT Commercial Real Estate Limited (Stock Code: 112), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296) and CGN New Energy Holdings Co., Ltd. (Stock Code: 1811), in June 2017, August 2017 and June 2018 respectively. He is also the Founding President of The Hong Kong Independent Non-Executive Director Association. Mr. Fan held senior positions with various international financial institutions.

Mr. Gao Pei Ji, aged 73, joined in 2011 as an independent non-executive director of the Company. He is the chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and the Risk Management Committee. Mr. Gao holds a LL.M. degree from the Law School of University of California, Berkeley. He has been admitted to practise law in China since 1984. He is a foreign legal consultant to Clifford Chance, Hong Kong office. He is also an independent non-executive director of CGN Mining Company Limited listed on the Main Board of the Stock Exchange (Stock Code: 1164). He was a partner of Clifford Chance between 1993 and 2007. Mr. Gao has extensive and diversified experience in general practice, including banking and finance, direct investment, international trade, construction contracts, arbitration and litigation in relation to financial matters, and insolvency.

Mr. Look Andrew, aged 56, joined in 2015 as an independent non-executive director of the Company. He is the chairman of the Risk Management Committee and a member of the Audit Committee and Remuneration Committee. Mr. Look holds a bachelor of commerce degree from the University of Toronto and has over 30 years' experience in the equity investment analysis of Hong Kong and China stock markets. From 2000 to 2008, Mr. Look served in Union Bank of Switzerland as the head of Hong Kong research, strategy and product. He was rated as the best Hong Kong strategist and best analyst by the Asiamoney magazine, a leading monthly financial and capital markets publication for corporate and finance readers and investors, in 2001, 2002, 2003, 2005, 2006 and 2007. Mr. Look is currently an independent non-executive director of Hung Fook Tong Group Holdings Limited (Stock Code: 1446), Ka Shui International Holdings Limited (Stock Code: 822) and Union Medical Healthcare Limited (Stock Code: 2138), all of which are listed on the Stock Exchange. He was an independent non-executive director of TCL Communication Technology Holdings Limited (a company delisted on the Hong Kong Stock Exchange on 30 September 2016) from September 2010 to September 2016 and an independent non-executive director of Affluent Partners Holdings Limited (Stock Code: 1466) from September 2014 to December 2016 and an independent non-executive director of Cowell e Holdings Inc. (Stock Code: 1415) from April 2017 to December 2018, all of which are listed on the Stock Exchange.

Board of Directors and Senior Management

Senior Management – Biographies

Mr. Wong Wai Kwok, aged 52, joined in 2019 as the company secretary and the chief financial officer of the Company. Mr. Wong was previously the Finance General Manager of CITIC Seram, a wholly-owned subsidiary of the Company. He is a member of the Chartered Accountants Australia & New Zealand, an associate member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst holder and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Wong holds a Master Degree of Business Law from Monash University, Master Degree of Business Administration from Deakin University, Master Degree of Professional Accounting from Monash University and Bachelor Degree of Science from The University of New South Wales. Mr. Wong has over 27 years of financial, accounting and auditing experience.

Mr. Chung Ka Fai, Alan, aged 53, joined in 1997 as the Chief Accountant of the Company. He is also an assistant to the Chief Executive Officer. Mr. Chung is a certified practising accountant of CPA Australia. Prior to joining the Company, he worked for various multi-national companies. Mr. Chung has over 30 years' experience in the accounting field.

Mr. Wat Chi Ping Isaac, aged 49, joined in 2019 as a Chief Legal Officer of the Company. Mr. Wat has over 21 years of legal and compliance experience from private practice in law firms as well as serving as company counsels in renowned multinational companies and Chinese Central Government-owned enterprises. His exposure covers corporate finance transactions, public and private merger and acquisitions, private equity, investment funds, corporate restructuring, litigation and dispute resolution, intellectual property rights, internal control and risk management and regulatory compliance works. Prior to joining the Company, Mr. Wat worked at a number of major international law firms and served as a member of the senior management team and General Counsel of CGN Energy International Holdings Co., Limited, General Counsel and the company secretary of CGN Meiya Power Holdings Co., Ltd. (Stock Code: 1811, a company listed on the Stock Exchange) and the Director – Legal Counsel of CITIC Securities International Company Limited. Mr. Wat became a qualified solicitor in Hong Kong and in England and Wales in November 1998 and March 1999, respectively.

Mr. Wang Xinli, aged 50, joined in 2012 as a Vice President of the Company. He is a director of a subsidiary and several joint ventures of the Company. Mr. Wang holds a bachelor's degree in Accounting from the Beijing Institute of Machinery Industry. He is a qualified accountant of China. Prior to joining the Company, Mr. Wang was engaged in several subsidiaries of CITIC Group. Mr. Wang has over 27 years' experience in accounting and financial management aspects, especially in new project assessment.

Mr. Wang Yimin, aged 49, joined in 2014 as the general manager of project management department of the Company. He is also an assistant to the Chief Executive Officer. Mr. Wang holds a bachelor's degree in Arts from the Beijing Foreign Studies University. Prior to joining the Company, Mr. Wang was engaged in CITIC Group. Mr. Wang has over 27 years' experience in project management and natural resources industry.

Mr. Yuan Mou, aged 58, joined the Company in November 2019 as a Vice President of the Company. He is a general manager and a director of 中信石油技術開發(北京)有限公司 (CITIC Petroleum Technology Development (Beijing) Limited), a wholly owned subsidiary of the Company. Mr. Yuan holds a bachelor's degree from the East China Petroleum Institute (now known as China University of Petroleum) and a Doctor of Philosophy of petroleum engineering from University of Petroleum in 2003. Prior to joining the Company, Mr. Yuan was engaged in Shengli Oil Field of the China Petroleum and Chemical Corporation. Mr. Yuan has over 36 years' experience in oil and gas industry.

Corporate Governance Report

The Company is committed to maintaining a good and sensible framework of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of management as well as protecting the interests of all shareholders. The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

Compliance with the Corporate Governance Code

The Board is of the view that the Company has, for the year ended 31 December 2020, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the CG Code, save and except for the deviation from code provision A.5.5.

Under code provision A.5.5 of the CG Code, where the board proposes a resolution to elect an individual as an independent non-executive director at a general meeting, it should set out in the explanatory statement accompanying the notice of the relevant general meeting the reasons for the board believes the proposed independent non-executive director would still be able to devote sufficient time to the board if he will be holding his seventh (or more) listed company directorship. It was an inadvertent omission that such reason was not disclosed in the circular of the Company dated 2 April 2020 in which it set out that Mr. Fan Ren Da, Anthony (“**Mr. Fan**”) is holding his seventh (or more) listed company directorship, was proposed to be re-elected at the Company’s annual general meeting for 2020. Subsequently, the Company made a supplemental announcement on 12 May 2020 disclosing the reasons that notwithstanding Mr. Fan has served as directors for more than seven listed companies, he has maintained his profession in various directorships of listed companies he served, has actively participated in the Board meetings and various committees held by the Company in the past, and so his time committed for his director’s duties is not affected. The Board unanimous agreed that Mr. Fan has devoted sufficient time to perform his director’s duties.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct for dealings in the securities of the Company by its directors (the “**Securities Dealings Code**”) that is based on the Model Code (or on terms no less exacting than the Model Code).

All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the year.

Board of Directors

As at 26 March 2021, the Board comprised a total of seven members, with three executive directors, one non-executive director and three independent non-executive directors.

Executive Directors:

Mr. Sun Yufeng	(Chairman)
Mr. Suo Zhengang	(Vice Chairman and Chief Executive Officer)
Mr. Sun Yang	(Vice Chairman)

Non-executive Director:

Mr. Chan Kin

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Look Andrew

Corporate Governance Report

The Board possesses a balance of skills, experience and diversity of perspective appropriate to the requirements of the business of the Company. Directors take decisions objectively in the interests of the Company. The directors, individually and collectively, are aware of their responsibilities and accountability to shareholders and for the manner in which the affairs of the Company are managed and operated.

The Group has diversity of management expertise in the energy resources and commodities sectors, the investment management, accounting and banking fields. The Board has the required knowledge, experience and capabilities to operate and develop the Group's businesses and implement its business strategies.

On appointment, each new director is briefed by senior management on the Group's corporate goals and objectives, activities and business, strategic plans and financial situation. Each new director is also provided with a package of orientation materials in respect of a director's duties and responsibilities under the Listing Rules, the Bye-laws, corporate governance and financial reporting standards. The company secretary is responsible for keeping all directors updated on the Listing Rules and other regulatory and reporting requirements.

All directors are subject to re-election at regular intervals. The Bye-laws provide that any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office only until the general meeting of the Company or the AGM, whichever shall be the earlier, next following his/her appointment and such director shall be eligible for re-election at that meeting. In addition, every director is subject to retirement at least once every three years following his/her re-election with the result that, at each AGM, one-third of the directors shall retire from office by rotation.

To the best of the knowledge of the Company, there is no financial, business, family or other material or relevant relationship between board members or between the chairman and the chief executive officer.

Under the leadership of the chief executive officer, senior management is responsible for executing the Board's strategy and implementing its policies through the day-to-day management and operations of the Group's businesses.

The Board determines which functions are reserved to the Board and which are delegated to senior management. It delegates appropriate aspects of its management and administrative functions to senior management. It also gives clear directions as to the powers of senior management, in particular, with respect to the circumstances where senior management must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. These arrangements are reviewed periodically to ensure that they remain appropriate to the needs of the Company.

Important matters are reserved to the Board for its decision, including long term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the board committees, annual budgets, material acquisitions and disposals, material connected transactions, material banking facilities, announcements of interim and final results and payment of dividends.

Chairman and Chief Executive Officer

The role of the chairman is separate from that of the chief executive officer so as to delineate their respective areas of responsibility, power and authority. The chairman focuses on the Group's strategic planning while the chief executive officer has overall executive responsibility for the Group's development and management. They receive significant support from the directors and senior management.

The chairman has a clear responsibility to ensure that the whole Board receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable. The Board, led by the chairman, sets the overall direction, strategy and policies of the Company.

The chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings. He also encourages the directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus.

Corporate Governance Report

Non-executive Directors

The non-executive directors (including the independent non-executive directors) are seasoned individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise as required by the Listing Rules. With their expertise and experience, they serve the relevant function of bringing independent judgement and advice on the overall management of the Company. The total number of non-executive directors represented half of the board members so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The non-executive directors take the lead where potential conflicts of interests arise. Their responsibilities include maintaining a balance between the non-controlling interests and the Company as a whole.

All independent non-executive directors are invited to participate in board meetings so that they are able to provide at such meetings their experience and judgement on matters to be discussed in the meetings.

The non-executive directors are appointed for an initial term of one year and thereafter from year to year, subject to re-election at the general meeting of the Company or the AGM, whichever shall be the earlier, next following their appointment and thereafter retirement by rotation and re-election at the AGMs in accordance with the Bye-laws.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all of the independent non-executive directors meet the guidelines for assessing independence as set out in rule 3.13 of the Listing Rules and considers them to be independent.

During the year, the chairman has held a meeting with the non-executive directors (including independent non-executive directors) without the presence of other executive directors.

Directors' Continuous Professional Development

During the year, to develop and refresh their knowledge and skills, all the current directors have participated in appropriate continuous professional development training which covered updates on laws, rules and regulations and also directors' duties and responsibilities. The following shows the training of each of the directors received during the year:

	Attending seminars / briefings	Reading materials
Executive Directors:		
Mr. Sun Yufeng	✓	✓
Mr. Suo Zhengang	✓	✓
Mr. Sun Yang	—	✓
Non-executive Director:		
Mr. Chan Kin	✓	✓
Independent Non-executive Directors:		
Mr. Fan Ren Da, Anthony	✓	✓
Mr. Gao Pei Ji	✓	✓
Mr. Look Andrew	✓	✓

Corporate Governance Report

Board Meetings

Meetings of the Board are held regularly and at least four times a year at about quarterly intervals to approve, among other things, the financial results of the Company. Regular board meetings are scheduled in advance to give the directors an opportunity to attend. All directors are invited to include matters in the agenda for regular board meetings. Directors can attend board meetings either in person or by electronic means of communication.

There was satisfactory attendance for board meetings, which evidences prompt attention of the directors to the affairs of the Company. A total of five board meetings were held in 2020.

If a substantial shareholder or a director has a material conflict of interest in a matter to be considered by the Board, the matter will be dealt with by a physical board meeting (and not by a written resolution). Independent non-executive directors who, and whose associates, have no material interest in the transaction will be present at such board meeting.

Efforts are made to ensure that queries of the directors are dealt with promptly. All directors have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. The directors also have separate and independent access to senior management to make further enquiries or to obtain more information where necessary.

Board Committees

The Board has established Remuneration Committee, Nomination Committee, Audit Committee and Risk Management Committee. They are each established with specific written terms of reference which deal clearly with their respective authority and responsibilities.

There was satisfactory attendance for meetings of the board committees during the year. The minutes of the committee meetings are circulated to all members of the relevant committee unless a conflict of interest arises. The committees are required to report back to the Board on key findings, recommendations and decisions.

Remuneration Committee

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all directors and senior management of the Group and the remuneration of all directors of each member of the Group.

The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy on all directors and senior management and for determining remuneration packages of individual executive directors and senior management. It also makes recommendations to the Board on the remuneration of non-executive directors (including independent non-executive directors).

The committee consults the chairman and/or the chief executive officer about their remuneration proposals for other executive directors.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

Corporate Governance Report

Members of the committee are:

Mr. Gao Pei Ji	(Independent Non-executive Director) (Chairman)
Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)
Mr. Look Andrew	(Independent Non-executive Director)
Mr. Suo Zhengang	(Executive Director)

Two meetings were held during the year. During the year, the committee approved the remuneration and director's fee payable to the directors. Also, the committee reviewed and approved the performance-based remuneration package of each individual executive director and approved the salary payable.

Nomination Committee

The purpose of the committee is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board.

In order to maintain its competitive advantage and achieve a sustainable and balanced development, the Company recognises the benefits of having a diverse Board. The Board has adopted the Diversity Policy. According to the Diversity Policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background and professional experience.

The committee is responsible for reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, skills, knowledge and professional experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, and considering candidates on merit and against objective criteria with due regard to the Diversity Policy. The committee is also responsible for reviewing the Diversity Policy and the measurable objectives, the progress on achieving the objectives, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer of the Company.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's reputation for integrity, qualifications, skills and knowledge, experience, commitment in respect of available time, independence and gender diversity.

Members of the committee are:

Mr. Sun Yufeng	(Executive Director) (Chairman)
Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)
Mr. Gao Pei Ji	(Independent Non-executive Director)

One meeting was held during the year. During the year, the committee reviewed the structure, size and diversity of the Board and opined that the Board possesses a diversity and a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the business of the Company. The committee has also assessed the independence of the independent non-executive directors and considers all of them to be independent, taking into account of the independence guidelines set out in rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive director, and the perspectives, skills and experience that such director can bring to the Board and to make recommendations to the Board on the re-appointment of Directors.

Corporate Governance Report

Audit Committee

The Board has established formal and transparent arrangements to consider how it should apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's external auditor and internal auditor.

The committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions of its resignation or dismissal.

The committee monitors the integrity of the Company's accounts, financial statements, interim and annual reports, and reviews significant financial reporting judgements contained in them. The committee reports to the Board any suspected fraud and irregularities and suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

Members of the committee are:

Mr. Fan Ren Da, Anthony	(Independent Non-executive Director) (Chairman)
Mr. Gao Pei Ji	(Independent Non-executive Director)
Mr. Look Andrew	(Independent Non-executive Director)

The members of the committee possess appropriate professional qualifications and/or experience in financial matters. None of the committee members is or was a partner of the existing external auditor.

The committee meets as and when required to perform its responsibilities, and at least twice in each financial year of the Company. Two meetings were held in the year. During the year, the committee reviewed, together with senior management and the external auditor, the financial statements for the year ended 31 December 2019 and the financial statements for the six months ended 30 June 2020, the accounting principles and practices adopted by the Group, statutory compliance, other financial reporting matters, and the adequacy and effectiveness of the Group's internal audit. The committee has also considered the adequacy of resources, staff qualifications and experience of the Company's accounting, internal audit and financial reporting functions. In addition, it has considered the continuing connected transactions of the Company.

Ernst & Young, the current auditor, will retire at the forthcoming AGM and will not be re-appointed. The committee has recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the forthcoming AGM, PricewaterhouseCoopers be appointed as the Company's new external auditor for 2021 after the retirement of Ernst & Young.

Risk Management Committee

The purpose of the committee is to assist the Board to oversee the overall risk management and internal control of the Group and to assist the Board in establishing and setting risk management and internal control policies and regulations appropriate and relevant for the Group.

The committee is responsible for, amongst others, considering the overall objective and policies of the Group's comprehensive risk management and internal control; reviewing the risk philosophy and risk tolerance and appetite of the Group; overseeing the Group's overall risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business, strategic and other relevant risks faced by the Group from time to time; reviewing and assessing the effectiveness of the Group's risk control and risk mitigation tools and considering any other matters in relation to risk management and internal control responsibilities to be performed by the committee or the Board.

Corporate Governance Report

Members of the committee are:

Mr. Look Andrew	(Independent Non-executive Director) (Chairman)
Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)
Mr. Gao Pei Ji	(Independent Non-executive Director)
Mr. Sun Yufeng	(Executive Director)
Mr. Suo Zhengang	(Executive Director)

The committee meets at least once in each financial year of the Company and when there is any issue which requires its consideration. Two meetings were held in the year. During the year, the committee reviewed the risk management policies and regulations of the Group, considered the risk on oil price movement, COVID-19 related risk and interest rate risks, reviewed the internal control improvement of the Group, conducted a sensitivity analysis on market risks, reviewed major internal control weaknesses of the Group.

Attendance at Meetings of the Board and the Board Committees, and the AGM

	Number of meetings held during the year					AGM held on 19 June 2020
	Attended / Eligible to attend					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	
Executive Directors:						
Mr. Sun Yufeng	5 / 5		1 / 1		2 / 2	1 / 1
Mr. Suo Zhengang	5 / 5			2 / 2	2 / 2	1 / 1
Mr. Sun Yang	4 / 5					1 / 1
Non-executive Director:						
Mr. Chan Kin	5 / 5					1 / 1
Independent Non-executive Directors:						
Mr. Fan Ren Da, Anthony	5 / 5	2 / 2	1 / 1	2 / 2	2 / 2	1 / 1
Mr. Gao Pei Ji	5 / 5	2 / 2	1 / 1	2 / 2	2 / 2	1 / 1
Mr. Look Andrew	5 / 5	2 / 2		2 / 2	2 / 2	1 / 1

Corporate Governance Functions

The Board has the following responsibilities:

- to develop and review the Company's policies and practices on corporate governance; and to review compliance with the CG Code and disclosures in the corporate governance report;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review and monitor the training and continuous professional development of the directors and senior management; and
- to develop, review and monitor the code of conduct applicable to the directors and employees.

Corporate Governance Report

Financial Reporting

The directors acknowledge their responsibilities for preparing the financial statements for the Group. The directors are regularly provided with updates on the Company's businesses, potential investments, financial objectives, plans and actions.

The Board aims at presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. Senior management provides explanation and information to the directors to enable the Board to make informed assessments of the financial and other matters put before the Board for approval.

The Board considers that, through a review made by the Audit Committee, the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are adequate.

Risk Management and Internal Control

The Board has overall responsibility for maintaining an adequate system of risk management and internal control and reviewing its effectiveness.

The Group has established a risk management and internal control system covering all the business units to monitor, assess and manage various risks in the Group's business activities. The Risk Management Committee has reviewed the quality, integrity and effectiveness of the risk management policies and regulations of the Group and approved the relevant revisions on risk management policies under the delegation of the Board. The system identifies, evaluates and manages the significant risks through regular risk assessments, including both compliance assessment and self-assessment on risk management and internal control.

The risk management and internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The system provides reasonable, but not absolute, assurance against material misstatement or loss, and management rather than elimination of risks associated with its business activities.

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange.

The Group's risk management and internal control system comprises five levels based on the corporate governance structure:

- (a) the Board, responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives;
- (b) the Risk Management Committee, responsible for reviewing the Group's risk management;
- (c) management, responsible for the day-to-day risk management in all departments and subsidiaries of the Company;
- (d) the risk management department, responsible for supervising, monitoring and centralising the Group's risk management; and
- (e) the members of the Group, responsible for performing the daily risk management task.

During the year, the risk management department identified risk by multiple channels, including questionnaires, group discussion and scenario analysis, evaluated the risk as normal risk, significant risk and critical risk, and managed the risk with reference to the risk management policy. It also controlled the risks of subsidiaries through monthly risk management reporting and risk assessment as well as the monitoring of major projects and business. The result of the review, including COVID-19 related risk, strategic and investment risk, health, safety and environment risk, asset impairment risk, market risk, liquidity risk and litigation risk, has been summarised and reported to the Risk Management Committee and the Board with recommendations and follow-up results. The Board has received from management a confirmation on the effectiveness of the risk management and internal control system. Since the last annual review, the outbreak and wild spread of COVID-19 pandemic led to global economy disruption, commodity price slump, and health risk sharp increase. The prevention methods and the results were reported to the Risk Management Committee during the year.

Corporate Governance Report

Internal Audit

The internal audit department carries out an analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system, and performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. Under the internal audit charter of the Company, the internal audit department has unrestricted access to all parts of the Group's businesses and direct access to any level of management including the chairman of the Company and the chairman of the Audit Committee as it considers necessary.

The internal audit department conducts regular and independent reviews of the effectiveness of the Group's risk management and internal control system. The Audit Committee reviews the findings and opinion of the internal audit department on the effectiveness of the system and reports to the Board if significant findings are noted.

During the year, the internal audit department prepared an annual internal audit plan in accordance with risk-based principles. Pursuant to the approved annual internal audit plan endorsed by the Audit Committee, detailed audit planning for each audit was devised, followed by field audits and discussions with management of the Company and subsidiaries. Special audits are conducted when required by the Board and senior management. Internal audit reports were prepared after completion of the audits, informing the Company and subsidiaries about the identified control deficiencies, together with recommendations for immediate rectification. Concerns which have been reported by the internal audit department were monitored by management by taking appropriate remedial actions. The internal audit report, which included audit findings and follow-up results, has been summarised, communicated and reported to the Audit Committee during the year.

Auditor's Remuneration

Ernst & Young were re-appointed by shareholders at the AGM held on 19 June 2020 as the Company's external auditor until the next AGM. They are primarily responsible for providing audit services in connection with the financial statements of the Group for the year ended 31 December 2020.

For the year, Ernst & Young charged the Group HK\$10,520,000 for the provision of audit services and HK\$1,396,000 for the provision of non-audit services. The non-audit services included tax advices and preparation of tax returns.

Dividend Policy

The Board approved and adopted a dividend policy which outlines the objective, procedure and general principles for the determination and payment of dividend or distribution by the Company to its shareholders (the "**Dividend Policy**"). Dividends or distributions by the Company shall be determined and declared in accordance with applicable legislation, the Bye-laws and the Dividend Policy. The Board may amend any provision in the Dividend Policy if it considers necessary.

Pursuant to the Dividend Policy, the Company may propose, recommend and declare dividends to shareholders from time to time. Final dividend declared by the Company shall be approved by shareholders at the AGM and the amount of dividend so approved shall not exceed the amount recommended by the Board. The Board may pay to shareholders such interim and/or special dividends as appear to the Board to be justified by the profits of the Company. There is no assurance that a dividend will be proposed or declared in any specific periods.

In determining the payment and amount of a dividend, the Board shall exercise care in the financial management of the Company, preserve a strong financial position, manage cash prudently and maintain an appropriate level of liquidity in the interest of preserving the long term strength and stability of the Company.

Shareholders' Rights

Procedures for shareholders to convene a special general meeting

Shareholders holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings shall at all times have the right, by written requisition to the Board or the company secretary, to require a general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisitionists must state the purpose of the meeting and contact details in the requisition and sign and deposit the requisition at the principal place of business of the Company for the attention of the company secretary.

The meeting shall be held within two months from the deposit of the requisition. If the Board fails to proceed to convene the meeting within 21 days of such deposit, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may convene the meeting by themselves in accordance with the provisions of section 74(3) of the Companies Act, but any meeting so convened shall not be held after the expiration of three months from the deposit of the requisition.

Procedures for putting forward proposals at general meetings

Shareholders holding not less than 5% of the total voting rights of all shareholders having a right to vote at general meetings or not less than 100 shareholders can submit a written request stating a resolution to be moved at the AGM or a statement of not more than 1,000 words with respect to a matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The requisitionists must sign and deposit the written request or statement at the registered office of the Company and the principal place of business of the Company for the attention of the company secretary not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the company secretary will ask the Board to include the resolution in the agenda for the AGM or, as the case may be, to circulate the statement for the general meeting, provided that the requisitionists have deposited a sum of money reasonably determined by the Board sufficient to meet the expenses in serving the notice of the resolution and/or circulating the statement submitted by the requisitionists in accordance with the statutory requirements to all the registered shareholders.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the Investor Relations Department or e-mail to ir@citicresources.com.

Corporate Governance Report

Communication with Shareholders and Investor Relations

To enhance transparency, the Company endeavours to maintain open dialogue with shareholders through a wide array of channels such as AGMs and other general meetings. Shareholders are encouraged to participate in these meetings.

The Board will whenever it thinks fit and as required under the Bye-laws and the Listing Rules call general meetings for the purpose of asking shareholders to consider and, if thought fit, approving resolutions proposed by the Board; notably in relation to notifiable and/or connected transactions. In addition, the Company communicates with shareholders through the issue of announcements and press releases.

A separate resolution is proposed for each substantially separate issue at a general meeting by the chairman of that meeting, including the election and re-election of a director.

The chairman of the Company, the chairman or member of each of the board committees and external auditor attend and answer questions at the AGM.

The chairman of the independent board committee is available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The Company ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws. The representative of the share registrar of the Company is normally appointed as scrutineer of the votes cast by way of a poll. In relation to votes taken by way of a poll, their results are subsequently published on the websites of the Stock Exchange and the Company at <http://www.hkexnews.hk> and <http://resources.citic> respectively.

The Company is committed to providing clear and reliable information on the performance of the Group to shareholders through interim and annual reports. The website of the Company offers timely and updated information of the Group.

The Company keeps contact with the media and holds briefings with investment analysts from time to time including following the announcement of financial results. Senior management also, whenever appropriate, participates in investor conferences, one-on-one meetings, forums, luncheons, conference calls and non-deal road shows which enable the Company to better understand investors' concerns and expectations.

The Company maintains effective two-way communications with shareholders and other investors whose feedback is invaluable to the Company in enhancing corporate governance, management and competitiveness. Comments and suggestions are welcome and can be sent to the principal place of business of the Company for the attention of the Investor Relations Department or e-mailed to ir@citicresources.com.

Corporate Governance Report

Constitutional Documents

The Company did not make any change to its constitutional documents during the year. The Memorandum of Association of the Company and the Bye-laws are available on the websites of the Company and the Stock Exchange.

However, for the purpose of providing flexibility to the Company in relation to the conduct of general meetings and reflecting certain amendments to the Listing Rules and the applicable laws of Bermuda, a special resolution approving the adoption of new bye-laws of the Company is proposed to be passed by the shareholders of the Company at the 2021 Annual General Meeting.

Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2020.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 1 to the financial statements. During the year, there were no significant changes in the nature of the Group's principal activities.

Segment Information

An analysis of the Group's revenue and results by principal operating activities and the Group's revenue and on-current assets by geographical area of operations for the year ended 31 December 2020 is set out in note 4 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31 December 2020 and the state of affairs of the Group at that date are set out in the financial statements on pages 49 to 155.

The Board does not recommended payment of a final dividend for the year ended 31 December 2020.

Business Review

A fair review of the Group's business and a description of the principal risks and uncertainties faced by the Group are provided in the Chairman's Statement and Management's Discussion and Analysis on pages 1 to 17. Particulars of important events affecting the Group that have occurred since the end of the year, and indication of likely future development in the Group's business can also be found in these pages. An analysis of the Group's performance during the year using key financial performance indicators is set out on page 4. An account of the Company's relationship with its key stakeholders can be found on page 32.

Environmental Policies and Performance

The Group attaches importance to balancing the needs of business development and environmental protection, and endeavours to make continuous improvements through technological upgrading and performance evaluations.

Report of the Directors

The Group integrates environmental protection across all activities and operations. It promotes clean production and alleviates as far as possible the impact of the Group's operations on the environment. In respect of the Group's oilfield operations, the Group has enhanced resource utilisation efficiency and strengthened its efforts on nature conservation through a wide range of measures. During the year, Tincy Group was awarded two Chinese Utility Model Patent (namely plasma slit and wire-wound composite filter screen (等離子割縫與繞絲複合的濾篩管) and a pull-type pressure relief (提拉式泄壓) device), which can effectively help reducing environmental pollution and safety risks during production. Following the investment in the construction of the "Produced Water Treatment Plant Project" in 2019, the Karazhanbas Oilfield has added energy-saving design to the six newly added boilers that were put into operation in 2020, aiming to realize waste heat recycling and actively reduce its own environmental impact. The Seram Block continues to use natural gas to replace diesel as the fuel for the turbines in its major production facilities, striving to reduce air pollutant emissions.

Compliance with Laws and Regulations

The Company complies with the requirements under the Companies Act, the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the published audited financial statements, is set out on page 156. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Share Capital and Share Options

There was no movement in the Company's share capital during the year. Details of movements in the Company's share options during the year are set out in note 32 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Report of the Directors

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Distributable Reserves

In accordance with the Companies Act, the Company may pay dividends out of contributed surplus, retained profits and any other reserves provided that immediately following the payment of such distribution or payment, the Company is able to pay off its debts as and when they fall due. As at 31 December 2020, the Company had contributed surplus and retained profits amounting to HK\$358,625,000 and HK\$3,099,423,000 respectively.

Charitable Contributions

During the year, the Group did not make any charitable contributions (2019: Nil).

Major Customers and Major Suppliers

In the year under review, sales to the Group's five largest customers accounted for 58.2% of the total sales for the year and sales to the largest customer amounted to 24.6%. Purchases from the Group's five largest suppliers accounted for 53.1% of the total purchases for the year and purchases from the largest supplier amounted to 18.9%.

None of the directors or any of their close associates or any shareholders (which, to the best of the knowledge of the directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers or suppliers.

Directors

The directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Sun Yufeng

Mr. Suo Zhengang

Mr. Sun Yang

Non-executive Director:

Mr. Chan Kin

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony

Mr. Gao Pei Ji

Mr. Look Andrew

Report of the Directors

The non-executive directors, including independent non-executive directors, of the Company are appointed for an initial term of one year and thereafter from year to year and all of the directors, including executive directors, are subject to retirement by rotation and re-election in accordance with the Bye-laws.

In accordance with Bye-laws 87(1) and 87(2), Mr. Sun Yufeng, Mr. Chan Kin and Mr. Look Andrew will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Directors' Service Contracts

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' Remuneration

Directors' remuneration is determined by the Remuneration Committee. The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

Directors' Interests in Contracts

During the year, no director had an interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

Save as disclosed herein and so far as is known to the directors, as at 31 December 2020, none of the directors or their respective associates was materially interested in any subsisting contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

Report of the Directors

Directors' Competing Interests

During the year 2020 and up to the date of this annual report, the following Directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Sun Yufeng	— CITIC Metal Group Limited	— Commodity Trader and Mining	Director
Mr. Suo Zhengang #	— South Manganese Investment Limited (formerly known as CITIC Dameng Holdings Limited)	— Manganese Producer	Director

As the Board is independent of the boards of the abovementioned entities and none of the above directors of the Company can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at 31 December 2020, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO), or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Long positions in shares and underlying shares of the Company

Name of director	Nature of interest	Number of ordinary shares of HK\$0.05 each held	Percentage of the total issued share capital of the Company
Mr. Sun Yang	Directly beneficially owned	4,000	—
Mr. Chan Kin ("Mr. Chan")	Corporate	786,558,488*	10.01

Mr. Suo Zhengang resigned as the non-executive director of South Manganese Investment Limited with effect from 22 December 2020.

* The figure represents an attributable interest of Mr. Chan through his interest in Argyle Street Management Holdings Limited ("ASM Holdings"). Mr. Chan is a significant shareholder of ASM Holdings.

Report of the Directors

Long positions in shares and underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Shares / equity derivatives	Number of shares / equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Gao Pei Ji	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

Save as disclosed herein and in the section headed "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" (in case there is any disclosure therein) (on page 40), and so far as is known to the directors, as at 31 December 2020:

- (a) none of the directors or the chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO), or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange; and
- (b) none of the directors was a director or employee of a company which had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above and in the section headed "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate of the Group.

Permitted Indemnity Provision

The Bye-laws provide that every director of the Company is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged Directors & Officers Liability and Company Reimbursement Insurance for the directors and officers of the Company and its subsidiaries.

Report of the Directors

Management Contracts

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

Share Option Scheme

To enable the Company to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by the Company on 27 June 2014 (the “**New Scheme**”). Further details of the New Scheme are set out in note 32 to the financial statements. Up to the date of this report, no share option has been granted under the New Scheme.

Substantial Shareholders’ and Other Persons’ Interests in Shares and Underlying Shares

As at 31 December 2020, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of shareholder	Nature of interest	Number of ordinary shares of HK\$0.05 each held as long positions	Percentage of the total issued share capital of the Company
中國中信集團有限公司 (CITIC Group Corporation)	Corporate	4,675,605,697 ⁽¹⁾	59.50
CITIC Limited	Corporate	4,675,605,697 ⁽²⁾	59.50
CITIC Corporation Limited	Corporate	4,675,605,697 ⁽³⁾	59.50
CITIC Projects Management (HK) Limited	Corporate	3,895,083,904 ⁽⁴⁾	49.57
Keentech Group Limited	Corporate	3,895,083,904 ⁽⁵⁾	49.57
CITIC Australia Pty Limited	Corporate	750,413,793 ⁽⁶⁾	9.55
Argyle Street Management Holdings Limited	Corporate	786,558,488 ⁽⁷⁾	10.01
Argyle Street Management Limited	Corporate	786,558,488 ⁽⁸⁾	10.01
ASM Connaught House General Partner Limited	Corporate	786,558,488 ⁽⁹⁾	10.01
ASM Connaught House General Partner II Limited	Corporate	786,558,488 ⁽¹⁰⁾	10.01
ASM Connaught House Fund LP	Corporate	786,558,488 ⁽¹¹⁾	10.01
ASM Connaught House Fund II LP	Corporate	786,558,488 ⁽¹²⁾	10.01
ASM Connaught House (Master) Fund II LP	Corporate	786,558,488 ⁽¹³⁾	10.01
Sea Cove Limited	Corporate	786,558,488 ⁽¹⁴⁾	10.01
TIHT Investment Holdings III Pte. Ltd.	Corporate	786,558,488 ⁽¹⁵⁾	10.01

Report of the Directors

Notes:

- (1) The figure represents an attributable interest of 中國中信集團有限公司 (CITIC Group Corporation) (“**CITIC Group**”) through its interest in CITIC Limited. CITIC Group is a company established in China.
- (2) The figure represents an attributable interest of CITIC Limited through its interest in CITIC Corporation Limited (“**CITIC Corporation**”). CITIC Limited, a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 267), is owned as to 32.53% by CITIC Polaris Limited (“**CITIC Polaris**”) and 25.60% by CITIC Glory Limited (“**CITIC Glory**”). CITIC Polaris and CITIC Glory, companies incorporated in the BVI, are direct wholly-owned subsidiaries of CITIC Group.
- (3) The figure represents an attributable interest of CITIC Corporation through its interest in CITIC Projects Management (HK) Limited (“**CITIC Projects**”), CITIC Australia Pty Limited (“**CA**”) and Fortune Class Investments Limited (“**Fortune Class**”). Fortune Class holds 30,108,000 shares representing 0.38% of the total issued share capital of the Company. CITIC Corporation, a company established in China, is a direct wholly-owned subsidiary of CITIC Limited. Fortune Class, a company incorporated in the BVI, is an indirect wholly-owned subsidiary of CITIC Corporation.
- (4) The figure represents an attributable interest of CITIC Projects through its interest in Keentech Group Limited (“**Keentech**”). CITIC Projects, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Corporation.
- (5) Keentech, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Projects.
- (6) CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Corporation.
- (7) The figure represents an attributable interest of ASM Holdings through its interest in ASM Limited, ASM Connaught House General Partner Limited (“**ASM General Partner**”) and ASM Connaught House General Partner II Limited (“**ASM General Partner II**”). ASM Holdings is a company incorporated in the BVI.
- (8) The figure represents an attributable interest of ASM Limited through its control of, by virtue of its position as investment manager of, ASM Connaught House Fund LP (“**ASM Fund LP**”), ASM Connaught House Fund II LP (“**ASM Fund II**”) and ASM Connaught House (Master) Fund II LP (“**ASM (Master) Fund II**”). ASM Limited, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Holdings.
- (9) The figure represents an attributable interest of ASM General Partner through its role as general partner of ASM Fund LP. ASM General Partner, a company incorporated in the Cayman Islands, is a direct wholly-owned subsidiary of ASM Holdings.
- (10) The figure represents an attributable interest of ASM General Partner II through its role as general partner in ASM Fund II and ASM (Master) Fund II.
- (11) The figure represents an attributable interest of ASM Fund LP through its interest in Albany Road Limited (“**Albany**”). Albany, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Fund LP.
- (12) The figure represents an attributable interest of ASM Fund II through its interest in ASM (Master) Fund II.
- (13) The figure represents an attributable interest of ASM (Master) Fund II through its interest in Caroline Hill Limited (“**Caroline**”). Caroline, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM (Master) Fund II.
- (14) The figure represents an attributable interest of Sea Cove Limited (“**Sea Cove**”) through its interest in TIHT Investment Holdings III Pte. Ltd. (“**TIHT**”). Sea Cove, a company incorporated in the BVI, is owned as to more than one-third of the total issued share capital by Caroline and more than one-third of the total issued share capital by Albany.
- (15) TIHT, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Sea Cove.

Save as disclosed herein and in the section headed “Directors’ and Chief Executive’s Interests in Shares and Underlying Shares” (on page 38), and so far as is known to the directors, as at 31 December 2020, no person had an interest or a short position in the shares or underlying shares of the Company required to be recorded in the register to be kept under section 336 of the SFO.

Specific Performance Obligations on Controlling Shareholder of the Company

The following disclosures are made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

In May 2017, the Company entered into a facility agreement with a bank in respect of an unsecured 3-year term loan facility of US\$40,000,000 (HK\$312,000,000) (the “**A Loan**”). The A Loan facility was expired on final maturity date on 15 May 2020.

Report of the Directors

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares is held by the public as at the date of this report.

Connected Transactions

During the year, the Group conducted certain transactions with connected persons which constituted continuing connected transactions for the Group under the Listing Rules. Details of those continuing connected transactions which are subject to the reporting requirements under Rule 14A.71 of the Listing Rules are summarised below.

On 17 January 2020, CACT entered into the Agency Fee Agreement with PRT for the provision of marketing related services for PRT's products. PRT, an indirectly subsidiary of CITIC Group, is a connected person of the Company and the commission fee income earned from provision of marketing related services for PRT pursuant to the Agency Fee Agreement constitutes continuing connected transactions of the Company. At the time of entering into the Agency Fee Agreement in 2020, the then applicable Percentage Ratios were less than 0.1% and the entering into of the Agency Fee Agreement constituted de minimis continuing connected transaction for the Company under the Listing Rules and was not subject to announcement, reporting and independent shareholders' approval requirements. Based on the information available to the Company and the preliminary assessment of the unaudited management financial statements of CACT on the date of announcement issued by the Company on 15 September 2020, the Board anticipated that the commission fee income for the year 2020 would exceed the abovementioned exemption threshold. The Company was therefore required to re-comply with the requirements under Chapter 14A of the Listing Rules. The term of the Agency Fee Agreement is for 2020 calendar year and is expected to be renewed on an annually basis. Based on the projection of the level of marketing services to be provided by CACT to PRT, the Board expects that the amount of the commission fee income for each of the following financial years would not exceed the following respective Caps:

Financial years	Cap (HK\$)
31 December 2020	5.0 million
31 December 2021	5.0 million
31 December 2022	5.0 million

For the financial year ended 31 December 2020, the actual aggregate transaction amount with PRT was HK\$4,673,000. Further details of the Agency Fee Agreement and the annual caps are set out in the announcements of the Company dated 15 September 2020 and 21 September 2020, respectively.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above disclosed continuing connected transaction and confirmed that it has been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreement governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Report of the Directors

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions is disclosed in note 37 to the consolidated financial statements. These transactions constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules that are exempted from any disclosure requirement under Chapter 14A of the Listing Rules.

Events after the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 42 to the financial statements.

Audit Committee

The Company has an audit committee which was established in compliance with rule 3.21 of the Listing Rules with responsibility for reviewing and providing supervision over the Group's financial reporting process. The Audit Committee comprises the three independent non-executive directors of the Company.

The Audit Committee has reviewed the financial statements with senior management and the external auditor of the Company.

Auditor

The financial statements for the year were audited by Ernst & Young. Ernst & Young, the current auditor, will retire at the conclusion of the forthcoming AGM and will not be re-appointed. The Board proposed to appoint, subject to approval of the shareholders of the Company at the forthcoming AGM, PricewaterhouseCoopers as the new auditor of the Company to hold office until the conclusion of the next AGM.

On behalf of the Board

Sun Yufeng

Chairman

Hong Kong, 26 March 2021

Independent Auditor's Report



To shareholders of CITIC Resources Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of CITIC Resources Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 49 to 155, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of 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 this auditor’s 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of this auditor’s report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of oil and gas properties</i>	
<p>As at 31 December 2020, the carrying value of the Group's oil and gas properties amounted to HK\$2,823,603,000, net of provision for impairment of HK\$3,105,010,000. The volatility of oil prices are considered an impairment indicator of the oil and gas properties.</p> <p>Management of the Group performed impairment assessments on the oil and gas properties by using discounted cash flow models as at 31 December 2020. Based on the outcomes of the impairment assessments, the Group considered no additional impairment to be provided for the year.</p> <p>This area was important to our audit because the oil and gas properties are significant to the Group and significant estimation was involved in the assessment of the recoverable amount of the oil and gas properties. This assessment required management to make assumptions to be used in the discounted cash flow models. The most critical assumptions were the future oil prices, oil reserves and discount rates.</p> <p>Related disclosures are included in notes 2.4, 3 and 13 to the consolidated financial statements.</p>	<p>We evaluated the assumptions and methodologies used by management to assess the recoverable amount of the oil and gas properties of the Group. We compared management's oil price assumptions with the latest available market evidence, including broker's estimates and other long-term price forecasts. We also considered the independence, reputation and capabilities of the Group's external experts who were responsible for oil reserves estimation. We discussed with management and assessed whether any reserves revisions were consistent with our understanding. We also involved our internal valuation expert to assist us in assessing the methodologies and applied discount rates. In addition, we evaluated the adequacy of the disclosures regarding this matter in the consolidated financial statement.</p>
<i>Investment in a joint venture</i>	
<p>As at 31 December 2020, the carrying value of the Group's investment in a joint venture amounted to HK\$1,757,333,000, net of provision for impairment of HK\$1,399,935,000. The joint venture is principally engaged in the exploration, development, production and sale of oil in Kazakhstan. The volatile oil prices have heightened the risk of impairment associated with the Group's investment in the joint venture.</p> <p>Management of the Group performed an impairment assessment on the investment in the joint venture with reference to the share of estimated future cash flows to be generated by the joint venture by using a discounted cash flow model as at 31 December 2020.</p> <p>This area was important to our audit because the Group's investment in the joint venture is significant to the Group and significant estimation was involved in the assessment of the recoverable amount of the investment. This assessment required management to make assumptions to be used in the discounted cash flow model. The most critical assumptions were the future oil prices, oil reserves, export sales volume and discount rate.</p> <p>Related disclosures are included in notes 2.4, 3 and 20 to the consolidated financial statements.</p>	<p>We evaluated the assumptions and methodologies used by management to assess the recoverable amount of the Group's investment in a joint venture. We assessed the assumptions used to forecast the revenues and operating results. We compared management's oil price assumptions with the latest available market evidence, including brokers' estimates and other long term price forecasts. We also considered the independence, reputation and capabilities of the Group's external expert who was responsible for oil reserves estimation. We discussed the reserves revisions with the Group's internal expert and evaluated the revisions. We also involved our internal valuation expert to assist us in assessing the methodologies and applied discount rate. In addition, we evaluated the adequacy of the disclosures regarding this matter in the consolidated financial statements.</p>

Independent Auditor's Report

Other Information included in the Annual Report

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

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 of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are assisted by the audit committee of the Company (the "Audit Committee") in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This auditor's report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this auditor's report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company;
- 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 this 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 this auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the year and are therefore the key audit matters. We describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Lee Mee Kwan, Helena.

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

Hong Kong

26 March 2021

Consolidated Income Statement

	Notes	2020	2019
REVENUE	5	2,850,058	3,425,510
Cost of sales		(2,717,115)	(3,058,317)
Gross profit		132,943	367,193
Other income and gains	5	442,869	304,368
Selling and distribution costs		(11,406)	(13,446)
General and administrative expenses		(268,117)	(370,755)
Other expenses, net		(87,837)	(64,577)
Finance costs	9	(150,315)	(278,056)
Share of profit/(loss) of:			
Associates		(40,070)	71,513
A joint venture		(279,894)	615,100
PROFIT/(LOSS) BEFORE TAX	6	(261,827)	631,340
Income tax expense	10	(98,690)	(236)
PROFIT/(LOSS) FOR THE YEAR		(360,517)	631,104
ATTRIBUTABLE TO:			
Shareholders of the Company		(363,848)	600,293
Non-controlling interests		3,331	30,811
		(360,517)	631,104
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	12		
Basic		(HK4.63 cents)	HK7.64 cents
Diluted		(HK4.63 cents)	HK7.64 cents

Consolidated Statement of Comprehensive Income

	Note	2020	2019
PROFIT/(LOSS) FOR THE YEAR		(360,517)	631,104
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		(328,108)	(185,831)
Income tax effect		98,432	55,750
		(229,676)	(130,081)
Exchange differences on translation of foreign operations		185,100	(43,817)
Reclassification adjustments for foreign operations deregistered or disposed of during the year		(23,091)	—
Share of other comprehensive income/(loss) of associates		22,755	(31,628)
Share of other comprehensive loss of a joint venture		(1,987)	(1,501)
Reclassification adjustments for an associate disposed of during the year		1,086	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(45,813)	(207,027)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain/(loss) on defined benefit plan:			
Changes in fair value	29	(4,444)	1,023
Income tax effect		1,333	(308)
		(3,111)	715
Share of other comprehensive loss of a joint venture		(7,332)	(8,464)
Share of other comprehensive loss of an associate		(5,678)	(2,577)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(16,121)	(10,326)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(61,934)	(217,353)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(422,451)	413,751
ATTRIBUTABLE TO:			
Shareholders of the Company		(442,694)	386,926
Non-controlling interests		20,243	26,825
		(422,451)	413,751

Consolidated Statement of Financial Position

	Notes	2020	2019
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,481,533	3,004,109
Right-of-use assets	14(a)	93,635	102,048
Goodwill	15	24,682	24,682
Other assets	16	259,725	264,243
Investments in associates	19	2,954,414	3,982,682
Investment in a joint venture	20	1,757,333	2,046,546
Prepayments, deposits and other receivables	21	58,734	67,785
Derivative financial instrument	24	—	113,651
Time deposit	25	65,538	—
Deferred tax assets	30	187,240	86,806
Total non-current assets		8,882,834	9,692,552
CURRENT ASSETS			
Inventories	22	385,931	457,766
Trade receivables	23	412,653	374,803
Prepayments, deposits and other receivables	21	166,178	266,044
Derivative financial instruments	24	71,712	242,237
Pledged deposit	25	41,706	39,179
Cash and cash equivalents	25	2,314,285	1,595,429
Total current assets		3,392,465	2,975,458
CURRENT LIABILITIES			
Accounts payable	26	113,921	136,520
Tax payable		502	204
Accrued liabilities and other payables	27	839,084	711,368
Derivative financial instruments	24	14,071	7,116
Bank borrowings	28	141,106	1,152,775
Lease liabilities	14(b)	29,900	22,060
Provisions	29	50,976	44,857
Total current liabilities		1,189,560	2,074,900
NET CURRENT ASSETS		2,202,905	900,558
TOTAL ASSETS LESS CURRENT LIABILITIES		11,085,739	10,593,110

Consolidated Statement of Financial Position

	Notes	2020	2019
TOTAL ASSETS LESS CURRENT LIABILITIES		11,085,739	10,593,110
NON-CURRENT LIABILITIES			
Bank and other borrowings	28	4,673,760	3,900,000
Lease liabilities	14(b)	55,953	69,075
Deferred tax liabilities	30	90,919	—
Provisions	29	497,789	431,286
Total non-current liabilities		5,318,421	4,400,361
NET ASSETS		5,767,318	6,192,749
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	31	392,886	392,886
Reserves	33	5,414,829	5,860,503
		5,807,715	6,253,389
Non-controlling interests		(40,397)	(60,640)
TOTAL EQUITY		5,767,318	6,192,749

Sun Yufeng
Director

Suo Zhengang
Director

Consolidated Statement of Changes in Equity

	Issued capital	Share premium account	Contributed surplus (note 33)	Capital reserve (note 33)
At 1 January 2019	392,886	6,852	251,218	(38,579)
Profit for the year	—	—	—	—
Other comprehensive income/(loss) for the year:				
Cash flow hedges, net of tax	—	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—
Share of other comprehensive loss of a joint venture	—	—	—	—
Share of other comprehensive loss of associates	—	—	—	—
Re-measurement gain on defined benefit plan, net of tax	—	—	—	—
Total comprehensive income/(loss) for the year	—	—	—	—
Distribution to shareholders	—	—	—	—
Share of other reserve movements of an associate	—	—	—	—
At 31 December 2019	392,886	6,852 *	251,218 *	(38,579) *
At 1 January 2020	392,886	6,852	251,218	(38,579)
Profit/(loss) for the year	—	—	—	—
Other comprehensive income/(loss) for the year:				
Cash flow hedges, net of tax	—	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—
Reclassification adjustments for foreign operations deregistered or disposed of during the year	—	—	—	—
Share of other comprehensive income/(loss) of associates	—	—	—	—
Share of other comprehensive loss of a joint venture	—	—	—	—
Reclassification adjustments for an associate disposed of during the year	—	—	—	—
Re-measurement loss on defined benefit plan, net of tax	—	—	—	—
Total comprehensive income/(loss) for the year	—	—	—	—
Reclassification adjustments for an associate disposed of during the year	—	—	—	—
Share of other reserve movements of an associate	—	—	—	—
At 31 December 2020	392,886	6,852 *	251,218 *	(38,579) *

* These reserve accounts comprise the consolidated reserves of HK\$5,414,829,000 (2019: HK\$5,860,503,000) in the consolidated statement of financial position.

Attributable to shareholders of the Company							Total equity
Exchange fluctuation reserve	Cash flow hedge reserve	Investment related reserve (note 33)	Retained profits	Sub-total	Non-controlling interests		
12,246	385,448	(1,295,336)	6,426,748	6,141,483	(87,465)	6,054,018	
—	—	—	600,293	600,293	30,811	631,104	
—	(130,081)	—	—	(130,081)	—	(130,081)	
(39,831)	—	—	—	(39,831)	(3,986)	(43,817)	
—	—	(1,501)	(8,464)	(9,965)	—	(9,965)	
—	—	(31,628)	(2,577)	(34,205)	—	(34,205)	
—	—	—	715	715	—	715	
(39,831)	(130,081)	(33,129)	589,967	386,926	26,825	413,751	
—	—	—	(275,020)	(275,020)	—	(275,020)	
—	—	1,908	(1,908)	—	—	—	
(27,585) *	255,367 *	(1,326,557) *	6,739,787 *	6,253,389	(60,640)	6,192,749	
(27,585)	255,367	(1,326,557)	6,739,787	6,253,389	(60,640)	6,192,749	
—	—	—	(363,848)	(363,848)	3,331	(360,517)	
—	(229,676)	—	—	(229,676)	—	(229,676)	
168,188	—	—	—	168,188	16,912	185,100	
(23,091)	—	—	—	(23,091)	—	(23,091)	
—	—	22,755	(5,678)	17,077	—	17,077	
—	—	(1,987)	(7,332)	(9,319)	—	(9,319)	
—	—	1,086	—	1,086	—	1,086	
—	—	—	(3,111)	(3,111)	—	(3,111)	
145,097	(229,676)	21,854	(379,969)	(442,694)	20,243	(422,451)	
—	—	(53,528)	50,713	(2,815)	—	(2,815)	
—	—	11,215	(11,380)	(165)	—	(165)	
117,512 *	25,691 *	(1,347,016) *	6,399,151 *	5,807,715	(40,397)	5,767,318	

Consolidated Statement of Cash Flows

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(261,827)	631,340
Adjustments for:			
Interest income	5	(16,430)	(36,410)
Depreciation of property, plant and equipment	6	334,662	356,717
Depreciation of right-of-use assets	6	30,748	32,438
Amortisation of other assets	6	3,549	5,747
Provision for long term employee benefits	6	5,604	16,152
Loss on disposal of items of property, plant and equipment, net	6	1,690	1,625
Gain on disposal of other assets	5	(15,112)	—
Reclassification adjustments for foreign operations deregistered or disposed of during the year, net	6	(23,091)	—
Loss on write-off of financial assets at fair value through profit or loss	6	—	2,190
Write-down/(write-back) of inventories to net realisable value, net	6	(6,655)	6,900
Provision for impairment of other assets	6	1,482	—
Provision for/(reversal of) impairment of trade receivables, net	6	2,231	(16,069)
Reversal of impairment of other receivables	5	—	(11,158)
Write-off of accrued liabilities	5	(21,881)	—
The government loan forgiveness	5	(67,585)	(122,955)
Fair value gain on derivative financial instruments, net	6	(43,512)	(31,578)
Finance costs	9	150,315	278,056
Share of loss/(profit) of associates		40,070	(71,513)
Share of loss/(profit) of a joint venture		279,894	(615,100)
Gain on disposal of an associate	5	(192,040)	—
		202,112	426,382
Decrease in inventories		64,014	152,052
Decrease/(increase) in trade receivables		(41,416)	204,500
Increase in prepayments, deposits and other receivables		(1,852)	(49,539)
Decrease in accounts payable		(33,660)	(20,874)
Decrease in accrued liabilities and other payables		(68,925)	(26,013)
Increase/(decrease) in provisions		3,070	(31,419)
Cash generated from operations		123,343	655,089
Income tax paid		(8,478)	(434)
Net cash flows from operating activities		114,865	654,655

Consolidated Statement of Cash Flows

	Notes	2020	2019
Net cash flows from operating activities		114,865	654,655
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		15,550	36,149
Dividend income from associates	19	139,227	414,243
Purchases of items of property, plant and equipment		(378,596)	(236,529)
Additions to other assets	16	(2,385)	(12,069)
Proceeds from disposal of items of property, plant and equipment		1,987	460
Proceeds from disposal of other assets		7,819	—
Proceeds from disposal of an associate		1,080,613	—
Proceeds from disposal of a subsidiary		6,581	—
Repayment of loan from a joint venture		123,552	530,469
Increase in pledged deposit		—	(39,179)
Increase in a time deposit with original maturity of more than one year		(64,757)	—
Net cash flows from investing activities		929,591	693,544
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		1,984,379	1,549,292
Repayment of bank borrowings		(2,232,789)	(2,721,692)
Receipt of a loan from government		75,157	82,935
Repayment of a loan from government		(11,527)	(20,393)
Principal portion of lease payments		(29,554)	(29,052)
Interest portion of lease liabilities		(3,451)	(4,049)
Interest paid		(128,009)	(241,201)
Dividend paid to shareholders		(2)	(275,006)
Finance charges paid		(17,435)	—
Net cash flows used in financing activities		(363,231)	(1,659,166)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		681,225	(310,967)
Cash and cash equivalents at beginning of year		1,595,429	1,921,169
Effect of foreign exchange rate changes, net		37,631	(14,773)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,314,285	1,595,429
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		464,057	541,898
Time deposits		1,850,228	1,053,531
Cash and cash equivalents as stated in the consolidated statement of financial position	25	2,314,285	1,595,429

Notes to Financial Statements

1. Corporate and Group Information

CITIC Resources Holdings Limited is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The principal activity of the Company is investment holding.

During the year, the Group was principally engaged in the following businesses:

- (a) the operation of the PAS which sources alumina and produces aluminium ingots in Australia;
- (b) the operation of coal mines and the sale of coal in Australia;
- (c) the export of various commodity products such as aluminium ingots and alumina; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres into Australia;
- (d) the exploration, development, production and sale of oil from the Seram Block; and
- (e) the exploration, development, production and sale of oil from the Hainan-Yuedong Block.

In the opinion of the directors, the ultimate holding company of the Company is 中國中信集團有限公司 (CITIC Group Corporation), a company established in China. The intermediate holding company of the Company, CITIC Limited, which is incorporated and listed in Hong Kong, produces consolidated financial statements available for public use.

Notes to Financial Statements

1. Corporate and Group Information (continued)

Information about subsidiaries

Particulars of the Company's principal subsidiaries were as follows:

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
Starbest Venture Limited	BVI / Hong Kong	US\$1	100	Investment holding
Star Elite Venture Limited	BVI / Hong Kong	US\$1	100	Investment holding
Star Choice Venture Limited	BVI / Hong Kong	US\$1	100	Financing
Zenith Ease Limited	BVI / Hong Kong	US\$1	100	Investment holding
Global Enterprises (HK) Limited	Hong Kong	HK\$2	100	Provision of management services
Indirectly held				
Wing Lam (International) Timber Limited	Hong Kong	HK\$60,000,000	100	Dormant
Maxpower Resources Limited	BVI / Hong Kong	US\$1	100	Investment holding
Toplight Resources Limited	BVI / Hong Kong	US\$1	100	Investment holding
CITIC Resources Australia Pty Limited	State of Victoria, Australia	A\$430,298,351	100	Investment holding
CITIC Portland Holdings Pty Limited	State of Victoria, Australia	A\$196,791,454	100	Investment holding
CITIC Australia (Portland) Pty Limited	State of Victoria, Australia	A\$45,675,119	100	Aluminium smelting
CA Portland Surety Pty Limited (Formerly known as CITIC Portland Surety Pty Limited)	State of Victoria, Australia	A\$1	100	Investment holding
CITIC Nominees Pty Limited	State of Victoria, Australia	A\$2	100	Investment holding
CA (Portland) Nominees 1 Pty Limited * (Formerly known as CITIC (Portland) Nominee 1 Pty Limited)	State of Victoria, Australia	A\$2	100	Investment holding

Notes to Financial Statements

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CA (Portland) Nominees II Pty Limited * (Formerly known as CITIC (Portland) Nominees II Pty Limited)	State of Victoria, Australia	A\$2	100	Investment holding
CA Portland Nominees I Pty Ltd & CA Portland Nominees II Pty Ltd (Formerly known as CITIC Nominees Pty Limited Partnership)	State of Victoria, Australia	A\$6,693,943	100	Investment holding
CITIC Australia Coal Pty Limited	State of Victoria, Australia	A\$220,605,959	100	Investment holding
CITIC Australia Coppabella Pty Limited	State of Victoria, Australia	A\$5,000,002	100	Mining and production of coal
CITIC Bowen Basin Pty Limited	State of Victoria, Australia	A\$378,353	100	Exploration and development of coal mines
CITIC West Rolleston Pty Limited	State of Victoria, Australia	A\$196,390	100	Exploration and development of coal mines
CITIC Moorvale West Pty Limited	State of Victoria, Australia	A\$108,333	100	Exploration and development of coal mines
CA Olive Downs Pty Limited (Formerly known as CITIC Olive Downs Pty Limited)	State of Victoria, Australia	A\$99,958	100	Exploration and development of coal mines
CITIC West Walker Pty Limited	State of Victoria, Australia	A\$91,812	100	Exploration and development of coal mines
CITIC West / North Burton Pty Limited	State of Victoria, Australia	A\$34,238	100	Exploration and development of coal mines

Notes to Financial Statements

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Capricorn Pty Limited	State of Victoria, Australia	A\$9,549	100	Exploration and development of coal mines
CA Trading Holding Pty Ltd (Formerly known as CITIC Australia Trading Pty Limited)	State of Victoria, Australia	A\$4,710,647	100	Investment holding
CA Commodity Trading Pty Limited (Formerly known as CITIC Australia Commodity Trading Pty Ltd.)	State of Victoria, Australia	A\$500,002	100	Import and export of commodities and manufactured goods
CA Steels Products Pty Limited (Formerly known as CITIC Australia Steels Products Pty Limited)	State of Victoria, Australia	A\$2	100	Import of steel
北京千泉投資顧問有限公司 (Beijing Qian Quan Investment Consulting Co. Limited)	China	RMB1,243,173	100	Consulting
Group Smart Resources Limited	BVI / Hong Kong	US\$1	100	Investment holding
Highkeen Resources Limited	BVI / Hong Kong	US\$1	100	Investment holding
CITIC Indonesia Energy Limited	BVI / Hong Kong	US\$1	100	Investment holding
CITIC Seram Energy Limited	BVI / Indonesia	US\$1	100	Exploration, development and operation of oilfields
CITIC Haiyue Energy Limited	BVI / Hong Kong	US\$1	100	Investment holding
Tincy Group Energy Resources Limited	Hong Kong / China	HK\$10,000,000	90	Exploration, development and operation of oilfields
CITIC Oil & Gas Holdings Limited	BVI / Hong Kong	US\$100	100	Investment holding
Renowned Nation Limited	BVI / Hong Kong	US\$1	100	Investment holding

Notes to Financial Statements

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
KBM Energy Limited	BVI / Hong Kong	US\$1	100	Investment holding
CITIC Netherlands Energy Coöperatief U.A.	Netherlands / Hong Kong	EUR100	100	Investment holding
Perfect Vision Investments Limited	BVI / Hong Kong	US\$1	100	Investment holding
KAZCITIC Investment LLP	Kazakhstan	KZT682,705,099	100	Property holding
Ample Idea Investments Limited	BVI / Hong Kong	US\$1	100	Investment holding
中信石油技術開發(北京)有限公司 (CITIC Petroleum Technology Development (Beijing) Limited)	China	US\$100,000	100	Oil technology development
CITIC PNG Investments Limited	BVI / Hong Kong	US\$1	100	Investment holding

* These two companies jointly own CA Portland Nominees I Pty Ltd & CA Portland Nominees II Pty Ltd (Formerly known as CITIC Nominees Pty Limited Partnership) which owns the interest in the PAS JV.

Notes to Financial Statements

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain equity investments which have been measured at fair value. These financial statements are presented in HK\$ and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and also to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (a) the assets (including goodwill) and liabilities of the subsidiary; (b) the carrying amount of any non-controlling interests; and (c) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received; (b) the fair value of any investment retained; and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Financial Statements

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the Conceptual Framework and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements. The nature and the impact of the Conceptual Framework is described below:

Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Notes to Financial Statements

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 17	Insurance Contracts ^{3, 6}
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^{3, 5}
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Notes to Financial Statements

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in US\$ and foreign currencies based on various Interbank Offered Rates as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies

Investments in associates and a joint venture

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's equity voting rights in AWC is less than 20% during the year. However, the Group is able to exercise significant influence over AWC and therefore its investment in AWC has been accounted for as an associate of the Group.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. 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 a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets using the equity method, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not re-measured. Instead, the investment continues to be accounted for using the equity method. In all other cases, upon loss of significant influence over its associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of its associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

Contractual arrangements that do not give rise to joint control or control

The Group has interests in certain contractual arrangements that do not give rise to joint control or control. Despite not having joint control or control, the Group has rights to, and obligations for, the underlying assets and obligations of these arrangements. Therefore, the Group accounts for its rights and obligations arising from these contracts by applying each HKFRS as appropriate.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement. 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 recognises in relation to its interests in joint operations:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interests in joint operations are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at fair value at the acquisition date, which is the sum of the fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree at the acquisition date. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at fair value at its acquisition date and any resulting gain or loss is recognised in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration that is classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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 assessment, recognised in the consolidated income statement 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 31 December. 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 unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group 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 this circumstance is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the recoverable amount of the asset or cash-generating unit is estimated. The recoverable amount is the higher of its value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the reporting period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the reporting period in which it arises.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than oil and gas properties, capital works and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Plant, machinery, equipment and buildings used in the PAS, which include the furnace, water system, pot room and ingot mill, and buildings and structures, are estimated to have a useful life up to 2030.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Other property, plant and equipment are estimated to have the following useful lives:

Leasehold improvements	10 to 12 years or over the unexpired lease terms, whichever is shorter
Motor vehicles, plant, machinery, tools and equipment	5 to 19 years
Furniture and fixtures	4 to 5 years
Buildings and structures	10 to 30 years

Freehold land is not depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment, including any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and structures under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Oil and gas properties

For oil and gas properties, the successful effort method of accounting is adopted. The Group capitalises initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells are all classified as development costs, including those renewals and betterment which extend the economic lives of the assets. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

Exploratory wells are evaluated for economic viability within one year of completion. Expenditure incurred in respect of the exploratory wells that discover potential economic reserves in areas where major capital expenditure will be required before production could begin and the major capital expenditure depends upon successful completion of further exploratory work remains capitalised, and are reviewed periodically for impairment.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Oil and gas properties (continued)

Oil and gas properties are stated at cost less accumulated depreciation and depletion, and any impairment losses. The depreciation and depletion of oil and gas properties with a life longer than or equal to the licence life is estimated on a unit-of-production basis, in the proportion of actual production for the period to the total estimated remaining reserves of the oilfield. The remaining reserves figure is the amount estimated up to the licence expiration date plus the production for the period. Costs associated with significant development projects are not depleted until commercial production commences and the reserves related to those costs are excluded from the calculation of depletion.

Capitalised acquisition costs of proved properties are amortised by the unit-of-production method on a property-by-property basis computed based on the total estimated units of proved reserves.

The Group estimates future dismantlement costs for oil and gas properties with reference to the estimates provided by either internal or external engineers after taking into consideration the anticipated method of dismantlement required in accordance with the current legislation and industry practices. The associated cost is capitalised and the liability is discounted. An accretion expense is recognised using the credit-adjusted risk-free interest rate in effect when the liability is initially recognised. No market-risk premium has been included in the calculation of asset retirement obligation balances since no reliable estimate can be made.

Capital works

Capital works represent development expenditure in relation to the Group's mining activities, which are carried forward to the extent that such costs are expected to be recouped through successful development and production of the areas or by their sale.

Other assets

Other assets represent the Group's exploration and evaluation assets, mining assets and stripping costs.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less any impairment losses. Exploration and evaluation assets include costs that are directly attributable to conducting topographical and geological surveys, exploratory drilling, sampling and trenching, and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Exploration expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting the ore are demonstrable, exploration and evaluation assets are amortised using the unit-of-production method.

If any project is abandoned during the evaluation stage, the total expenditures thereon are written off when the event occurs. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Other assets (continued)

Mining assets

Mining assets represent mining rights, which are stated at cost less accumulated amortisation and any impairment losses. Mining assets are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the unit-of-production method.

Stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred during the development phase of a mine are capitalised and subsequently amortised over its useful life using the unit-of-production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for production as intended by management.

Stripping costs incurred during the production phase of a mine are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met.

- (a) future economic benefits (being improved access to the ore body) are probable;
- (b) the component of the ore body to which access will be improved can be accurately identified; and
- (c) the costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated income statement as operating costs as incurred.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated income statement.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated income statement. Dividends are recognised as other income and gains in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the consolidated statement of financial position) when:

- (a) the rights to receive cash flows from the asset have expired; or
- (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset; or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises the associated liability of the transferred asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

General approach (continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated income statement, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another one from the same lender but on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amount is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, forward commodity contracts, interest rate swap contracts, embedded derivatives and electricity hedge agreements to manage its foreign currency risk, price risk, interest rate risk and inflation risk. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKFRS 9 is charged to the consolidated income statement as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in the consolidated statement of comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges of the Group are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements.

- (a) There is “an economic relationship” between the hedged item and the hedging instrument.
- (b) The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- (c) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for cash flow hedges are accounted for as follows.

- (a) The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.
- (b) The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated income statement.

- (c) If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the consolidated income statement as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are separated into current and non-current portions based on an assessment of the facts and circumstances, including the underlying contracted cash flows.

- (a) Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current or separated into current and non-current portions consistently with the classification of the underlying hedged item.
- (b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

Derivative instruments that are designated as effective hedging instruments are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Except for the costs of exported goods held for re-sale which are determined on the first-in first-out basis, costs are determined on the weighted average basis. In the case of work in progress and finished goods, costs comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash subject to an insignificant risk of changes in value and having a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Provision for long term employee benefits represents the estimated future payments in respect of past services provided by employees. Consideration is given to expected future wages and salary levels, past record of employee departure and period of service. Expected future payments are discounted using market yields at the reporting date and currency that match, as closely as possible, the estimated future cash flows.

Provision for rehabilitation cost represents the estimated costs of rehabilitation relating to the areas disturbed during the operation of the PAS and the coal mines in Australia. The Group is required to return the sites to the Australian authorities in their original condition. The Group has estimated and provided for the expected costs of removal and clean-up on a periodical basis, based on the estimates provided by the environmental authorities when they reviewed the sites.

Provision for abandonment cost represents the estimated costs of abandoning oil and gas properties. The provision for abandonment cost has been classified as non-current liabilities. The associated cost is capitalised and the liability is discounted. An accretion expense is recognised using the credit-adjusted risk-free interest rate in effect when the liability is initially recognised.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration the interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividend income derived from the Group's subsidiaries in China is subject to withholding tax under the prevailing tax rules and regulations.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated income statement by way of a reduced depreciation charge.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from sale of goods is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of goods.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Handling service fee is recognised as other income in the consolidated income statement, when the services have been rendered.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for Short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	20 years
Buildings	2 to 8 years
Plant and machinery	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its Short-term leases of offices, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on Short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of consolidated income statement so as to provide a constant periodic rate of return over the lease terms.

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

The cost of Equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using the binomial model.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payments (continued)

The cost of Equity-settled transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for Equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award substitutes a cancelled award and is designated as a replacement award on the date of grant, the cancelled and new awards are treated as if they were a modification of the original award as described in the previous paragraph.

When the share options lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve is transferred to the retained profits.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits

Pension schemes

The Group operates a MPF Scheme for those employees in Hong Kong who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

The Group provides employee benefits on retirement, disability or death to its employees in the PAS located in Australia. The benefit has a defined benefit plan and defined contribution plan. The defined benefit plan provides defined lump sum benefits based on years of service and final average salary. The defined contribution plan receives fixed contributions from the joint venture manager, and joint venture manager's legal or constructive obligation is limited to these contributions. A liability in respect of the defined benefit plan is recognised in the consolidated statement of financial position, and is measured as the present value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligations is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Contributions to defined contribution plan are recognised as an expense as they become payable.

In addition, the Group also operates a defined benefit plan for those employees in Indonesia who are eligible to participate. The Group uses an actuarial technique and the projected unit credit method to determine the present value of its defined benefit obligations. The discount rate is determined by reference to the market yields at the end of the reporting period based on local government bonds that have maturity dates approximating the terms of the Group's defined benefit obligations. The calculation is performed by a qualified actuary.

Re-measurements arising from defined benefit plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits (continued)

Paid leave carried forward

The Group provides paid leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, any paid leave that remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees of the Group and carried forward.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (being those that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as liabilities when they are approved by shareholders in a general meeting.

Foreign currencies

The financial statements are presented in HK\$ which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially translated using their respective functional currency rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item. In other words, the translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint venture, joint operations and associate are currencies other than HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK\$ at the exchange rates prevailing at the end of the reporting period and their income statements are translated into HK\$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and joint operations are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and joint operations which arise throughout the year are translated into HK\$ at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatment of certain transactions and also assessment on the probability that adequate future taxable profits will be available to recover the deferred tax assets.

Notes to Financial Statements

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Employee benefits – share-based payments

The valuation of the fair value of share options granted requires judgement in determining the dividends expected on the shares, the expected volatility of the share price, the risk-free interest rate during the life of the options and the number of share options that are expected to become exercisable. Where the actual outcome of the number of exercisable options is different from the previously estimated number of exercisable options, such difference will have an impact on the consolidated income statement in the remaining vesting period of the relevant share options.

Fair value of financial instruments

Where fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Equity accounting applied to AWC in which the Group holds less than 20% of equity voting rights

The Group considers that it has significant influence over AWC even though it owns less than 20% of the equity voting rights. This is because the Group is one of the largest shareholders of AWC and has, together with the assignments of the equity voting rights by the other subsidiaries of CITIC Limited, 18.9187% of the equity voting rights in AWC. Additionally, the Group has a board seat on the board of directors of AWC.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for a lease of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Notes to Financial Statements

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Provision for ECLs on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Oil and gas reserves and mining reserves

The most significant estimates in the oil and gas and mining operations pertain to the volumes of oil and gas reserves and mining reserves and the future development, purchase price allocation, provisions for rehabilitation cost and abandonment cost, as well as estimates relating to certain oil and gas and mining revenues and expenses. Actual amounts could differ from those estimates and assumptions. Further details are set out in notes 13 and 29 to the financial statements.

Notes to Financial Statements

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses at the end of each reporting period whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets). The non-financial assets (other than goodwill) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions at arm's length of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate to calculate the present values of those cash flows. Further details are set out in note 13 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 15 to the financial statements.

Net realisable value of inventories

The Group performs regular review of the carrying amounts of its inventories with reference to ageing analysis of the inventories and projections of expected future saleability of goods, and also based on management's experience and judgement. Based on the review, write-down of inventories is made when the estimated net realisable values of inventories decline below their carrying amounts. Due to changes in the technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation, and profit or loss could be affected accordingly.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in notes 10 and 30 to the financial statements.

Notes to Financial Statements

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the aluminium smelting segment comprises the operation of the PAS which sources alumina and produces aluminium ingots in Australia;
- (b) the coal segment comprises the operation of coal mines and the sale of coal in Australia;
- (c) the import and export of commodities segment comprises the export of various commodity products such as aluminium ingots and alumina; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres into Australia; and
- (d) the crude oil segment comprises the operation of oilfields and the sale of oil in Indonesia and China.

Management monitors the results of the Group's operating segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, and share of profit/(loss) of associates and a joint venture as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in associates, investment in a joint venture, deferred tax assets, pledged deposit, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, lease liabilities, deferred tax liabilities, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to Financial Statements

4. Operating Segment Information (continued)

2020	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers (note 5)	836,431	400,401	805,755	807,471	2,850,058
Other income	119,942	35,650	40,096	11,221	206,909
	956,373	436,051	845,851	818,692	3,056,967
Segment results	(31,594)	(67,459)	53,321	166,067	120,335
<i>Reconciliation:</i>					
Interest income and unallocated gains					235,960
Unallocated expenses					(147,843)
Unallocated finance costs					(150,315)
Share of loss of:					
Associates					(40,070)
A joint venture					(279,894)
Loss before tax					(261,827)
Segment assets	400,318	666,396	385,107	3,433,465	4,885,286
<i>Reconciliation:</i>					
Investment in an associate					2,954,414
Investment in a joint venture					1,757,333
Unallocated assets					2,678,266
Total assets					12,275,299
Segment liabilities	406,577	216,946	64,206	665,987	1,353,716
<i>Reconciliation:</i>					
Unallocated liabilities					5,154,265
Total liabilities					6,507,981
Other segment information:					
Depreciation and amortisation	12,966	45,502	2,352	289,846	350,666
Unallocated amounts					18,293
					368,959
Impairment losses reversed in the consolidated income statement	—	—	(6,245)	(410)	(6,655)
Capital expenditure	16,117	31,975	—	576,637	624,729
Unallocated amounts					2,562
					627,291 ¹

¹ Capital expenditure consists of additions to property, plant and equipment and other assets.

Notes to Financial Statements

4. Operating Segment Information (continued)

2019	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers (note 5)	1,033,315	643,099	742,446	1,006,650	3,425,510
Other income	180,073	—	38,725	28,039	246,837
	1,213,388	643,099	781,171	1,034,689	3,672,347
Segment results	20,042	44,428	50,908	320,167	435,545
<i>Reconciliation:</i>					
Interest income and unallocated gains					57,531
Unallocated expenses					(270,293)
Unallocated finance costs					(278,056)
Share of profit of:					
Associates					71,513
A joint venture					615,100
Profit before tax					631,340
Segment assets	652,781	660,199	402,435	2,929,121	4,644,536
<i>Reconciliation:</i>					
Investments in associates					3,982,682
Investment in a joint venture					2,046,546
Unallocated assets					1,994,246
Total assets					12,668,010
Segment liabilities	331,090	244,435	81,195	478,560	1,135,280
<i>Reconciliation:</i>					
Unallocated liabilities					5,339,981
Total liabilities					6,475,261
Other segment information:					
Depreciation and amortisation	9,209	43,908	2,497	320,522	376,136
Unallocated amounts					18,766
					394,902
Impairment losses reversed in the consolidated income statement	—	—	(16,069)	—	(16,069)
Capital expenditure	9,863	61,155	7	234,574	305,599
Unallocated amounts					11,710
					317,309 ¹

¹ Capital expenditure consists of additions to property, plant and equipment and other assets.

Notes to Financial Statements

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	2020	2019
China	726,371	966,943
Australia	719,915	734,795
Europe	348,485	374,907
Other Asian countries	1,021,724	912,184
Others	33,563	436,681
	2,850,058	3,425,510

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2020	2019
Hong Kong	56,611	69,029
China	3,211,761	3,700,260
Australia	3,367,732	3,520,516
Kazakhstan	1,757,477	2,046,707
Other Asian countries	42,288	4,991
	8,435,869	9,341,503

The non-current assets information above is based on the location of the assets which exclude other assets, and deferred tax assets.

Information about major customers

During the year, revenue of HK\$701,413,000 (2019: HK\$943,558,000) was derived from sales to a customer of the crude oil segment, which amounted to more than 10% of the Group's revenue for the year.

During the year, revenue of HK\$337,094,000 and HK\$309,310,000 was derived from sales to customers of the aluminium smelting segment, each of these two customers amounted to more than 10% of the Group's revenue for the year.

Notes to Financial Statements

5. Revenue, Other Income and Gains

An analysis of the Group's revenue is as follows:

	2020	2019
Revenue from contracts with customers		
Sale of goods:		
Aluminium smelting	836,431	1,033,315
Coal	400,401	643,099
Import and export of commodities	805,755	742,446
Crude oil	807,471	1,006,650
	2,850,058	3,425,510

(a) Disaggregated revenue information

2020	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Geographical markets					
China	—	24,958	—	701,413	726,371
Australia	—	—	719,915	—	719,915
Europe	312,175	36,310	—	—	348,485
Other Asian countries	514,221	330,929	70,516	106,058	1,021,724
Others	10,035	8,204	15,324	—	33,563
Revenue from contracts with customers	836,431	400,401	805,755	807,471	2,850,058

2019	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Geographical markets					
China	—	23,385	—	943,558	966,943
Australia	—	9,750	725,045	—	734,795
Europe	327,023	47,884	—	—	374,907
Other Asian countries	438,820	410,077	195	63,092	912,184
Others	267,472	152,003	17,206	—	436,681
Revenue from contracts with customers	1,033,315	643,099	742,446	1,006,650	3,425,510

All of the Group's revenue from the sale of goods was recognised at the point in time when control of the products was transferred to the customer.

Notes to Financial Statements

5. Revenue, Other Income and Gains (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below.

Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due within 30 to 120 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of the Group's other income and gains is as follows:

	Notes	2020	2019
Other income and gains			
Interest income		16,430	36,410
Handling service fees		4,673	4,352
Sale of scrap		2,167	4,143
Reversal of provision for long term employee benefits	29	1,633	—
Reversal of provision for abandonment cost	29	2,830	—
Reversal of impairment of other receivables	21	—	11,158
Write-off of accrued liabilities		21,881	—
Gain on disposal of investment in an associate	19	192,040	—
Reclassification adjustments for foreign operations deregistered or disposed of during the year		24,453	—
Reversal of provision for inventories		410	—
Gain on disposal of other assets		15,112	—
Government subsidies		4,086	12,472
Fair value gain on derivative financial instruments		50,167	31,578
Insurance claim		—	22,830
Compensation for inventories held at Qingdao Port	22	19,143	17,919
The government loan forgiveness	27	67,585	122,955
Reversal of impairment of trade receivables	23	—	16,069
Others		20,259	24,482
		442,869	304,368

Notes to Financial Statements

6. Profit/(Loss) before Tax

The Group's profit/(loss) before tax was arrived at after charging/(crediting):

	Notes	2020	2019
Cost of inventories sold *		2,717,115	3,058,317
Depreciation of property, plant and equipment		334,662	356,717
Depreciation of right-of-use assets	14 (a)	30,748	32,438
Amortisation of other assets	16	3,549	5,747
Lease payments not included in the measurement of lease liabilities		12,454	10,428
Auditor's remuneration		10,520	12,613
Employee benefit expenses **			
(including directors' remuneration (note 7)):			
Wages and salaries		350,237	422,338
Pension scheme contributions ***		7,436	7,076
Provision for long term employee benefits	29	5,604	16,152
		363,277	445,566
Reclassification adjustments for foreign operations deregistered or disposed of during the year, net		(23,091)	—
Loss on disposal of items of property, plant and equipment, net		1,690	1,625
Losses on write-off of financial assets at fair value through profit or loss		—	2,190
Fair value gain on derivative financial instruments, net		(43,512)	(31,578)
Exchange losses, net ****		36,825	22,230
Write-down/(write-back) of inventories to net realisable value, net		(6,655)	6,900
Provision for/(reversal of) impairment of trade receivables, net	23	2,231	(16,069)
Compensation payable ****		21,583	6,474
Provision for impairment of other assets ****	16	1,482	—

* Cost of inventories sold for the year included an aggregate amount of HK\$526,854,000 (2019: HK\$553,849,000) which comprised employee benefit expenses, provision for inventories, depreciation and amortisation. This amount was also included in the respective expense items disclosed above.

** Employee benefit expenses included costs incurred by contractual arrangements which the Group has interest in but do not give rise to joint control or control.

*** As at 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2019: Nil).

**** These amounts were included in "Other expenses, net" in the consolidated income statement.

Notes to Financial Statements

7. Directors' Remuneration

Directors' and chief executive's remuneration, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, was as follows:

	2020	2019
Fees:		
Executive directors and non-executive directors	1,160	1,304
Independent non-executive directors	1,680	1,680
	2,840	2,984
Other emoluments of executive directors:		
Salaries	14,074	14,973
Housing allowances	2,160	1,950
Bonuses	1,173	20,157
Pension scheme contributions	1,536	1,523
	18,943	38,603
	21,783	41,587

(a) Independent non-executive directors

The fees paid to the independent non-executive directors were as follows:

	2020	2019
Fan Ren Da, Anthony	570	570
Gao Pei Ji	570	570
Look Andrew	540	540
	1,680	1,680

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

Notes to Financial Statements

7. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Fees	Salaries	Housing allowances	Bonuses	Pension scheme contributions	Total remuneration
2020						
Executive directors:						
Sun Yufeng	290	5,400	840	450	610	7,590
Suo Zhengang	290	4,586	720	382	631	6,609
Sun Yang	290	4,088	600	341	295	5,614
	870	14,074	2,160	1,173	1,536	19,813
Non-executive director:						
Chan Kin	290	—	—	—	—	290
	1,160	14,074	2,160	1,173	1,536	20,103

The unpaid portion of existing executive directors' performance related bonuses for 2020 will be determined based on an evaluation to be conducted and finalised in 2021. Such remuneration, when finalised, will be disclosed on an individual name basis in the consolidated financial statements for the year ending 31 December 2021.

2019

Executive directors:						
Sun Yufeng ¹	222	4,050	630	6,650	486	12,038
Kwok Peter Viem ²	67	290	—	—	15	372
Suo Zhengang	290	4,586	720	5,997	620	12,213
Sun Yang	290	4,089	600	7,510	372	12,861
Li So Mui ³	145	1,958	—	—	30	2,133
	1,014	14,973	1,950	20,157	1,523	39,617
Non-executive director:						
Chan Kin	290	—	—	—	—	290
	1,304	14,973	1,950	20,157	1,523	39,907

¹ appointed on 28 March 2019

² resigned with effect from 29 March 2019

³ resigned with effect from 22 June 2019

There was no arrangement under which a director waived or agreed to waive any remuneration in the year and 2019.

Notes to Financial Statements

8. Five Highest paid Employees

The five highest paid employees during the year included three (2019: three) directors and two (2019: two) senior management personnel. Details of the remuneration of these directors are set out in note 7 to the financial statements while details of the remuneration of the senior management personnel are set out below and in note 37(d) to the financial statements:

	2020	2019
Salaries	4,667	4,510
Housing allowances	—	410
Bonuses	2,850	3,785
Pension scheme contributions	201	473
	7,718	9,178

9. Finance Costs

An analysis of finance costs is as follows:

	Notes	2020	2019
Interest expense on bank and other borrowings		132,875	249,537
Interest expense on lease liabilities	14(b)	3,451	4,049
Total interest expense on financial liabilities not at fair value through profit or loss		136,326	253,586
Other finance charges:			
Increase in discounted amounts of provisions arising from the passage of time	29	13,872	24,470
Others		117	—
		150,315	278,056

Notes to Financial Statements

10. Income Tax Expense

	2020	2019
Current – Hong Kong	—	—
Current – Elsewhere		
Charge for the year	8,854	228
Underprovision in prior years	—	8
Deferred (note 30)	89,836	—
Total tax expense for the year	98,690	236

The statutory rate of Hong Kong profits tax was 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year (2019: Nil).

Taxes on profits assessable elsewhere were calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Australia: The Group's subsidiaries incorporated in Australia were subject to Australian income tax at a rate of 30% (2019: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 22% (2019: 30%). The Group's subsidiary owning a participating interest in the oil and gas properties in Indonesia was subject to branch tax at the effective tax rate of 15.6% (2019: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2019: 25%).

Kazakhstan: The Group's subsidiary incorporated in Kazakhstan was subject to corporate income tax at a rate of 20% (2019: 20%).

According to HKAS 12, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Notes to Financial Statements

10. Income Tax Expense (continued)

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory tax rate to the tax expense at the Group's effective tax rate is as follows:

	2020	2019
Profit/(loss) before tax	(261,827)	631,340
Tax at the Hong Kong statutory tax rate of 16.5% (2019: 16.5%)	(43,201)	104,171
Higher tax rates on profits arising elsewhere	38,759	72,373
Adjustments in respect of current tax of previous periods	—	8
Losses/(profits) attributable to associates and a joint venture	52,794	(113,291)
Income not subject to tax	(47,062)	(55,585)
Expenses not deductible for tax	3,146	41,227
Tax losses not recognised	4,790	22,451
Temporary differences not recognised	89,464	(71,118)
Tax expense at the Group's effective rate	98,690	236

The share of tax credit attributable to associates and a joint venture in an aggregate amount of HK\$59,208,000 (2019: tax expense of HK\$306,949,000) was included in "Share of profit/(loss) of associates and a joint venture" in the consolidated income statement.

The Group has unrecognised deferred tax assets from tax losses arising in Australia, Indonesia and China in an aggregate amount of HK\$154,153,000 (2019: HK\$346,040,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group has unrecognised deferred tax assets from deductible temporary differences in an aggregate amount of HK\$10,485,000 (2019: HK\$22,362,000). In respect of tax losses arising in China, the losses are available for offsetting against future taxable profits for a maximum period of five years. Deferred tax assets have not been recognised in respect of these tax losses and deductible temporary differences because they have been arisen in companies that have been loss-making for some years and it is considered improbable that taxable profits will be available against which the tax losses can be utilised.

11. Dividend

The Board has resolved not to pay any dividend for the year and 2019.

Notes to Financial Statements

12. Earnings/(Loss) per Share attributable to Ordinary Shareholders of the Company

The calculation of the basic loss per share (2019: earnings per share) amount was based on the loss for the year attributable to ordinary shareholders of the Company of HK\$363,848,000 (2019: profit of HK\$600,293,000) and the weighted average number of ordinary shares in issue during the year, which was 7,857,727,149 (2019: 7,857,727,149) shares.

The Group had no potentially dilutive ordinary shares in issue during the year and for the year ended 31 December 2019.

13. Property, Plant and Equipment

2020	Oil and gas properties	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Furniture and fixtures	Buildings and structures	Capital works	Construction in progress	Total
Cost:									
At 1 January 2020	8,915,684	9,801	10,277	1,737,722	24,287	782,374	139,840	323,198	11,943,183
Change in provision for rehabilitation cost	—	—	—	4,511	—	(967)	—	—	3,544
Additions	—	—	—	39,025	1,009	4,687	5	576,636	621,362
Disposals/write-off	—	(428)	(216)	(18,244)	(2,484)	(226)	—	—	(21,598)
Transfers	499,257	—	—	811	—	—	(590)	(499,478)	—
Exchange realignment	402,555	(1)	(20)	169	—	(983)	—	21,442	423,162
At 31 December 2020	9,817,496	9,372	10,041	1,763,994	22,812	784,885	139,255	421,798	12,969,653
Accumulated depreciation and impairment:									
At 1 January 2020	6,482,131	—	3,013	1,633,670	20,766	609,554	98,539	91,401	8,939,074
Depreciation provided during the year	265,666	—	1,449	31,242	1,274	15,657	—	—	315,288
Disposals/write-off	—	—	(199)	(15,102)	(2,458)	(163)	—	—	(17,922)
Exchange realignment	246,096	—	(20)	654	—	(945)	—	5,895	251,680
At 31 December 2020	6,993,893	—	4,243	1,650,464	19,582	624,103	98,539	97,296	9,488,120
Net carrying amount:									
At 31 December 2020	2,823,603	9,372	5,798	113,530	3,230	160,782	40,716	324,502	3,481,533

Notes to Financial Statements

13. Property, Plant and Equipment (continued)

2019	Oil and gas properties	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Furniture and fixtures	Buildings and structures	Capital works	Construction in progress	Total
Cost:									
At 1 January 2019	8,972,610	9,809	4,412	1,718,021	22,992	805,182	144,312	135,873	11,813,211
Change in provision for rehabilitation cost	—	—	—	2,055	—	11,740	—	—	13,795
Additions	(4,356)	—	8,687	38,937	2,613	1,891	4,813	238,860	291,445
Disposals/write-off	—	(8)	(2,802)	(30,018)	(1,318)	(36,336)	—	—	(70,482)
Transfers	46,300	—	—	9,896	—	—	(9,285)	(46,911)	—
Exchange realignment	(98,870)	—	(20)	(1,169)	—	(103)	—	(4,624)	(104,786)
At 31 December 2019	8,915,684	9,801	10,277	1,737,722	24,287	782,374	139,840	323,198	11,943,183
Accumulated depreciation and impairment:									
At 1 January 2019	6,214,704	—	4,386	1,639,180	20,748	630,703	98,539	92,927	8,701,187
Depreciation provided during the year	324,633	—	1,441	24,200	1,318	14,508	—	—	366,100
Disposals/write-off	—	—	(2,794)	(28,725)	(1,300)	(35,570)	—	—	(68,389)
Exchange realignment	(57,206)	—	(20)	(985)	—	(87)	—	(1,526)	(59,824)
At 31 December 2019	6,482,131	—	3,013	1,633,670	20,766	609,554	98,539	91,401	8,939,074
Net carrying amount:									
At 31 December 2019	2,433,553	9,801	7,264	104,052	3,521	172,820	41,301	231,797	3,004,109

Freehold land of the Group is located in Australia.

In assessing whether an impairment is required for the carrying value of a potentially impaired asset, its carrying value is compared with its recoverable amount. Assets are tested for impairment either individually or as part of a cash-generating unit. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Notes to Financial Statements

14. Leases

The Group has lease contracts for various items of plant and machinery, and land and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 8 years, while plant and machinery generally have lease terms between 2 and 10 years. The Group has applied the short-term lease exemption to its two short-term leases for office premises.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Notes	Leasehold land	Buildings	Plant and machinery	Total
As at 1 January 2019		15,556	111,046	2,961	129,563
Addition		—	—	9,745	9,745
Depreciation charge	6	(1,177)	(26,214)	(5,047)	(32,438)
Exchange realignment		(241)	(4,581)	—	(4,822)
As at 31 December 2019 and 1 January 2020		14,138	80,251	7,659	102,048
Additions		—	13,378	12,031	25,409
Disposal of a subsidiary		—	(3,609)	—	(3,609)
Depreciation charge	6	(1,163)	(25,754)	(3,831)	(30,748)
Exchange realignment		838	(303)	—	535
As at 31 December 2020		13,813	63,963	15,859	93,635

Notes to Financial Statements

14. Leases (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020	2019
Carrying amount at 1 January	91,135	111,214
New leases	25,409	9,745
Accretion of interest recognised during the year (note 9)	3,451	4,049
Payments	(33,005)	(33,101)
Disposal of a subsidiary	(3,522)	—
Exchange realignment	2,385	(772)
Carrying amount at 31 December	85,853	91,135
Analysed into:		
Current portion	29,900	22,060
Non-current portion	55,953	69,075

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020	2019
Interest on lease liabilities	3,451	4,049
Depreciation of right-of-use assets (note 6)	30,748	32,438
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in general and administrative expenses)	12,454	10,467
Expense relating to leases of low-value assets (included in cost of sales)	—	21
Total amount recognised in profit or loss	46,653	46,975

Notes to Financial Statements

15. Goodwill

	2020	2019
Cost:		
At 1 January and 31 December	341,512	341,512
Accumulated impairment:		
At 1 January and 31 December	316,830	316,830
Net carrying amount:		
At 31 December	24,682	24,682

Impairment testing of goodwill

As at 31 December 2020 and 2019, the net carrying amount of the Group's goodwill related to its import and export of commodities cash-generating unit which is a reportable segment.

The recoverable amount of the Group's import and export of commodities cash-generating unit was determined based on a value in use calculation, using cash flow projection based on financial budgets covering a 5-year period approved by management. The cash flows beyond the 5-year period were extrapolated using a growth rate of 2% which was determined with reference to the long term Customer Price Index of Australia and the nature of the business. The pre-tax discount rate applied to the cash flow projection was 17.02% (2019: 18.29%).

Notes to Financial Statements

16. Other Assets

Non-current assets

	Notes	Mining assets and stripping costs	Exploration and evaluation assets	Total
2020				
Cost:				
At 1 January		826,345	177,873	1,004,218
Additions		1,176	1,209	2,385
Disposals		—	(1,872)	(1,872)
At 31 December		827,521	177,210	1,004,731
Accumulated amortisation and impairment:				
At 1 January		710,594	29,381	739,975
Amortisation provided during the year	6	3,549	—	3,549
Impairment during the year	6	—	1,482	1,482
At 31 December		714,143	30,863	745,006
Net carrying amount:				
At 31 December		113,378	146,347	259,725
2019				
Cost:				
At 1 January		866,448	171,912	1,038,360
Additions		6,108	5,961	12,069
Disposals		(46,211)	—	(46,211)
At 31 December		826,345	177,873	1,004,218
Accumulated amortisation and impairment:				
At 1 January		751,058	29,381	780,439
Amortisation provided during the year	6	5,747	—	5,747
Disposals		(46,211)	—	(46,211)
At 31 December		710,594	29,381	739,975
Net carrying amount:				
At 31 December		115,751	148,492	264,243

Notes to Financial Statements

17. Investments in Joint Operations

As at 31 December 2020, the Group had interests in the following joint operations:

- (a) 41% participating interest in the PSC for 20 years from 1 November 2019; and
- (b) the petroleum contract (as supplemented) for the exploration, development and production of petroleum from the Hainan-Yuedong Block.

18. Interests in Other Contractual Arrangements

As at 31 December 2020, the Group had interests in the following contractual arrangements:

- (a) 22.5% participating interest in the PAS operations, the principal activity of which is aluminium smelting;
- (b) 14% participating interest in the CMJV operations, the principal activities of which are the mining and sale of coal;
- (c) 15% participating interest in the Bowen Basin Coal operations;
- (d) 10% participating interest in the West Rolleston operations;
- (e) 10% participating interest in the Moorvale West operations;
- (f) 10% participating interest in the Olive Downs operations;
- (g) 15% participating interest in the West Walker operations;
- (h) 13.335% participating interest in the West/North Burton operations; and
- (i) 15% participating interest in the Capricorn operations.

The principal activity of each of the contractual arrangements stated in (c) to (i) is the exploration of coal.

The contractual arrangement stated in (a) above was not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young network.

The Group's interest in the assets and liabilities employed in the PAS JV was included in the consolidated statement of financial position under the classification shown below:

	2020	2019
Non-current assets	477,861	312,602
Current assets	122,499	143,708
Current liabilities	(128,776)	(108,771)
Non-current liabilities	(176,081)	(139,378)

Notes to Financial Statements

18. Interests in Other Contractual Arrangements (continued)

The Group's interests in the combined net assets employed in the remaining contractual arrangements were included in the consolidated statement of financial position under the classification shown below:

	2020	2019
Non-current assets	897,637	874,056
Current assets	122,129	125,973
Current liabilities	(69,984)	(104,125)
Non-current liabilities	(138,667)	(119,257)
Proportionate share of combined net assets employed in the remaining contractual arrangements	811,115	776,647

19. Investments in Associates

	2020	2019
Share of net assets	2,954,414	4,724,914
Goodwill on acquisition	—	1,089,808
	2,954,414	5,814,722
Impairment *	—	(1,832,040)
	2,954,414	3,982,682

* The impairment related to the Group's investment in CDH.

Particular of the Group's associate as at 31 December 2020 was as follows:

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Group	Principal activity
AWC	Australia / Australia	US\$2,706,700,000	9.6117	Investment holding

Particulars of the Group's associates as at 31 December 2019 were as follows:

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Group	Principal activity
AWC	Australia / Australia	US\$2,682,900,000	9.6846	Investment holding
CDH	Bermuda / Hong Kong	HK\$342,845,900	34.39	Investment holding

The Group's investments in AWC and CDH are indirectly held by the Company.

Notes to Financial Statements

19. Investments in Associates (continued)

AWC, a leading Australian company listed on the ASX (Stock Code: AWC), has significant global interests in bauxite mining, alumina refining and selected aluminium smelting operations. AWC is considered as an associate of the Group and is accounted for using the equity method.

In September 2020, AWC launched a dividend reinvestment plan applied to the 2020 interim dividend in which the Group has elected to receive cash dividends instead of new shares. Due to AWC's new issuance of 21,837,919 shares under the dividend reinvestment plan, the Group's percentage holding in AWC was diluted from 9.6846% to 9.6117%.

The following tables summarise the financial information of AWC and its subsidiaries and also illustrate the reconciliation to the carrying amount of the Group's investment in AWC in the consolidated financial statements:

	2020	2019
Current assets	95,160	132,600
Non-current assets	31,126,909	31,497,443
Current liabilities	(10,920)	(9,360)
Other non-current liabilities	(473,460)	(549,900)
Net assets	30,737,689	31,070,783
Reconciliation to the Group's investment in an associate:		
Proportion of ownership	9.6117%	9.6846%
Proportionate share of net assets and carrying amount	2,954,414	3,009,081
Fair value of the Group's investment	3,072,456	3,514,438
	2020	2019
Revenue	780	19,500
Profit for the year	1,143,480	1,457,778
Other comprehensive loss for the year	(262,860)	(269,829)
Dividend received by the Group	139,227	402,453

Notes to Financial Statements

19. Investments in Associates (continued)

CDH, a company listed on the Main Board of Stock Exchange (Stock Code: 1091), is principally engaged in (a) manganese mining, ore processing and manganese downstream processing operations in China; (b) manganese mining and ore processing operations in Gabon, West Africa; and (c) trading of manganese products. CDH is considered as an associate of the Group and is accounted for using the equity method.

In December 2020, the Group has completed the disposal of its 34.39% equity interest in CDH to independent third parties, for a total consideration of HK\$1,084,680,000. Upon completion of the disposal, a gain of HK\$192,040,000 (note 5) from the disposal was recorded in the consolidated income statement of the Group for the year.

The following tables summarise the financial information of CDH and its subsidiaries and also illustrate the reconciliation to the carrying amount of the Group's investment in CDH in the consolidated financial statements as of 31 December 2019:

	2019
Current assets	3,851,272
Non-current assets	4,930,400
Current liabilities	(4,976,758)
Non-current financial liabilities, excluding accounts payable, other payables and provisions	(646,199)
Other non-current liabilities	(292,971)
Net assets	2,865,744
Non-controlling interests	(34,687)
	2,831,057
Reconciliation to the Group's investment in an associate:	
Proportion of ownership	34.39%
Proportionate share of net assets and carrying amount	973,601
Fair value of the Group's investment	430,335

	Year ended 31 December 2019
Revenue	5,802,457
Loss for the year attributable to:	
Shareholders of CDH	(202,580)
Non-controlling interests of CDH	(31,660)
Other comprehensive loss attributable to:	
Shareholders of CDH	(23,473)
Non-controlling interests of CDH	(226)
Dividend received by the Group	11,790

Notes to Financial Statements

20. Investment in a Joint Venture

	2020	2019
Share of net assets	3,157,268	3,446,481
Impairment	(1,399,935)	(1,399,935)
	1,757,333	2,046,546

Particulars of the Group's joint venture as at 31 December 2020 were as follows:

Name	Place of incorporation and operation	Issued ordinary share capital	Percentage of equity interest attributable to the Group	Principal activity
CCEL	Canada	US\$1	50	Investment holding

CCEL is an investment holding company and its operating subsidiaries are principally engaged in the exploration, development, production and sale of oil and provision of oilfield related services in Kazakhstan.

Previously, KBM, a subsidiary of CCEL, had to bear withholding tax for the foreign vendor which provides freight forwarding service. During 2019, KBM confirmed with the Kazakhstan tax authorities that only freight forwarding service provided inside Kazakhstan is subject to withholding tax and the withholding tax for freight forwarding service provided outside Kazakhstan in 2017 and 2018 was refundable. As a result, KBM was able to significantly reduce its selling and distribution costs going forward and its operating results and cash flows would be increased accordingly. Accordingly, at the end of 2019, a write-back of a prior year provision for impairment was made in respect of certain oil and gas properties of KBM and credited to "Reversal of impairment of items of property, plant and equipment" in CCEL's consolidated income statement. The Group's share in 2019 was HK\$273,269,000 (after tax expense) and the amount was credited to "Share of profit of a joint venture" in the consolidated income statement.

Notes to Financial Statements

20. Investment in a Joint Venture (continued)

The following tables summarise the financial information of CCEL and its subsidiaries and also illustrate the reconciliation to the carrying amount of the Group's investment in CCEL in the consolidated financial statements:

	2020	2019
Cash and cash equivalents	386,168	308,102
Other current assets	872,347	1,574,901
Current assets	1,258,515	1,883,003
Non-current assets	6,843,559	7,893,414
Financial liabilities, excluding accounts payable and other payables	(1,638,895)	(418,669)
Other current liabilities	(493,924)	(666,655)
Current liabilities	(2,132,819)	(1,085,324)
Non-current financial liabilities, excluding accounts payable, other payables and provisions	(552,371)	(1,940,710)
Other non-current liabilities	(1,680,223)	(2,378,160)
Non-current liabilities	(2,232,594)	(4,318,870)
Net assets	3,736,661	4,372,223
Non-controlling interests	(221,995)	(279,131)
	3,514,666	4,093,092
Reconciliation to the Group's investment in a joint venture:		
Proportion of ownership	50%	50%
Proportionate share of net assets and carrying amount	1,757,333	2,046,546

	Year ended 31 December	
	2020	2019
Revenue	3,746,026	6,796,801
Interest income	3,417	5,432
Depreciation and amortisation	(728,672)	(720,680)
Interest expense	(60,441)	(84,696)
Income tax credit/(expense)	118,416	(602,319)
Profit/(loss) for the year attributable to:		
Shareholders of CCEL	(559,788)	1,230,200
Non-controlling interests of CCEL	(25,359)	80,467
Other comprehensive loss attributable to:		
Shareholders of CCEL	(18,638)	(19,930)
Non-controlling interests of CCEL	(3,331)	(457)

Notes to Financial Statements

21. Prepayments, Deposits and Other Receivables

	2020	2019
Prepayments	58,670	48,204
Deposits and other receivables	202,735	322,118
	261,405	370,322
Impairment allowance	(36,493)	(36,493)
	224,912	333,829
Portion classified as current assets	(166,178)	(266,044)
Non-current portion	58,734	67,785

Included in the Group's other receivables was an amount due from CCEL of HK\$35,826,000 (2019: HK\$159,378,000), which was interest free and repayable on demand.

A tax regulation in Indonesia, effective in the first half of 2015, limited VAT reimbursements to equity oil distributed to the government under the PSC. In 2015, as it was uncertain whether any equity oil would be available for distribution to the government prior to the expiry of the old PSC, an impairment of other receivables of HK\$105,664,000 was made in respect of the potentially unrecoverable VAT reimbursement. Following an amendment to this tax regulation in October 2016, VAT reimbursements are claimed after each delivery of the first tranche production to the government. Accordingly, a reversal of impairment of other receivables of HK\$11,158,000 (note 5) was made in 2019. Following the new PSC effective from 1 November 2019, no further VAT reimbursement is entitled to be claimed.

The financial assets included in the above balances related to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

22. Inventories

	2020	2019
Raw materials	136,257	146,734
Work in progress	20,972	16,023
Finished goods	228,702	295,009
	385,931	457,766

After the end of criminal procedures of the Investigation into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China, the 1st compensation distribution of HK\$17,919,000 in 2019 and the 2nd compensation distribution of HK\$19,143,000 in 2020 (note 5) were awarded to the Group by the court order in compensating for the losses incurred in the allegedly fraudulent multiple use of warehouse receipts. The Group has recorded the compensation as "Other income and gains" in the consolidated income statement for the year.

Notes to Financial Statements

23. Trade Receivables

	2020	2019
Trade receivables	420,957	380,883
Impairment	(8,304)	(6,080)
	412,653	374,803

The Group normally offers credit terms of 30 to 120 days to its established customers.

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, was as follows:

	2020	2019
Within one month	192,336	176,531
One to two months	68,921	59,468
Two to three months	69,319	39,981
Over three months	82,077	98,823
	412,653	374,803

The movements in the loss allowance for impairment of trade receivables were as follows:

	2020	2019
At 1 January	6,080	29,225
Provision for/(reversal of) impairment (note 6)	2,231	(16,069)
Amount written off as uncollectible	—	(7,076)
Exchange realignment	(7)	—
At 31 December	8,304	6,080

The increase in the loss allowance of HK\$2,224,000 in the year was due to an increase in trade receivables which were past due for over three months.

The decrease in the loss allowance in 2019 was due to the following significant change in the gross carrying amount:

- (i) Decrease in the loss allowance of HK\$16,069,000 as a result of the receipt of impaired trade receivables; and
- (ii) Decrease in the loss allowance of HK\$7,076,000 as a result of the write-off of certain trade receivables.

Notes to Financial Statements

23. Trade Receivables (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2020	Current	Past due		Total
		Less than 3 months	Over 3 months	
ECL rate	0.00%	0.00%	82.14%	1.97%
Gross carrying amount (HK\$'000)	395,427	15,420	10,110	420,957
ECL (HK\$'000)	—	—	8,304	8,304

2019	Current	Past due		Total
		Less than 3 months	Over 3 months	
ECL rate	0.00%	0.22%	14.43%	1.60%
Gross carrying amount (HK\$'000)	322,911	16,090	41,882	380,883
ECL (HK\$'000)	—	35	6,045	6,080

24. Derivative Financial Instruments

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	—	11,765	—	4,587
Forward commodity contracts	40,544	2,306	3,790	2,529
EHA2	31,168	—	352,098	—
	71,712	14,071	355,888	7,116
Portion classified as non-current portion:				
EHA2	—	—	(113,651)	—
Current portion	71,712	14,071	242,237	7,116

Certain members of the Group enter into derivative financial instruments in the normal course of business in order to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and electricity price.

Notes to Financial Statements

24. Derivative Financial Instruments (continued)

Cash flow hedge – Foreign currency risk

Forward currency contracts

The Group has transactional currency exposures. Such exposures primarily arise from purchases by the Group's import and export of commodities segment in currencies other than the functional currencies of the related entities in that segment. Therefore, to enable the Group to manage such business operations, forward currency contracts are entered into to hedge current and anticipated future sales and purchases.

Forward currency contracts are designated as hedging instruments in cash flow hedges of (a) forecast purchases in A\$ by the Group's aluminium smelting and coal segments; and (b) forecast purchases in US\$ by the Group's import and export of commodities segment. These forecast transactions are highly probable. The balances of the forward currency contracts vary with the level of expected foreign currency purchases and expenses and changes in forward exchange rates.

Forward currency contracts described above are considered to be cash flow hedges and are accounted for in accordance with the accounting policies set out in note 2.4 to the financial statements.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward currency contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The hedge of the forward currency contracts was assessed to be effective during the years ended 31 December 2020 and 2019.

The terms of the outstanding forward currency contracts held by the Group were as follows:

	2020		2019	
	Weighted average exchange rate	Contractual amount	Weighted average exchange rate	Contractual amount
Forward currency contracts:				
(a) Sell A\$ / Buy US\$				
Within three months	—	—	0.6812	121,702
Three to twelve months	0.7255	187,744	0.6868	44,967

The terms of the forward currency contracts were negotiated to match the terms of related purchases and sales commitments. The amounts disclosed above were measured at the contracted rates.

Notes to Financial Statements

24. Derivative Financial Instruments (continued)

Cash flow hedge – Foreign currency risk (continued)

Forward currency contracts (continued)

The impacts of the hedging instruments on the consolidated statement of financial position were as follows:

2020	Notional amount	Carrying amount	Line item in the consolidated statement of financial position
Forward currency contracts	187,744	11,765	Derivative financial instruments (liabilities)

The impacts of the hedged items on the consolidated statement of financial position were as follows:

2020	Cash flow hedge reserve
Highly probable forecast purchases	5,666

The effects of the cash flow hedge on the consolidated statement of comprehensive income were as follows:

2020	Gross amount	Tax effect	Total
Highly probable forecast purchases	(7,178)	2,153	(5,025)

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised directly in the consolidated statement of changes in equity. When a cash flow occurs, the Group adjusts the initial measurement of the component recognised in the consolidated statement of financial position by the related amount in the consolidated statement of changes in equity.

Notes to Financial Statements

24. Derivative Financial Instruments (continued)

Cash flow hedge – Commodity price risk

Forward commodity contracts

The Group commits to the forward commodity contracts in order to protect itself from adverse movements in aluminium prices.

Forward commodity contracts are normally settled other than by physical delivery of the underlying commodities and hence are classified as financial instruments. On maturity, the forward price is compared to the spot price and the difference is applied to the contracted quantity in calculating the gain or loss of the Group under such contract.

Forward commodity contracts are designated as hedging instruments in cash flow hedges of forecast sales of aluminium. These forecast transactions are highly probable. The forward commodity contract balances vary with the level of the expected sales of aluminium and changes in aluminium forward prices.

Aluminium forward contracts are entered into for the purpose of hedging the volatility of future aluminium prices. The contracts are considered to be cash flow hedges and are accounted for in accordance with the accounting policies set out in note 2.4 to the financial statements.

To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the change in fair value of the hedged items attributable to the hedge risks. The hedge of the aluminium forward contracts was assessed to be ineffective during the years ended 31 December 2020 and 2019.

Hedge ineffectiveness arose from:

- (a) differences in the timing of the cash flows of the forecast sales and the hedging instruments;
- (b) the counterparties' credit risks differently impacting the fair value movements of the hedging instruments and the hedged items; or
- (c) changes to the forecast amounts of cash flows of the hedged items and the hedging instruments.

The terms of the outstanding forward commodity contracts held by the Group were as follows:

	2020			2019		
	Quantity hedged tonnes	Average price per tonne HK\$	Contractual amount	Quantity hedged tonnes	Average price per tonne HK\$	Contractual amount
Aluminium forward contracts (sold):						
Within three months	—	—	—	8,600	14,070	121,001
Three to twelve months	13,900	15,258	212,088	2,600	14,222	36,976

Notes to Financial Statements

24. Derivative Financial Instruments (continued)

Cash flow hedge – Commodity price risk (continued)

Forward commodity contracts (continued)

The terms of the forward commodity contracts were negotiated to match those of the underlying commitments.

The impacts of the hedging instruments on the consolidated statement of financial position were as follows:

2020	Notional amount	Carrying amount	Line item in the consolidated statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
Aluminium forward contracts (sold)	212,088	2,306	Derivative financial instruments (liabilities)	6,096

The impacts of the hedged items on the consolidated statement of financial position were as follows:

2020	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
Highly probable forecast sales	6,096	—

The effects of the cash flow hedge on the consolidated income statement were as follows:

2020	Hedge ineffectiveness recognised in profit or loss	Line item in the consolidated income statement
Highly probable forecast sales	6,096	Other expense, net

Notes to Financial Statements

24. Derivative Financial Instruments (continued)

Cash flow hedge – Electricity price risk

Electricity hedge agreements

In January 2017, the Group entered into EHA2. The EHA2 swaps a floating electricity price for a fixed electricity price to minimise the variability in cash flows.

The EHA2 is designated as hedging instruments in cash flow hedges of forecast prices of electricity. These forecast transactions are highly probable.

The EHA2 described above is considered to be a cash flow hedge and is accounted for in accordance with the accounting policies set out in note 2.4 to the financial statements.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the electricity hedge agreements match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the electricity hedge agreements are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The hedge of the EHA2 was assessed to be effective during the years ended 31 December 2020 and 2019.

The impacts of the hedging instruments on the consolidated statement of financial position were as follows:

2020	Notional amount	Carrying amount	Line item in the consolidated statement of financial position
EHA2	777,499	31,168	Derivative financial instruments (assets)

The impacts of the hedged items on the consolidated statement of financial position were as follows:

2020	Cash flow hedge reserve
Highly probable forecast purchases	20,025

The effects of the cash flow hedge on the consolidated statement of comprehensive income were as follows:

2020	Gross amount	Tax effect	Total
Highly probable forecast purchases	(320,930)	96,279	(224,651)

Notes to Financial Statements

24. Derivative Financial Instruments (continued)

Forward commodity contracts – provisional pricing arrangements

The Group enters into pricing arrangements in relation to its aluminium sales. The aluminium sales agreements provide for provisional pricing of sales at the time of or after shipment, with final pricing based on the monthly average aluminium price of the LME for specified future periods. This normally ranges from one month to five months after shipment.

The mark to market gains or losses on open sales are recognised through adjustments in the consolidated income statement and to trade receivables or payables in the consolidated statement of financial position. The Group determines the mark to market prices using forward prices at the end of each reporting period. As at the end of the year, there were 24,326 (2019: 25,706) tonnes of aluminium which had been shipped and remained open as to price. The embedded derivative arising from these open sales was recognised as a derivative financial instrument as at the end of the year.

The Group also enters into aluminium forward contracts to swap a floating selling price of its aluminium sold under the provisional pricing arrangements (described above) to a fixed selling price. For aluminium forward contracts that are entered into prior to the physical shipments of the aluminium, they are treated as cash flow hedges from the dates of entering into these contracts until the respective shipment dates. Thereafter, any gains or losses from these contracts (if not settled in the month of each shipment) are recognised in the consolidated income statement. For aluminium forward contracts that are entered into after the physical shipments of the aluminium, any gains or losses from these contracts are recognised directly in the consolidated income statement.

25. Cash and Cash Equivalents, Time Deposit and Pledged Deposit

	2020	2019
Cash and bank balances	505,763	581,077
Time deposits	1,915,766	1,053,531
	2,421,529	1,634,608
Less: Pledged deposit for a litigation (note 34(a))	(41,706)	(39,179)
Time deposit with original maturity more than one year *	(65,538)	—
Cash and cash equivalents #	2,314,285	1,595,429

* Balance represented non-pledged time deposit with original maturity more than one year, which was set aside for abandonment cost.

As at 31 December 2020, the Group had a balance of HK\$373 (2019: HK\$687,000) at China CITIC Bank International Limited, HK\$24 (2019: HK\$1,544,000) at China CITIC Bank Corporation Limited, and HK\$101,429 (2019: HK\$100,000) at CITIC Finance International Limited.

Cash at banks earns interest at the rates quoted by banks. Time deposits are placed for periods ranging from one day to three years depending on the cash requirements of the Group, and earn interest at rates prevailing from time to time. The bank balances and time deposits are placed with creditworthy banks with no recent history of default.

Notes to Financial Statements

25. Cash and Cash Equivalents, Time Deposit and Pledged Deposit (continued)

At the end of the year, the cash and bank balances and time deposits of the Group denominated in RMB and KZT were equivalent to HK\$415,381,000 and HK\$56,000 (2019: HK\$318,273,000 and HK\$69,000), respectively. Although RMB and KZT are not freely convertible into other currencies, the Group is permitted to exchange RMB and KZT for other currencies through banks which are authorised to conduct foreign exchange business under the foreign exchange control regulations of China and Kazakhstan, respectively.

26. Accounts Payable

An ageing analysis of the accounts payable, based on the invoice date, was as follows:

	2020	2019
Within one month	113,839	135,370
One to three months	—	—
Over three months	82	1,150
	113,921	136,520

The accounts payable are non-interest-bearing and are normally settled on terms of 30 to 90 days.

27. Accrued Liabilities and Other Payables

	2020	2019
Other payables	213,494	243,173
Accruals	625,590	468,195
	839,084	711,368

Included in other payables was a loan of HK\$67,585,000 (2019: HK\$61,478,000) from the State Government of Victoria to assist in funding the restart and restoration of the PAS's production capacity and ongoing operations, which is interest-free and repayable when the PAS reaches a certain level of free cash flows. At the end of the year, the terms for forgiveness of the loan from the State Government of Victoria were expected to be met, resulting in the write-off of the loan of HK\$67,585,000 (2019: HK\$122,955,000) (note 5), which was recorded as "Other income and gains" in the consolidated income statement for the year.

Other payables are non-interest-bearing and have an average term of three months.

Notes to Financial Statements

28. Bank and Other Borrowings

	Notes	2020	2019
Bank borrowings – unsecured	(a)	914,866	1,152,775
Other borrowing – unsecured	(b)	3,900,000	3,900,000
		4,814,866	5,052,775

Notes:

- (a) As at 31 December 2020, the bank borrowings included:
- (i) trade finance totalling A\$23,488,000 (HK\$141,106,000), which was interest-bearing at the Bank Bill Swap Bid Rate (or cost of funds) plus margin; and
 - (ii) bank loans totalling US\$99,200,000 (HK\$773,760,000), which were interest-bearing at the LIBOR plus margin.
- (b) The other borrowing is a loan obtained from a subsidiary of the Company's ultimate holding company, which is interest-bearing at LIBOR plus margin.

	2020	2019
Bank loans repayable:		
Within one year or on demand	141,106	1,152,775
In the second year	—	—
In the third to fifth years, inclusive	773,760	—
	914,866	1,152,775
Other borrowing repayable:		
In the second year	3,900,000	—
In the third to fifth years, inclusive	—	3,900,000
	3,900,000	3,900,000
Total bank and other borrowings	4,814,866	5,052,775
Portion classified as current liabilities	141,106	1,152,775
Non-current portion	4,673,760	3,900,000

Notes to Financial Statements

29. Provisions

	Notes	Provision for long term employee benefits	Provision for rehabilitation cost	Provision for abandonment cost	Total
At 1 January 2020		62,780	246,239	167,124	476,143
Provisions		5,604	11,077	1,589	18,270
Reversal of unutilised amounts	5	(1,633)	—	(2,830)	(4,463)
Re-measurement gain on defined benefit plan		4,444	—	—	4,444
Increase in discounted amounts of provisions arising from the passage of time	9	—	5,731	8,141	13,872
Exchange realignment		5,490	25,326	9,683	40,499
At 31 December 2020		76,685	288,373	183,707	548,765
Portion classified as current liabilities		(49,741)	(1,235)	—	(50,976)
Non-current portion		26,944	287,138	183,707	497,789

The provisions were based on estimates of future payments by management and discounted at rates between 1.0% and 4.90% (2019: 1.30% and 4.90%). Changes in assumptions could significantly affect these estimates.

The provision for long term employee benefits represents the estimated future payments in respect of past services provided by employees. Consideration was given to expected future wages and salary levels, past records of employee departures and periods of service. Expected future payments were discounted using market yields at the reporting date and currencies that matched, as closely as possible, the estimated future cash flows.

The provision for rehabilitation cost represents the estimated costs of rehabilitation relating to the areas disturbed during the operation of the PAS and the coal mines in Australia at the end of their useful lives up to 2030. The Group has estimated and provided for the expected costs of removal and clean-up on a periodical basis, based on the estimates provided by the environmental authorities when they reviewed the sites.

The provision for abandonment cost represents the estimated costs of abandoning oil and gas properties. These costs are expected to be incurred upon abandoning wells and removal of equipment and facilities, as the case may be.

Notes to Financial Statements

30. Deferred Tax

The movements in the Group's deferred tax assets and liabilities during the years ended 31 December 2020 and 2019 were as follows:

2020 Deferred tax assets	Provision for impairment of assets	Tax losses available for offsetting against future taxable profits	Total
At 1 January	293,769	92,524	386,293
Deferred tax credited to the consolidated income statement during the year (note 10)	293,200	138,310	431,510
Exchange realignment	3,530	2,837	6,367
At 31 December	590,499	233,671	824,170

2020 Deferred tax liabilities	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments and defined benefit plan	Total
At 1 January	—	(299,487)	(299,487)
Deferred tax charged to the consolidated income statement during the year (note 10)	(508,292)	(13,054)	(521,346)
Deferred tax credited to equity during the year	—	99,765	99,765
Exchange realignment	(6,130)	(651)	(6,781)
At 31 December	(514,422)	(213,427)	(727,849)

Notes to Financial Statements

30. Deferred Tax (continued)

2019 Deferred tax assets	Provision for impairment of assets	Tax losses available for offsetting against future taxable profits	Total
At 1 January	293,769	84,904	378,673
Deferred tax credited to the consolidated income statement during the year (note 10)	—	9,473	9,473
Exchange realignment	—	(1,853)	(1,853)
At 31 December	293,769	92,524	386,293

2019 Deferred tax liabilities	Change in fair value of financial instruments and defined benefit plan
At 1 January	(345,456)
Deferred tax charged to the consolidated income statement during the year (note 10)	(9,473)
Deferred tax credited to equity during the year	55,442
At 31 December	(299,487)

For presentation purposes, certain deferred tax assets and deferred tax liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for the financial reporting purposes:

	2020	2019
Net deferred tax assets recognised in the consolidated statement of financial position	187,240	86,806
Net deferred tax liabilities recognised in the consolidated statement of financial position	90,919	—

Pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors by foreign investment enterprises established in China. The requirement, effective 1 January 2008, is applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is an applicable tax treaty between China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding tax on dividends declared by its subsidiaries established in China in respect of earnings generated from 1 January 2008 onwards. As at 31 December 2020, no deferred tax has been recognised for withholding tax (2019: Nil) as the Group's subsidiaries registered in China recorded accumulated losses. There are no income tax consequences attaching to the payment of dividends of the Company to its shareholders.

Notes to Financial Statements

31. Share Capital

Shares

	2020	2019
Authorised: 10,000,000,000 (2019: 10,000,000,000) ordinary shares of HK\$0.05 each	500,000	500,000
Issued and fully paid: 7,857,727,149 (2019: 7,857,727,149) ordinary shares of HK\$0.05 each	392,886	392,886

Share options

Detail of the New Scheme is set out in note 32 to the financial statements.

32. Share Option Scheme

Pursuant to the New Scheme, the Company may grant options to eligible persons to subscribe for shares of the Company subject to the terms and conditions stipulated therein. A summary of some of the principal terms of the New Scheme is as follows:

- (a) **Purpose:** To allow the Company (i) to be competitive and to be able to attract, retain and motivate appropriate personnel to assist the Group in attaining its strategic objectives by offering share options to enhance general remuneration packages; (ii) to align the interests of the directors and employees of the Group with the performance of the Company and the value of the shares; and (iii) to align the commercial interests of business associates, customers and suppliers of the Group with the interests and success of the Group.
- (b) **Eligible persons:** The eligible persons include employees and directors of the Company and any of its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who will provide or have provided services to the Group.
- (c) **Total number of shares available for issue:** The total number of shares which may be issued upon the exercise of all outstanding options granted under the New Scheme and any other schemes of the Company shall not exceed 10% of the total number of shares of the Company in issue as at the date of adoption of the New Scheme.
- (d) **Maximum entitlement of each eligible person:** The total number of shares issued and to be issued upon the exercise of the options granted to an eligible person (including any exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue at the date of grant.

Notes to Financial Statements

32. Share Option Scheme (continued)

- (e) **Exercise period:** The period during which an option may be exercised is determined by the Board at its absolute discretion, except that no option may be exercised after 10 years from the date of grant.
- (f) **Vesting period:** The minimum period for which an option must be held before it can be exercised is one year.
- (g) **Exercise price:** The exercise price payable in respect of each share of the Company shall be not less than the greatest of (i) the closing price of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant (which must be a business day); (ii) the average closing price of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.
- (h) **Remaining life:** The New Scheme remains in force until 26 June 2024 unless otherwise terminated in accordance with the terms stipulated therein.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

No share options were granted under the New Scheme.

33. Reserves

Movements in the Group's reserves for the year and the prior year are presented in the consolidated statement of changes in equity on pages 53 and 54 of the financial statements.

The contributed surplus represents the sum of (a) the excess of the nominal value of the share capital of the former holding company of the Group, which was acquired by the Company pursuant to the group reorganisation prior to the listing of the Company's shares, over the nominal value of the share capital of the Company issued in exchange therefor; and (b) the transfer of HK\$500,000,000 from the share premium account in 2017, and then net of distribution to shareholders.

The capital reserve arose from the acquisition of shares from non-controlling shareholders of CATL.

The investment related reserve comprised the share of other comprehensive income and other reserve movements of associates and a joint venture.

34. Litigation and Contingent Liabilities

- (a) In April 2019, KEER applied a cancellation of compensation of Shengli Oilfield Claim A occurred in 2017 to the Dalian Court, in respect of which KEER was seeking compensation from Tincy Group of RMB29,535,000 (HK\$35,194,000) for, among other things, standby costs and expenses of labour and equipment, work slowdown losses, staying expenses and losses for overtime construction and loss of profits plus interest due to its sub-contraction work to perform at the Hainan-Yuedong Block. The court case was closed.

In July 2019, KEER commenced a joint legal claim action with a general contractor of Tincy Group. Pursuant to the Shengli Oilfield Claim B, KEER was seeking a compensation from Tincy Group of RMB30,938,000 (HK\$36,866,000) in respect of loss of construction contract and relevant warranty plus interest. Certain bank amount of RMB35,000,000 (HK\$41,706,000) (note 25) has been frozen as a blockade fund by the Dalian Court. The general contractor applied to withdraw its legal claim from the Shengli Oilfield Claim B to the Dalian Court. The general contractor was requested as a third party by the Dalian Court to participate in the litigation.

Pursuant to the civil judgement issued by the Dalian Court in December 2020, Tincy Group had to pay a compensation of RMB17,271,000 (HK\$20,580,000) plus interest to KEER.

Based on a legal advice from its legal counsel, Tincy Group has justifiable arguments on determination of the contractual relationships amongst Tincy Group, KEER and the general contractor, any rights and obligations thereunder and judgement on compensation amount, in respect of which, Tincy Group lodged an appeal to Dalian Court in January 2021.

Up to the date of this report, no notification has been issued by the Dalian Court in respect of the appeal.

- (b) In 2019, the EC Department completed an environmental inspection on KBM, 50% of the issued voting shares of which are owned by the Group, in respect of the placement of industrial waste in the landfill without appropriate environmental permit for the five years from 2015 to 2019 and the industrial waste has to be recycled within 3 years. As a result, the Tax authorities issued tax assessments of KZT19,878,050,000 on KBM in 2020, translating to the Group's share of approximately HK\$172,300,000. KBM made an appeal to the Court of Nur-Sultan requesting cancellation the tax assessments.

KBM paid the tax for the placement of industrial waste in the landfill each quarter for five years from 2015 to 2019. Neither the EC Department nor any other legal act requires reapply for an environmental permit in the case of non-recycling of industrial waste within 3 years.

KBM appealed to the Court of Nur-Sultan requesting to rescind the tax assessments, but the Court of Nur-Sultan decided against KBM on 17 August 2020. KBM lodged an appeal to the Specialized Judicial Board of the Supreme Court and the Specialized Judicial Board of the Supreme Court issued a judgement in favour of KBM on 15 October 2020.

Notes to Financial Statements

34. Litigation and Contingent Liabilities (continued)

- (c) Shandong High People's Court (山東省高級人民法院) in China published a Public Notice on 10 April 2020, which states that Weihai has submitted Claims against, amongst others, CACT. CACT is an indirectly wholly-owned subsidiary of the Company incorporated in Australia and is engaged in international trading business.

It is alleged that the Claims relate to three L/Cs issued in favour of CACT as payment for the sale by CACT to a Decheng of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. Weihai, which arranged for issuance of the L/Cs as payment on behalf of Decheng, disputes the authenticity of certain warehouse receipts for aluminium stored at the bonded warehouses at Qingdao Port. Having failed in its request to both the Shandong Middle People's Court and the Shandong High People's Court in China for an order to stop payment to CACT pursuant to the L/Cs, Weihai is seeking payment from CACT. The sums claimed by Weihai under the L/Cs respectively are: (i) RMB78,701,000 (HK\$93,780,000) plus interest and costs; (ii) RMB71,639,000 (HK\$85,365,000) plus interest and costs, and (iii) RMB52,923,000 (HK\$63,063,000) plus interest and costs, totalling at RMB203,263,000 (HK\$242,208,000) plus interest and costs. CACT refuted the Claims and has notified the Board that the Claims are without merit and the purported legal action by Weihai is wrongful. CACT has engaged local counsel in China to defend the Claims. The first hearing of the Claims was attended by CACT's local counsel in China on 8 September 2020 per the Public Notice. In December 2020, the Shandong High People's Court decided that whilst the authenticity of the relevant warehouse receipts could not be established, CACT is not liable for Weihai's losses as there is no evidence of any intention to commit fraud on the part of CACT. This case was closed.

35. Commitments

- (a) The Group's capital expenditure commitments were as follows:

	2020	2019
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	825,063	1,239,391

In addition, the Group's share of a joint venture's capital expenditure commitments was as follows:

	2020	2019
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	10,260	14,331

- (b) The Group has two lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for those non-cancellable lease contracts are HK\$3,000,000 due within 1 year.

Notes to Financial Statements

36. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$25,409,000 (2019: HK\$9,745,000) and HK\$25,409,000 (2019: HK\$9,745,000), respectively, in respect of lease arrangements for plant and equipment, and non-cash reduction to a loan from the government of HK\$67,585,000 (2019: HK\$122,955,000) due to the loan forgiveness.

(b) Changes in liabilities arising from financing activities:

	Bank and other borrowings	Lease liabilities	Dividends payable	Loan from government
At 1 January 2020	5,052,775	91,135	36	61,478
Changes from financing cash flows	(256,210)	(33,005)	(2)	63,630
The government loan forgiveness	—	—	—	(67,585)
New leases	—	25,409	—	—
Foreign exchange movement	16,152	2,385	—	10,062
Disposal of a subsidiary	—	(3,522)	—	—
Interest expense	2,149	3,451	—	—
At 31 December 2020	4,814,866	85,853	34	67,585

	Bank and other borrowings	Lease liabilities	Dividends payable	Loan from government
At 1 January 2019	6,216,552	111,214	22	120,209
Changes from financing cash flows	(1,172,400)	(33,101)	(275,006)	62,542
The government loan forgiveness	—	—	—	(122,955)
New leases	—	9,745	—	—
Foreign exchange movement	(1,424)	(772)	—	1,682
2018 final dividend payable during the year	—	—	275,020	—
Interest expense	10,047	4,049	—	—
At 31 December 2019	5,052,775	91,135	36	61,478

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020	2019
Within operating activities	(12,454)	(11,488)
Within investing activities	—	—
Within financing activities	(33,005)	(33,101)
	(45,459)	(44,589)

Notes to Financial Statements

37. Related Party Transactions and Connected Transactions

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties:

(a)	2020	2019
Ultimate holding company:		
Rental expenses	2,921	2,763
Subsidiaries of the ultimate holding company:		
Rental expenses	340	342
Acquisition of right-of-use assets	—	15,020
Interest expense on lease liability	283	284
Interest expense on other borrowings	108,297	173,627
Handling service fees	4,673	4,352
Management fee income	2,226	2,054
Purchase of materials	2,557	—
A joint venture:		
Rental income	3,537	3,696
Service fee income	335	334

The above transactions were made based on mutually agreed terms.

(b) Outstanding balances with related parties:

	2020	2019
Subsidiaries of the ultimate holding company:		
Other borrowing (note 28)	3,900,000	3,900,000
Accounts payable	2,557	—
Lease liability	10,017	12,066

The above other borrowing is an unsecured loan having a tenor of five years commencing from June 2017. The loan is interest-bearing at LIBOR plus margin.

(c) Commitment with a related party:

On 1 July 2020, the Group has entered into a procurement agreement with Jingjiang Special Steel Co., Ltd, a subsidiary of the ultimate holding company, to purchase the chamfered tubings used for oil production. The Group expects the amount of the total purchases to be HK\$3,217,000, of which HK\$2,557,000 (note 37(a)) was for purchases completed in the year.

Notes to Financial Statements

37. Related Party Transactions and Connected Transactions (continued)

(d) Details of directors' remuneration are set out in note 7 to the financial statements.

Compensation paid to senior management personnel of the Group was as follows:

	Year ended 31 December	
	2020	2019
Salaries	11,753	13,917
Housing allowances	288	698
Bonuses	5,644	7,706
Pension scheme contributions	834	1,161
	18,519	23,482

	Year ended 31 December	
	2020	2019
Number of executives by remuneration bands:		
Nil – HK\$1,000,000	—	1
HK\$1,500,001 – HK\$2,000,000	—	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	2	1
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$3,500,001 – HK\$4,000,000	1 *	2
HK\$4,000,001 – HK\$4,500,000	1 *	1 *
HK\$4,500,001 – HK\$5,000,000	—	1 *
	6	8

* included in the five highest paid employees as set out in note 8 to the financial statements

Notes to Financial Statements

37. Related Party Transactions and Connected Transactions (continued)

- (e) In October 2016, the Group entered into a 7-year lease agreement with CITIC House Pty Limited, a subsidiary of the Company's ultimate holding company, for the leasing of office premises.

On 31 December 2019, the Group entered into two 1-year lease agreements with the Company's ultimate holding company for the leasing of office premises, totalling HK\$2,818,000.

On 22 December 2020, the Group entered into two 1-year lease agreements with the Company's ultimate holding company for the leasing of office premises, totalling HK\$3,000,000.

The Group had total future minimum lease payments under non-cancellable leases with related parties falling due as follows:

	2020	2019
Within one year	6,731	6,078
In the second to fifth years, inclusive	7,129	9,878
	13,860	15,956

Except for the rental income and service fee income from a joint venture of the Group, the related party transactions disclosed above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions were fully exempt connected transactions or fully exempt continuing connected transactions.

Notes to Financial Statements

38. Financial Instruments by Category

The carrying amount of each of the categories of financial instruments was as follows:

2020 Financial assets	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Financial assets at fair value through other comprehensive income – designated and effective hedging instruments	Financial assets at amortised cost	Total
Financial assets included in prepayments, deposits and other receivables	—	—	129,836	129,836
Time deposit	—	—	65,538	65,538
Derivative financial instruments	40,544	31,168	—	71,712
Trade receivables	—	—	412,653	412,653
Pledged deposit	—	—	41,706	41,706
Cash and cash equivalents	—	—	2,314,285	2,314,285
	40,544	31,168	2,964,018	3,035,730

2020 Financial liabilities	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at amortised cost	Total
Accounts payable	—	113,921	113,921
Financial liabilities included in accrued liabilities and other payables	—	424,451	424,451
Derivative financial instruments	14,071	—	14,071
Bank and other borrowings	—	4,814,866	4,814,866
Lease liabilities	—	85,853	85,853
	14,071	5,439,091	5,453,162

Notes to Financial Statements

38. Financial Instruments by Category (continued)

2019 Financial assets	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Financial assets at fair value through other comprehensive income – designated and effective hedging instruments	Financial assets at amortised cost	Total
Financial assets included in prepayments, deposits and other receivables	—	—	237,519	237,519
Derivative financial instruments	3,790	352,098	—	355,888
Trade receivables	—	—	374,803	374,803
Pledged deposit	—	—	39,179	39,179
Cash and cash equivalents	—	—	1,595,429	1,595,429
	3,790	352,098	2,246,930	2,602,818

2019 Financial liabilities	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at amortised cost	Total
Accounts payable	—	136,520	136,520
Financial liabilities included in accrued liabilities and other payables	—	423,322	423,322
Derivative financial instruments	7,116	—	7,116
Bank and other borrowings	—	5,052,775	5,052,775
Lease liabilities	—	91,135	91,135
	7,116	5,703,752	5,710,868

Notes to Financial Statements

39. Fair Value and Fair Value Hierarchy of Financial Instruments

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

	Carrying amounts		Fair values	
	2020	2019	2020	2019
Financial assets				
Time deposit, non-current portion	65,538	—	65,538	—
Derivative financial instruments	71,712	355,888	71,712	355,888
	137,250	355,888	137,250	355,888
Financial liabilities				
Derivative financial instruments	14,071	7,116	14,071	7,116
Bank and other borrowings	4,814,866	5,052,775	4,814,866	5,052,775
	4,828,937	5,059,891	4,828,937	5,059,891

The fair values of financial assets included in prepayments, deposits and other receivables, trade receivables, pledged deposit, cash and cash equivalents, accounts payable, and financial liabilities included in accrued liabilities and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

Each principal subsidiary of the Company is responsible for its own fair value measurement of financial instruments. The finance team of the Company is responsible for the review and calibration of the parameters of the valuation processes. The valuation processes and results are discussed with the chief financial officer twice a year for interim and annual financial reporting purposes.

The fair values of the financial assets and liabilities are stated at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- (a) The fair values of the non-current portion of time deposit and bank and other borrowings were calculated by discounting the expected future cash flows using rates currently available for instruments which had similar terms, credit risk and remaining maturities. The Group's own non-performance risk for time deposit and bank and other borrowings as at the end of the year was assessed to be insignificant.

Notes to Financial Statements

39. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

- (b) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including forward currency contracts, forward commodity contracts, interest rate swap contracts, embedded derivative in provisional pricing arrangements, and the EHA2, were measured using valuation techniques similar to forward pricing and discounted cash flow models, which means using present value calculations. The fair values of forward currency contracts, forward commodity contracts, embedded derivative in provisional pricing arrangements, and the EHA2 were the same as their carrying amounts.
- (i) The fair values of forward currency contracts, forward commodity contracts and embedded derivative in provisional pricing arrangements were based on valuation techniques using significant observable market inputs and insignificant unobservable market inputs.
- (ii) The fair value of the EHA2 was based on valuation techniques using significant unobservable market inputs.

Below is a summary of significant unobservable inputs to the valuation of a financial instrument together with a quantitative sensitivity analysis:

Derivative financial instrument		Range		Sensitivity of fair value to the changes in inputs
Valuation technique	Significant unobservable inputs	2020	2019	
EHA2 Discounted cash flow method	Electricity price (per Mwh)	A\$38 to A\$69	A\$72 to A\$140	1% increase (decrease) in the electricity price would result in an increase (a decrease) in fair value by HK\$1,924,182 (HK\$1,924,182) (2019: HK\$8,348,000 (HK\$8,348,000))
	Discount rate	0.14% to 0.22%	0.85% to 1.03%	1% increase (decrease) in the discount rate would result in a decrease (an increase) in fair value by HK\$67,665 (HK\$9,711) (2019: HK\$2,656,000 (HK\$2,688,000))

Notes to Financial Statements

39. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

	Fair value measurement using			Total
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	
2020				
Derivative financial instruments	—	40,544	31,168	71,712
2019				
Derivative financial instruments	—	3,790	352,098	355,888

The movements in fair value measurements within Level 3 during the year were as follows:

Derivative financial instruments – asset	2020	2019
At 1 January	352,098	529,640
Losses recognised in the consolidated statement of comprehensive income	(320,930)	(177,542)
At 31 December	31,168	352,098

During the year, the Group did not have any transfer of fair value measurements between Level 1 and Level 2 nor any transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

Assets for which fair values are disclosed:

	Fair value measurement using			Total
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	
2020				
Time deposit, non-current portion	—	65,538	—	65,538

Notes to Financial Statements

39. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

	Fair value measurement using			Total
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	
2020				
Derivative financial instruments	—	14,071	—	14,071
2019				
Derivative financial instruments	—	7,116	—	7,116

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	
2020				
Bank and other borrowings	—	4,814,866	—	4,814,866
2019				
Bank and other borrowings	—	5,052,775	—	5,052,775

Notes to Financial Statements

40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, lease liabilities, cash and cash equivalents, time deposit and pledged deposit. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and accounts payable, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts, forward commodity contracts, interest rate swap contracts, embedded derivatives and electricity hedge agreements. Their purpose is to manage the foreign currency risk, price risk, and interest rate risk arising from the Group's operations and sources of finance. Details of the derivative financial instruments are set out in note 24 to the financial statements.

It is, and has been throughout the year, the Group's policy that trading in financial instruments shall be undertaken with due care.

The main risks arising from the Group's financial instruments are foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group assesses the respective exposures of each of its operating units and enters into forward currency contracts of appropriate amounts to hedge those exposures. The forward currency contracts must be in the same currency as that of the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of the hedged item to maximise the effectiveness of the hedge.

The following table demonstrates the sensitivity of the Group's profit/loss before tax and equity in response to changes in exchange rates to which the Group had significant exposure (with all other variables held constant).

	Increase / (decrease) in US\$ rate %	Increase / (decrease) in loss before tax	Increase / (decrease) in equity
2020			
If US\$ strengthens against A\$	10	11,864	(16,177)
If US\$ weakens against A\$	(10)	(11,864)	19,968
2019			
If US\$ strengthens against A\$	10	(105,050)	(152,217)
If US\$ weakens against A\$	(10)	105,050	149,971

Notes to Financial Statements

40. Financial Risk Management Objectives and Policies (continued)

Price risk

The Group is exposed to share price risk and commodity price risk.

Aluminium

Aluminium is a globally traded base metal. The Group enters into sale and supply contracts with its customers where the prices are negotiated by referencing and linking to the aluminium prices traded on the LME. Aluminium prices quoted on the LME are determined by market forces. The Group is therefore exposed to price risk influenced by changing market conditions. The Group mitigates such risk by entering into commodity derivatives to hedge against future adverse price changes. These financial instruments are considered to be cash flow hedges.

Besides, the Group also enters into aluminium sales agreements with provisional pricing arrangements from which arise embedded derivatives that are required to be separated from the host contracts. The host contract is the sale of aluminium at the provisional invoice price and the embedded derivative is the forward contract for which the provisional invoice price is subsequently adjusted.

Management actively reviews the market sentiment and trend with references to expert views and forecasts. At management's discretion and judgement, derivatives are entered into to lock in favourable prices to hedge portions of the Group's future sales and thus to mitigate adverse price risks.

The following table demonstrates the sensitivity of the Group's profit/loss before tax and equity in response to changes in market prices of aluminium (with all other variables held constant).

	Increase / (decrease) in LME aluminium price %	Increase / (decrease) in loss before tax	Increase / (decrease) in equity
2020			
Forward commodity contracts	10	(212,088)	212,088
Forward commodity contracts	(10)	212,088	(212,088)
2019			
Forward commodity contracts	10	21,435	21,435
Forward commodity contracts	(10)	(21,435)	(21,435)

Notes to Financial Statements

40. Financial Risk Management Objectives and Policies (continued)

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's floating rate US\$ debts.

The Group's policy is to manage its interest expenses using a mix of fixed and floating rate debts with respect to the prevailing interest rate environment. To manage this mix in a cost-effective manner, the Group may enter into interest rate swap contracts in which it agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swap contracts are designated to hedge against the interest rate exposure of the underlying debt obligations.

The following table demonstrates the sensitivity of the Group's profit/loss before tax and equity in response to changes in interest rates of the Group's floating rate US\$ debts (with all other variables held constant).

	Increase / (decrease) in interest rate basis points	Increase / (decrease) in loss before tax	Increase / (decrease) in equity
2020			
US\$ debts	100	46,800	(46,800)
US\$ debts	(100)	(46,800)	46,800
2019			
US\$ debts	100	(49,140)	(49,140)
US\$ debts	(100)	49,140	49,140

Notes to Financial Statements

40. Financial Risk Management Objectives and Policies (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which was mainly based on past due information unless other information was available without undue cost or effort, and year-end staging classification as at 31 December. For listed debt investments, the Group also monitored them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
2020					
Trade receivables *	—	—	—	412,653	412,653
Financial assets included in prepayments, deposits and other receivables					
– Normal **	113,511	—	—	—	113,511
– Doubtful **	—	—	16,325	—	16,325
Time deposit	65,538	—	—	—	65,538
Pledged deposit	41,706	—	—	—	41,706
Cash and cash equivalents	2,314,285	—	—	—	2,314,285
	2,535,040	—	16,325	412,653	2,964,018
2019					
Trade receivables *	—	—	—	374,803	374,803
Financial assets included in prepayments, deposits and other receivables					
– Normal **	221,574	—	—	—	221,574
– Doubtful **	—	—	15,945	—	15,945
Pledged deposit	39,179	—	—	—	39,179
Cash and cash equivalents	1,595,429	—	—	—	1,595,429
	1,856,182	—	15,945	374,803	2,246,930

* For trade receivables to which the Group applied the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables was considered to be "normal" when they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets had been considered to be "doubtful".

Quantitative data in respect of the Group's exposure to credit risk arising from trade receivables is set out in note 23 to the financial statements.

Notes to Financial Statements

40. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objectives are to maintain an optimal balance of cash holding and funding through the use of bank and other borrowings and lease liabilities, to preserve liquidity and to maximise returns to shareholders. As at 31 December 2020, 3.5% (2019: 22.8%) of the Group's debts would mature within one year based on the carrying values of the debts reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
2020					
Accounts payable	—	62,607	51,314	—	113,921
Financial liabilities included in accrued liabilities and other payables	—	—	424,451	—	424,451
Derivative financial instruments	—	14,071	—	—	14,071
Bank and other borrowings	—	—	157,179	4,680,000	4,837,179
Lease liabilities	—	7,977	23,931	59,063	90,971
	—	84,655	656,875	4,739,063	5,480,593
2019					
Accounts payable	—	135,370	1,150	—	136,520
Financial liabilities included in accrued liabilities and other payables	21	—	423,301	—	423,322
Derivative financial instruments	—	6,508	608	—	7,116
Bank and other borrowings	—	703,591	608,000	4,117,017	5,428,608
Lease liabilities	—	6,197	18,592	74,343	99,132
	21	851,666	1,051,651	4,191,360	6,094,698

Notes to Financial Statements

40. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital with the inclusion of the parameter of liquidity by using the ratio of net debt to net total capital. Net debt is total debt less cash and cash equivalents while net total capital is equity attributable to shareholders of the Company plus net debt. The Group's current objective is to maintain this ratio at a reasonable level.

The ratio of net debt to net total capital as at the end of the reporting period was as follows:

	2020	2019
Bank and other borrowings	4,814,866	5,052,775
Lease liabilities	85,853	91,135
Less: Cash and cash equivalents	(2,314,285)	(1,595,429)
Net debt	2,586,434	3,548,481
Equity attributable to shareholders of the Company	5,807,715	6,253,389
Add: Net debt	2,586,434	3,548,481
Net total capital	8,394,149	9,801,870
Net debt to net total capital	30.8%	36.2%

Notes to Financial Statements

41. Statement of Financial Position of the Company

The financial position of the Company as at the end of the reporting period was as follows:

	2020	2019
NON-CURRENT ASSETS		
Property, plant and equipment	—	54
Prepayments, deposits and other receivables	3,987	—
Investments in subsidiaries	5,593,299	4,912,035
Total non-current assets	5,597,286	4,912,089
CURRENT ASSETS		
Prepayments, deposits and other receivables	836,904	983,703
Cash and cash equivalents	1,590,748	724,360
Total current assets	2,427,652	1,708,063
CURRENT LIABILITIES		
Accrued liabilities and other payables	1,464	1,455
Bank borrowings	—	1,013,411
Total current liabilities	1,464	1,014,866
NET CURRENT ASSETS	2,426,188	693,197
TOTAL ASSETS LESS CURRENT LIABILITIES	8,023,474	5,605,286
NON-CURRENT LIABILITIES		
Due to a subsidiary	3,390,982	3,499,276
Bank borrowings	773,760	—
Total non-current liabilities	4,164,742	3,499,276
NET ASSETS	3,858,732	2,106,010
EQUITY		
Issued capital	392,886	392,886
Reserves	3,465,846	1,713,124
TOTAL EQUITY	3,858,732	2,106,010

Notes to Financial Statements

41. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Contributed surplus	Exchange fluctuation reserve	Retained profits	Total
At 1 January 2019	6,852	358,625	898	1,715,452	2,081,827
Loss for the year	—	—	—	(93,612)	(93,612)
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	—	—	(71)	—	(71)
Total comprehensive loss for the year	—	—	(71)	(93,612)	(93,683)
Distribution to shareholders *	—	—	—	(275,020)	(275,020)
At 31 December 2019	6,852	358,625	827	1,346,820	1,713,124

* The final dividend of HK 3.5 cents per ordinary share for the year ended 31 December 2018, totalling HK\$275,020,000, was approved by shareholders at the AGM held on 21 June 2019 and was paid on 16 July 2019.

	Share premium account	Contributed surplus	Exchange fluctuation reserve	Retained profits	Total
At 1 January 2020	6,852	358,625	827	1,346,820	1,713,124
Profit for the year	—	—	—	1,752,603	1,752,603
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	—	—	119	—	119
Total comprehensive income for the year	—	—	119	1,752,603	1,752,722
At 31 December 2020	6,852	358,625	946	3,099,423	3,465,846

Notes to Financial Statements

42. Events after the Reporting Period

(a) New term loan facility with a related party

In March 2021, the Company has entered into a 3-year term loan facility agreement with CITIC Finance International Limited, a fellow subsidiary of the Company's ultimate holding company. Pursuant to the loan facility, the Company was granted a total facility of US\$150 million (HK\$1,170 million) from the date of first draw down. As of the date of this report, this new loan has not been drawn.

(b) New electricity hedge agreement of the PAS

In March 2021, EHA3 was signed between the Group and the independent electricity suppliers. The EHA3 effectively allowed the PAS to hedge the spot price for electricity for a specific load from 1 August 2021 to 31 July 2026. The counterparties to the Group under the EHA3 were AGL Energy Limited, Alinta Energy Pty Limited and Origin Energy Limited, a company listed on Australian Securities Exchange (Stock Code: ORG).

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 26 March 2021.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Results

HK\$'000

	Year ended 31 December				
	2020	2019	2018	2017	2016
Revenue	2,850,058	3,425,510	4,427,317	3,602,947	2,956,732
Profit/(loss) before tax	(261,827)	631,340	950,765	608,180	344,024
Income tax credit/(expense)	(98,690)	(236)	(465)	(123,603)	217
Profit/(loss) for the year	(360,517)	631,104	950,300	484,577	344,241
Attributable to:					
Shareholders of the Company	(363,848)	600,293	905,253	518,315	362,985
Non-controlling interests	3,331	30,811	45,047	(33,738)	(18,744)
	(360,517)	631,104	950,300	484,577	344,241

Assets, Liabilities and Non-controlling Interests

HK\$'000

	31 December				
	2020	2019	2018	2017	2016
Non-current assets	8,882,834	9,692,552	9,510,875	9,963,374	9,369,369
Current assets	3,392,465	2,975,458	4,168,872	4,169,542	3,899,380
Total assets	12,275,299	12,668,010	13,679,747	14,132,916	13,268,749
Current liabilities	1,189,560	2,074,900	3,013,672	1,223,189	2,136,040
Non-current liabilities	5,318,421	4,400,361	4,612,057	6,962,777	6,436,419
Total liabilities	6,507,981	6,475,261	7,625,729	8,185,966	8,572,459
Non-controlling interests	(40,397)	(60,640)	(87,465)	(117,223)	(108,468)
Equity attributable to shareholders of the Company	5,807,715	6,253,389	6,141,483	6,064,173	4,804,758

Reserve Quantities Information

Proved Oil Reserves Estimate (unaudited)

million barrels

2020	Indonesia (41%)	China (100%)	Kazakhstan (50%)	Total
At 1 January	1.0	30.1	90.5	121.6
Revision	0.6	3.0	—	3.6
Production	(0.2)	(2.8)	(6.7)	(9.7)
At 31 December	1.4	30.3	83.8	115.5

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

A\$	Australian dollar, the lawful currency of Australia
Agency Fee Agreement	the Agency Fee Agreement signed between CACT and PRT on 17 January 2020
AGM	Annual general meeting of the Company
AWC	Alumina Limited
ASX	Australian Securities Exchange
Audit Committee	Audit committee of the Company
Board	Board of directors
BVI	British Virgin Islands
Bye-laws	Bye-laws of the Company
CACT	CA Commodity Trading Pty Ltd (formerly known as CITIC Australia Commodity Trading Pty Ltd), an indirect wholly-owned subsidiary of the Company
CATL	CA Trading Holding Pty Limited (formerly known as CITIC Australia Trading Pty Limited)
CCEL	CITIC Canada Energy Limited
CDH	South Manganese Investment Limited (formerly known as CITIC Dameng Holdings Limited)
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
CITIC Group	中國中信集團有限公司 (CITIC Group Corporation)
CITIC Haiyue	CITIC Haiyue Energy Limited
CITIC Seram	CITIC Seram Energy Limited
Claims	Three claims in the Shandong High People's Court in China
CMJV	Coppabella and Moorvale coal mines joint venture
CNPC	China National Petroleum Corporation

Glossary of Terms

Companies Act	Companies Act 1981 of the laws of Bermuda, as amended from time to time
Company	CITIC Resources Holdings Limited
Conceptual Framework	Conceptual Framework for Financial Reporting 2018
COVID-19	Coronavirus disease 2019
Dalian Court	Dalian Maritime Court
Decheng	Qingdao Decheng Minerals Co., Ltd. (青島德誠礦業有限公司)
Diversity Policy	Nomination and diversity policy which sets out the criteria and procedures to be used for the selection, appointment and re-election of candidates to achieve diversity on the Board
ECL	Expected credit loss
EC Department	Department of Ecology, Kazakhstan
EHA2	Hedging agreement with several subsidiaries of AGL Energy Limited, an integrated renewable energy company listed on the ASX (Stock Code: AGL), in relation to the supply of electricity to the PAS from 1 August 2017 to 31 July 2021
EHA3	A New base load electricity contract
Equity-settled transactions	Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments
Greenway Mining	Greenway Mining Group Limited
Group	CITIC Resources Holdings Limited and its subsidiaries
Hainan-Yuedong Block	Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, China
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standard
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
IBR	Incremental borrowing rate

Glossary of Terms

Karazhanbas oilfield	Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan
KBM	JSC Karazhanbasmunai
KEER	勝利油田科爾工程建設有限公司 (Shengli Oilfield KEER Engineering and Construction Co., Ltd.)
KUFPEC	Kuwait Foreign Petroleum Exploration Company
KZT	Tenge, the lawful currency of Kazakhstan
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
L/C	Letters of credit
LIBOR	London interbank offered rates
MET	Mineral extraction tax
MPF Scheme	Defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
New Scheme	New share option scheme adopted by the Company on 27 June 2014
Nomination Committee	Nomination committee of the Company
PAS	Portland Aluminium Smelter
PAS JV	Portland Aluminium Smelter joint venture in Australia
PRMS	Petroleum Resources Management System
PRT	Pacific Resources Trading Pte. Ltd., an indirect subsidiary of CITIC Group
PSC	Production sharing contract which grants the right to explore, develop and produce petroleum from the Seram Block
Public Notice	Notice in the People's Court Daily (人民法院報)

Glossary of Terms

Queensland Court	Supreme Court of Queensland
Remuneration Committee	Remuneration committee of the Company
RFR	Risk-free rate
Risk Management Committee	Risk management committee of the Company
RMB	Renminbi, the lawful currency of China
Seram Block	Seram Island Non-Bula Block, Indonesia
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shengli Oilfield Claim A	Legal claim in the Dalian Maritime Court against Tincy Group
Shengli Oilfield Claim B	Joint legal claim action of KEER and a general contractor of Tincy Group in the Dalian Court against Tincy Group
Short-term leases	Leases with a lease term of 12 months or less
SPPI	Solely payments of principal and interest
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tax Authorities	Kazakhstan tax authorities
Tincy Group	Tincy Group Energy Resources Limited
US\$	United States dollars, the lawful currency of the United States of America
VAT	Value added tax
Weihai	Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司)
Yuedong oilfield	Principal oilfield within Hainan-Yuedong Block, China

Note: The English names of the Chinese entities mentioned hereinabove are translated from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Investor Relations Contact

Suites 6701-02 & 08B
67/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong
Attention : Investor Relations Department
Telephone : (852) 2899 8200
Facsimile : (852) 2815 9723
E-mail : ir@citicresources.com

投資者關係聯絡

香港九龍柯士甸道西 1 號
環球貿易廣場 67 樓
6701-02 及 08B 室
聯絡：投資者關係部
電話：(852) 2899 8200
傳真：(852) 2815 9723
電郵：ir@citicresources.com

<http://resources.citic>



