



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

OIL

COAL

ALUMINIUM

IMPORT AND
EXPORT OF
COMMODITIES

Annual Report
年報

2023



OIL 原油

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

主要收入推動因素，位於哈薩克斯坦、中國和印尼的油田具有穩定的生產和開發。

COAL 煤

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.

於Coppabella和Moorvale煤礦合營項目（國際海運市場中低揮發性噴吹煤的主要生產商）擁有14%參與權益及於具有重大資源潛力的澳大利亞煤礦勘探業務中擁有若干權益。



IMPORT AND EXPORT OF COMMODITIES 進出口商品

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

進出口商品業務，立足於強大的專長及健全的營銷網絡，專注於國際貿易。

ALUMINIUM 鋁

(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.

(1)於波特蘭鋁廠合營項目（世界上最大及最高效的電解鋁業務之一）擁有22.5%參與權益；及(2)於Alumina Limited（澳大利亞證券交易所：AWC）擁有9.6117%股權，而此公司為澳洲一間具領導地位的公司，在全球的鋁土礦開採、氧化鋁提煉和電解鋁生產等領域均擁有重要的投資。



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Corporate Information

Board of Directors

Executive Directors

Mr. Hao Weibao (*Chairman and Chief Executive Officer*)
(appointed on 18 April 2023)
Mr. Wang Xinli (appointed on 15 December 2023)
Mr. Sun Yufeng (*Chairman and Chief Executive Officer*)
(resigned on 18 April 2023)

Non-executive Director

Mr. Chan Kin

Independent Non-executive Directors

Dr. Fan Ren Da, Anthony
Mr. Gao Pei Ji (retired on 1 December 2023)
Mr. Look Andrew
Mr. Lu Dequan (appointed on 1 December 2023)

Audit Committee

Dr. Fan Ren Da, Anthony (*Chairman*)
Mr. Gao Pei Ji (retired on 1 December 2023)
Mr. Look Andrew
Mr. Lu Dequan (appointed on 1 December 2023)

Remuneration Committee

Mr. Gao Pei Ji (*Chairman*)
(retired on 1 December 2023)
Mr. Lu Dequan (*Chairman*)
(appointed on 1 December 2023)
Dr. Fan Ren Da, Anthony
Mr. Look Andrew
Mr. Hao Weibao (appointed on 18 April 2023)
Mr. Sun Yufeng (resigned on 18 April 2023)

Nomination Committee

Mr. Hao Weibao (*Chairman*)
(appointed on 18 April 2023)
Dr. Fan Ren Da, Anthony
Mr. Gao Pei Ji (retired on 1 December 2023)
Mr. Lu Dequan (appointed on 1 December 2023)
Mr. Sun Yufeng (*Chairman*) (resigned on 18 April 2023)

Risk Management Committee

Mr. Look Andrew (*Chairman*)
Dr. Fan Ren Da, Anthony
Mr. Gao Pei Ji (retired on 1 December 2023)
Mr. Hao Weibao (appointed on 18 April 2023 and
resigned on 26 March 2024)
Mr. Lu Dequan (appointed on 1 December 2023)
Mr. Wang Xinli (appointed on 26 March 2024)
Mr. Sun Yufeng (resigned on 18 April 2023)

Company Secretary

Mr. Wat Chi Ping Isaac

Registered Office

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Head Office and Principal Place of Business

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Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

Corporate Information

Auditor

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Mizuho Bank, Ltd., Hong Kong Branch

Chairman's Statement

“Striving for success – a new blueprint for the Company's business development with a dual-driver model”

Dear Shareholders,

In 2023, we have witnessed a diverse global landscape, heightened geopolitical tension and continued military conflicts, putting energy supply around the world under the spotlight with subdued global GDP growth and moderate demand. The Group faced with a challenging environment amid increased volatility in commodity prices and rising cost of capital due to the Fed's rate hikes. I had been lucky enough to join CITIC Resources in April 2023 as the Chairman and Chief Executive Director. We have carried forward a meaningful year in the history of the Group. During the year, under the leadership of the Board, the management and all employees stuck together to deal with and mitigate major risks, improve the overall standards of work quality and efficiency, explore investment opportunities in areas such as resources and energy, expand into the crude oil trading business and move towards the dual-driver “investment + trade” development goal.

In 2023, despite the significant decrease in the crude oil, aluminum ingot and coal prices, the Group managed to navigate, explore and finally reach the target for the year with strict cost control, achieving a consolidated revenue and net profit of approximately HK\$3,825.6 million and HK\$551.8 million, respectively. In addition, we had declared a dividend of HK\$6 cents per share, which was the highest level in the Company history. Overall, we have achieved one of the best financial positions in recent years with a relatively low gearing ratio and good liquidity.

On behalf of the Board, I would like to express my heartfelt gratitude and appreciation to the fellow management and all staff for their dedication and achievements for the year. On behalf of the Group, I would also like to express my sincere gratitude to all shareholders, customers, suppliers, financial institutions and business partners.

Chairman's Statement

Business Layout

In 2023, in response to the changes and challenges in the external and operating environment, the Group was committed to promoting the organizational structure and functional system, and creating a business layout that helps us navigate the market environment in a sustainable manner. Based on the sales of crude oil and taking into account our existing business portfolio, the Group improved the existing crude oil sales channels, sought to expand third-party crude oil trades, and completed the construction of the trading platform and the preliminary preparation for the crude oil trade business. We have strengthened the capability of the investment department, focused on the improvement of industry and project research capabilities, improved the management system before, during and after investment, strengthened the input in project research, and identified resources and energy as an investment direction. The Group has also made efforts to improve investor relations and strengthen communication with the market through analyst meetings, media interviews with senior management of the Group, etc. Our market recognition continued to improve. The Company received the "ListCo Excellence Awards 2023" in Hong Kong. In addition, we also took the initiative to promote the efficient use of funds, repayment and novation of loans, effectively reducing the cost of working capital.

Through unremitting efforts, the Group's "investment + trade" dual-driver business model has taken shape. We will accelerate the building and enhancement of our core competitiveness, strive to be a leading listed resources and energy company, and continue to create value for the shareholders as a whole.

Project Management

In 2023, the Group continued to stick to the principle of "controlling risks and stabilizing principal business", focus on operational risk mitigation, expanding the resource base by raising reserves and production, stabilizing the profitability of various businesses and enhancing asset value.

For oil and gas business, the staff of KBM Oilfield stucked together and planned scientifically. Through trial production and the application of acid treatment, we have increased the proved oil reserves and it is expected that the annual working interest output could reach up to 65,000 tons/year, which supports the long-term development of the oilfield. Meanwhile, the amount of the tax dispute in respect of a tax payment, penalties and late charges of approximately US\$83.19 million has been substantially reduced. Well D1 of Hainan Block 20 in Yuedong Oilfield currently under evaluation has achieved industrial oil output standard and commenced operation with steady production and promising future prospects. The Seram Oilfield has completed the Lofin gas trial at 19 million cubic feet per day, which will be followed by a pilot commercial development. In 2023, the Group's oil and gas operation production and equity production were stable and operating at a high level. The overall work safety profile was stable and manageable.

For non-oil-and-gas businesses, the subsidiary of the Company in Australia has effectively fulfilled its shareholder obligations and adopted a multi-pronged approach in promoting the performance of our investments to create value. We worked closely with AWC's business partners to resolve the license approval issue and avoid the potentially significant loss. The Portland Aluminium Smelter signed a new electricity hedging agreement with the term extended to 2035, effectively locking in future electricity costs and extending the useful life of the aluminum smelter. Through researches and investigations into coal mine projects, the local management has effectively promoted the implementation of cost reduction and efficiency improvement measures. In 2023, the Group achieved a sales volume of 67,000 tons of aluminum smelting in Portland Aluminium Smelter and 659,000 tons of coal in CMJV, with production and operation continuing to optimize and improve. Meanwhile, the Group is conducting analysis of the proposed transaction of AWC by way of scheme of arrangement and will update the market in due course, while fully enhancing the interests of the Company and its shareholders.

Chairman's Statement

Environmental, Social and Governance (“ESG”)

Over the years, the Group has spared no effort in the pursuit of sustainable development, and the fulfillment of the Company's social responsibility. The Group is deeply aware of the society's expectations on green energy and industry. We will contribute to the collective economic, environmental and social development through business layout, technological innovation and management. In 2023, the Group implemented the concept of safety, environmental protection and health in areas such as energy structure adjustment, environmental protection, new technology application, energy conservation and emission reduction, and community welfare, and further enhance its sustainable development.

The Group emphasizes the development of employees' personal strength and qualities, promotes employees' long-term career path, optimizes employees welfare and training, implements production and office safety systems, strives to safeguard the legitimate rights and interests of employees, integrates the personal development of employees into the long-term development of the Company, and strengthens the organizational foundation for sustainable development. We have implemented a comprehensive anti-corruption policy and strengthened anti-corruption training and supervision. We have established a healthy and efficient cooperation mechanism with suppliers and contractors to cooperate for mutual benefits, encouraging them to become responsible stakeholders. We actively participated in community activities, contributed to community relief, volunteer service, environmental cleaning, public governance and other causes, and established a good corporate image. The Group has published the Environmental, Social and Governance Report for nine years in a row to openly and transparently explain to the community and stakeholders what the Company has done and achieved in promoting sustainable development.

Looking forward to 2024, the Group is expected to face a difficult business environment, together with the weak global GDP growth, continuing geopolitical conflicts, structurally volatile commodity prices, unbalanced demand and supply in the resources and energy sectors, and considerable uncertainty in the supply chain. For new beginning, we must not only see difficulties, but more importantly, endeavor to address, keep striding forward, be down-to-earth and strive for success. Under the guidance of “changing your thinking, scientific operation and dual-driver model”, we will explore and continue to innovate, optimize the Company's resource allocation, improve the ability of business operation, business development and value creation, and promote the Company's high-quality development in compliance with laws and regulations, and provide shareholders and investors with better returns.

Hao Weibao

Chairman

Hong Kong, 26 March 2024

Management's Discussion and Analysis

The Board of Company presents the 2023 annual results of the Group.

Financial Review

Group's financial results:

HK\$'000

Operating results and ratios

	Year ended 31 December		Increase/ (decrease)
	2023	2022	
Revenue	3,825,577	5,866,160	(34.8)%
EBITDA ¹	1,342,906	2,503,511	(46.4)%
Adjusted EBITDA ²	2,056,110	3,123,158	(34.2)%
Profit attributable to ordinary shareholders of the Company	551,803	1,335,537	(58.7)%
Adjusted EBITDA coverage ratio ³	7.3 times	13.9 times	
Earnings per share (Basic) ⁴	HK7.02 cents	HK17.00 cents	

Financial position and ratios

	Year ended 31 December		Increase/ (decrease)
	2023	2022	
Cash and deposits	1,483,816	2,130,203	(30.3)%
Total assets [*]	11,624,391	12,439,567	(6.6)%
Total debt ⁵	1,830,739	2,644,413	(30.8)%
Net debt ⁶	346,923	514,210	(32.5)%
Total equity	7,841,423	7,765,688	1.0%
Current ratio ⁷	1.7 times	2.7 times	
Net debt to net total capital ⁸	4.2%	6.2%	
Net asset value per share ⁹	HK\$0.99	HK\$0.99	

1 profit before tax + finance costs + depreciation + amortisation

2 EBITDA + (share of finance costs, depreciation, amortisation, income tax expense and non-controlling interests of a joint venture)

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

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

5 bank and other borrowings + lease liabilities

6 total debt – cash and deposits

7 current assets/current liabilities

8 net debt/(net debt + total equity) x 100%

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

* including capital expenditure in respect of exploration, development and mining production activities during the year, totalling HK\$357,122,000 (2022: HK\$391,955,000)

Management's Discussion and Analysis

Oil prices have confounded expectations in the first quarter of 2023, with Brent oil price hitting a low of US\$72.0 per barrel. The low prices remain as the war in Ukraine continues with no clear end in sight. Although the oil prices remained volatile going into the first quarter of 2023, China, the world's largest importer of crude oil, abandoned its zero-COVID policy in December 2022, which created expectations that Chinese oil demand would quickly return. Following this, Brent oil price hovered around US\$82.7 per barrel in the fourth quarter of 2023. The supply cuts announced by Organisation of Petroleum Exporting Countries (OPEC) had further stabilised the oil market in 2023. However, the economic outlook and Chinese consumption growth still remain as the key to demand expectations.

During the year, the Group recorded a profit attributable to ordinary shareholders of the Company of approximately HK\$551.8 million (2022: HK\$1,335.5 million), representing a decrease of approximately 58.7% year-on-year. The decrease was mainly attributable to the following factors:

- (i) a significant decrease in average selling price of crude oil sold by the Group year-on-year; and
- (ii) a significant decrease in the share of profit of an associate year-on-year, as well as a significant provision for impairment of an associate for the year ended 31 December 2023.

Despite that, most of the Group's segments and investments, except for import and export of commodities segment, recorded profits for the year ended 31 December 2023. Although the Group had repaid bank borrowings of approximately HK\$801.6 million, net during the year, the Group continues to maintain a strong financial position with cash and deposits of approximately HK\$1,483.8 million as at 31 December 2023 (2022: HK\$2,130.2 million).

In the operation and management of its existing assets, the Group will adhere to the concept of green and low-carbon development in the whole process and endeavour to save energy and reduce emissions. In the meantime, the Group will strive to explore the business opportunities in the areas of new energy and new materials. The Group will conduct research and explore new development directions around green energy and metal mineral resources. The Group is committed to promoting the low-carbon and green development of the resources and energy industries, with a view to providing reliable energy and materials to society and bringing greater returns to shareholders while achieving high-quality and sustainable development of the Company.

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\$1,239.6 million | (2022: HK\$1,356.4 million) | ▼ | 9% |
| Segment results | HK\$206.6 million | (2022: HK\$237.4 million) | ▼ | 13% |
- In view of the weaker than market anticipated demand in 2023, the average achieved selling price of aluminium decreased by approximately 17% as compare to 2022. Although there was an increase in the sales volume of approximately 9.8%, which was contributed by the reduction in disruptions in the global logistics supply chain, the segment recorded a decrease of approximately 9% in revenue. In February 2023, the PAS partially curtailed its production volume by approximately 25% due to instability of equipment. This resulted in higher production costs in 2023, the segment, therefore, suffered a loss in 2023.

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 year caused a net exchange gain of HK\$2.7 million (2022: a net exchange gain of HK\$18.6 million).

Management's Discussion and Analysis

- In April 2021, EHA3 was signed between the Group and various 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 30 June 2026. In accordance with HKFRSs, EHA3 is accounted for as a financial derivative where movements in its fair value are recognised as gain or loss in the consolidated income statement. Pricing of the electricity include certain components which are linked to market inputs such as foreign exchange and the London Metal Exchange aluminium prices. For the year ended 31 December 2023, the EHA3 fair valuation loss amounted to approximately HK\$30.3 million (2022: a valuation gain of HK\$96.1 million).

As disclosed in the announcement of the Company dated 18 August 2023, on 17 August 2023, the 2026 EHA has been entered into in respect of the PAS. The 2026 EHA is for a term of nine years commencing from 1 July 2026 and ending on 30 June 2035 and for the supply of 300 megawatts of electricity to the PAS. This volume of electricity supply represents approximately 50% of the energy required to meet the facility's nameplate capacity of 358,000 tonnes of aluminium per year. Apart from securing a stable supply of electricity for the operation of PAS, the 2026 EHA effectively allows the PAS to hedge the spot price for electricity for a specific load, and thereby enhancing predictability to the price of its electricity supply.

- As disclosed in the announcement of the Company dated 16 March 2023, it was announced by Alcoa of Australia Limited ("AoA"), which owns 55% participating interest in the PAS JV, on 15 March 2023 that the PAS began to immediately reduce its overall production due to operational instability. Such instability was related to the production of rodded anodes that are necessary to convey electricity into the smelting pots. Previously, the PAS had been operating at about 95% of its total capacity. Immediately after the curtailment of 68 pots in March, there were 288 pots in service which represented less than 70% of its total capacity. After the rodding room equipment was repaired, 24 pots were gradually put back in service by early July, which represented 75% of its total capacity. PAS management has been reviewing critical assets health and develop maintenance or asset improvement plan to ensure the assets can operate reliably. By end of 2023, the smelter was operating at 322 pots which represented 80% of its total capacity. Management will continue to monitor the situation to ensure operational stability before commencing the operation of more pots in 2024.
- The PAS has been identified as a cash generating unit (CGU) and the management had performed a review for any indicators of impairment on the PAS. As at 31 December 2023, the value in use of the CGU was higher than its carrying value. In accordance with HKFRSs, management had performed a recoverable value assessment for the asset and recorded a reversal of impairment charge of approximately HK\$293.1 million (2022: HK\$31.2 million) at the end of 2023 accordingly.

Coal

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

Revenue	HK\$1,111.2 million	(2022: HK\$1,368.7 million)	▼ 19%
Segment results	HK\$376.4 million	(2022: HK\$650.2 million)	▼ 42%

Subsequent to the post-COVID recovery of the global economy, the momentum of growth had declined in 2023. The average realized selling price of coal also decreased by approximately 25% as compared to 2022. Factors such as logistic challenges due to the disruptions in coal supplies, as well as operation issues contributed by labour shortages, had driven up costs and led to a decline in the segment results by approximately 42% as compared to 2022.

- 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 gain of approximately HK\$4.6 million (2022: a net exchange gain of HK\$11.7 million).
- CMJV has been identified as a cash generating unit (CGU) and the management had performed a review for any indicators of impairment on the CMJV. As at 31 December 2023, the value in use of the CGU was higher than its carrying value. In accordance with HKFRSs, management had performed a recoverable value assessment for the mining assets and recorded a reversal of impairment charge of approximately HK\$60.8 million (2022: Nil) at the end of 2023 accordingly.

Management's Discussion and Analysis

- The Group also had participating interests in various exploration of coal mines in Queensland, Australia. As at 31 December 2023, in view of the continual investment in coal exploration and new potential projects identified for future development, a reversal of the historical impairment of approximately HK\$41.1 million (2022: Nil) on these assets was recorded.

Import of commodities

In 2023, the Group took the lead to handle the subsequent issues concerning the termination of the steel trading business at the end of last year, collected all trade receivables and tax refunds and settled its outstanding liabilities for the steel operations during the year.

- Since the cessation of the import of steel products operations in the second half of 2022, management is in advanced negotiations with external parties to develop new trading product lines. During the year, the Company has established a trading and marketing team which focuses on the development of crude oil trading in 2024. Management has also been exploring various new opportunities to continue trading such as back to back trading of crude oil and trading of alumina from Australia producers. Such opportunities did not materialize in 2023.

- | | | | | |
|-----------------|---------------------------|-----------------------------------|---|------|
| Revenue | HK\$0.5 million | (2022: HK\$1,287.0 million) | ▼ | 100% |
| Segment results | A loss of HK\$4.1 million | (2022: A loss of HK\$2.4 million) | ▲ | 72% |

The Group's import of commodities business is a net A\$ denominated asset while certain costs are payable in US\$. Fluctuations between A\$ and US\$ throughout the period resulted in a net exchange loss of HK\$5.7 million (2022: a net exchange loss of HK\$0.7 million).

- In April 2020, Weihai commenced three claims (the "Claims") in the People's High Court of Shandong Province against, amongst others, a wholly-owned subsidiary of the Company, CACT. The Claims relate to three letters of credit (US\$ 28.4 million) 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. Weihai had arranged for the issuance of the letter of credits as payment on behalf of Decheng; it subsequently disputed the authenticity of the warehouse receipts for the aluminium stored at the bonded warehouses at Qingdao Port.

In December 2020, the People's High Court of Shandong Province ("Shandong Court") issued a First Instance Judgment and ruled 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. Weihai subsequently submitted an appeal to the Supreme Court of the People's Republic of China ("SPC"), appealing against the decision of the Shandong Court.

On 12 December 2022, the SPC held that the Shandong Court did not clearly ascertain the facts of the Claims based on the evidence made available at the lower court; the SPC ordered that the First Instance Judgment be rescinded and the cases be referred back to the Shandong Court for a retrial. CACT has engaged local counsel in China to defend the claims accordingly.

A hearing was held at the Shandong Court on 10 January 2024 and CACT submitted to the court all requisite evidence for the purpose of fact finding of the case. The Shandong Court will issue its finding after consideration of all evidence, which is likely to take place in the later part of the year 2024. CACT maintains the view that the Claims are without merit and groundless.

Management's Discussion and Analysis

For details, please refer to the announcements of the Company dated 1 September 2020, 7 January 2021, 21 May 2021 and 27 February 2023.

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 2023, in respect of the PSC, the Seram Block had estimated proved oil reserves of 2.7 million barrels (2022: 2.6 million barrels) as determined in accordance with the standards of the PRMS.

- During the year, the segment results of CITIC Seram recorded a profit of approximately HK\$43.4 million (2022: HK\$43.0 million). The following table shows a comparison of the performance of the Seram Block for the years stated:

		2023 (41%)	2022 (41%)	Change
Average benchmark end-market mean of				
Dated Brent crude oil	(US\$ per barrel)	82.7	100.9	▼ 18%
Platts Singapore (MOPS):				
Platts HSFO 180 CST Singapore	(US\$ per barrel)	67.5	77.0	▼ 12%
Platts HSFO 380 CST Singapore	(US\$ per barrel)	66.1	72.8	▼ 9%
Average crude oil realised price	(US\$ per barrel)	57.9	84.9	▼ 32%
Sales volume	(barrels)	151,000	167,000	▼ 10%
Revenue	(HK\$ million)	68.1	110.4	▼ 38%
Total production	(barrels)	149,000	170,000	▼ 12%
Daily production	(barrels)	409	466	▼ 12%

An approximate 38% drop in revenue was a result of an approximate 32% decrease in the average crude oil realised price coupled with an approximate 10% decrease in the sales volume.

Production decreased by approximately 12% year-on-year due to natural decline of existing wells.

Cost of sales per barrel decreased by approximately 63% as compared to 2022, of which depreciation, depletion and amortisation per barrel decreased by approximately 282% due to the change in treatment of abandonment cost.

Under a stringent cost control program, only essential repairs and maintenance works have been deployed to maintain production level of existing wells.

In 2023, the Seram oilfield achieved a net profit attributable to ordinary shareholders of the Company of approximately HK\$40.6 million, representing a year-on-year increase of approximately 121.9%.

Management's Discussion and Analysis

- In January 2021, CITIC Seram was advised by SKK MIGAS (a special task force established by the government of the Republic of Indonesia to manage the upstream oil and gas business activities of the country) to offer a 10% participating interest under the PSC to MEA, a company owned and appointed by the local government of Maluku. MEA would set up a subsidiary to receive such 10% participating interest. Based on a letter issued by The Minister of Energy and Mineral Resources of Republic of Indonesia, the price for the 10% participating interest was 10% of the performance bond provided by the PSC at the time of extension. In March 2021, CITIC Seram submitted an offer letter to MEA and at the same time received letter of intent from MEA.

In June 2023, CITIC Seram signed a transfer agreement in respect of the transfer of 10% participating interest in the PSC to MEA (or its subsidiary). The transfer is conditional on, among others, the approval from the relevant authority of the government of the Republic of Indonesia. As of the date of this report, the approval is still pending.

- In July 2022, CITIC Seram received tax assessment letters for the underpayment of the fiscal years 2017 and 2018 corporate income tax ("**CIT**") and branch profit tax ("**BPT**") including penalty totalling US\$2.1 million. CITIC Seram settled this amount and lodged a tax objection letter to the Indonesia Tax Office in September 2022. In view of the ongoing legal proceedings, a provision in the amount of approximately HK\$15,691,000 was made for the tax prepaid for prudence purpose.

In July 2023, CITIC Seram was notified by the Indonesia Tax Office that the tax objection has been rejected. As a result, CITIC Seram initiated the legal process and appealed to the tax court in October 2023. As of the date of this report, the lawsuit is still undergoing.

- In December 2022, CITIC Seram commenced exploration activities in the Lofin-2 area and expected to commence natural gas production in February 2025.

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 2023, the Yuedong oilfield had estimated proved oil reserves of 24.3 million barrels (2022: 27.0 million barrels) as determined in accordance with the standards of the PRMS.

Management's Discussion and Analysis

- During the year, the segment results of CITIC Haiyue recorded a profit of HK\$638.4 million (2022: HK\$903.1 million), representing a year-on-year decrease of approximately 29%. The following table shows a comparison of the performance of the Yuedong oilfield for the years stated:

		2023	2022	Change
		(Tincy Group's share)		
Average benchmark quote:				
Platts Dubai crude oil	(US\$ per barrel)	81.7	96.2	▼ 15%
Average crude oil realised price	(US\$ per barrel)	81.6	93.8	▼ 12%
Sales volume	(barrels)	2,199,000	2,366,000	▼ 7%
Revenue	(HK\$ million)	1,406.2	1,743.7	▼ 19%
Total production	(barrels)	2,147,000	2,340,000	▼ 8%
Daily production	(barrels)	5,882	6,411	▼ 8%

- An approximate 19% decrease in revenue was a result of an approximate 12% decrease in the average crude oil realised price coupled with an approximate 7% decrease in sales volume filtered from decrease in production when compared to 2022. Production decreased by approximately 8% as compared to 2022, which was mainly due to the increased flooding and the decrease of formation energy in the Yuedong oilfield. In order to minimize the impact of the flooding, various measures such as chemical water plugging was implemented in the Yuedong oilfield.
- Cost of sales per barrel increased by approximately 10% as compared to 2022, attributable to (a) an approximate 7% increase in depreciation, depletion and amortisation per barrel due to reduced production; (b) an approximate 13% increase in direct operating costs per barrel, which was mainly due to increased repairs and maintenance costs and well operation costs; and (c) the decrease in marginal output net of marginal cost, which was mainly due to the fact that the development of the oilfield has reached its middle stage of production. On the other hand, RMB, the functional currency of Tincy Group, has depreciated against Hong Kong dollar by approximately 5% during the year, reducing the negative impact from the increase in cost of sales.
- Under a stringent cost control program, only essential repairs and maintenance works have been deployed to maintain production level of existing wells. Application of new technologies will also be promoted to improve productivity in the Yuedong oilfield.
- As at 31 December 2023, a reversal of provision for impairment was made in respect of certain oil and gas properties of CITIC Haiyue and credited to "Other expenses, net" of approximately HK\$249.7 million in the consolidated income statement.

Management's Discussion and Analysis

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 278,900,000 ordinary shares, representing 9.6117% equity interest (2022: same) 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 in AWC. AWC is treated as an investment in an associate of the Group. As at 31 December 2023, the investment cost of AWC amounted to approximately HK\$3,291.9 million (2022: same), while the carrying amount of the investment in AWC was approximately 15.7% (2022: 22.4%) of the Group's total assets.

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 ("**AWAC**"), the world's largest alumina producer. The investment in AWC is considered as strategic investment which aligned with the strategy of the Group's business.

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

Share of loss of an associate HK\$112.5 million (2022: share of profit HK\$102.4 million).

The Group recorded a share of loss in respect of its interest in AWC during the year. This is mainly attributable to the lower quality of bauxite, therefore lower production volume and the higher cash costs of production.

During the year, no dividend was received from AWC (2022: HK\$152.3 million).

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

- As at 31 December 2023, there is a significant gap between the market value of the Group's investment in AWC compared to its carrying value by 32%. In accordance with HKFRSs, management had performed a recoverable value assessment for the asset and adopted a fair valuation approach using the volume weighted average share price of the investment at A\$1.02 per share and a price premium of 20%, which reflects the actual worth of an asset more accurately. The value of the asset is derived fundamentally and is not solely determined by market forces. Based on the assessment result, the Group recorded a provision for impairment of HK\$844.7 million (2022: 45.2 million) at year-end accordingly.
- As disclosed in the announcement of the Company dated 18 December 2023, the Western Australian Government (the "**WA Government**") has made decisions that will allow AWAC to continue bauxite mining and downstream alumina refining in Western Australia ("**WA**"). As of the date of this report, the WA Government has announced that it will approve AWAC's latest five year mine plan (known as the 2023-2027 Mining and Management Program (the "**MMP**")) for AWAC's Huntly and Willowdale bauxite mines. In addition, the WA Government has granted an exemption that will allow AWAC to continue its mining operations even if the WA Environmental Protection Authority ("**EPA**") decides to undertake a separate environmental impact assessment on all or parts of the MMP.
- On 26 February 2024, AWC has received a non-binding, indicative and conditional proposal from Alcoa Corporation to acquire 100% of the issue shares in AWC via a scheme of arrangement (the "**Transaction**"), for scrip consideration of 0.02854 shares of Alcoa common stock for each AWC share. Subsequently on 12 March 2024, AWC announced it has entered into a binding Scheme Implementation Deed to implement the Transaction. As of the date of this report, the Company is still considering and assessing this matter. For further details, please refer to the announcement of the Company dated 26 February 2024 and the announcement of AWC dated 12 March 2024.

For further details of AWC, please refer to note 20 to the Financial Statements.

Management's Discussion and Analysis

Crude oil and bitumen (the Karazhanbas oilfield, Kazakhstan)

- CITIC Oil & Gas, an indirect wholly-owned subsidiary of the Company, and JSC KazMunaiGas Exploration Production, through CCEL, jointly own, manage and operate KBM. Effectively, by holding 100,000 ordinary shares in CCEL (2022: same), the Group owns 50% of the issued voting shares of KBM (which represents 47.31% of the total issued shares of KBM). As at 31 December 2023, the investment cost of CCEL amounted to approximately HK\$1,924.8 million (2022: same), while the carrying amount of the investment in CCEL was approximately 24.0% (2022: 19.1%) of the Group's total assets.

CCEL is an investment holding company and its operating subsidiaries are principally 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, production and sale of road bitumen and clarified oil, and provision of oilfield related services in Kazakhstan. The investment in CCEL is considered as strategic investment which aligned with the strategy of the Group's business.

As at 31 December 2023, the Karazhanbas oilfield had estimated proved oil reserves of approximately 130.4 million barrels (2022: 141.8 million barrels) as determined in accordance with the standards of the PRMS.

In 2023, the KBM oilfield achieved a net profit attributable to ordinary shareholders of the Company of approximately HK\$398.4 million, representing a year-on-year increase of approximately 24.5%.

- The Company had previously resolved to dispose of its entire equity interest in CCEL held indirectly through a wholly-owned subsidiary of CITIC Oil & Gas and the shareholder's loans provided by CITIC Oil & Gas. The public tender for such proposed disposal on the Shanghai United Assets and Equity Exchange commenced in August 2022 with an initial tender price of approximately RMB1,922,560,800. The public tender has been terminated and withdrawn from the Shanghai United Assets and Equity Exchange in June 2023. For details, please refer to the announcements of the Company dated 8 December 2021, 26 August 2022, 28 October 2022 and 2 June 2023.
- In February 2023, KBM received the final tax audit results from the local tax authority in Kazakhstan, claiming for tax payment, penalties and late charges in the aggregate amount of approximately KZT39.10 billion (equivalent to approximately US\$83.19 million) (the "**Audited Tax Claims**"). The Company has been informed that, having considered the advice from its legal counsel and tax advisor, KBM refutes the majority of the Audited Tax Claims primarily relating to the withholding tax on dividends paid to CCPL and the deductibility of certain fees and interests incurred by KBM. The disputed amount of the Audited Tax Claims in aggregate is approximately KZT37.40 billion (equivalent to approximately US\$79.57 million). KBM has been working with its legal and tax advisers for initiating the procedures of administrative review against the final tax audit results. On 1 December 2023, it has been brought to the Company's attention that the Ministry of Finance of the Republic of Kazakhstan has issued the final results of the administrative review, and has decided to substantially waive and reduce the Audited Tax Claims from approximately KZT39.10 billion (equivalent to approximately US\$83.19 million) to approximately KZT1.57 billion (equivalent to approximately US\$3.34 million) (the "**Remaining Disputed Amount**"). KBM made an appeal to the Specialised Interdistrict Administrative Court of Astana for the Remaining Disputed Amount but the appeal was concluded and KBM is considering making a further appeal as at the date of this report. For further details, please refer to the announcements of the Company dated 27 February 2023 and 1 December 2023.

Management's Discussion and Analysis

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

Share of profit of a joint venture HK\$398.4 million (2022: HK\$320.1 million) ▲ 24%

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

		2023 (50%)	2022 (50%)	Change
Crude oil				
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US\$ per barrel)	62.1	76.0	▼ 18%
Dated Brent crude oil	(US\$ per barrel)	82.7	100.9	▼ 18%
Average crude oil realised price	(US\$ per barrel)	67.2	75.8	▼ 11%
Sales volume	(barrels)	6,158,000	6,287,000	▼ 2%
Revenue	(HK\$ million)	3,227.9	3,718.7	▼ 13%
Total production	(barrels)	6,857,000	7,154,000	▼ 4%
Daily production	(barrels)	18,800	19,600	▼ 4%
Bitumen				
Average selling price	(US\$/tonne)	248.6	183.5	▲ 35%
Sales volume	(tonnes)	179,000	223,000	▼ 20%
Revenue	(HK\$ million)	346.5	318.8	▲ 9%
Total production	(tonnes)	179,000	223,000	▼ 20%

Revenue of crude oil decreased by approximately 13% when compared to 2022 due to an approximate 2% decrease in sales volume and an approximate 11% decrease in the average crude oil realised price. Revenue of bitumen increased by approximately 9% when compared to 2022 as a result of an approximate 20% decrease in sales volume of bitumen and an approximate 35% increase in the average selling price of bitumen. Production of crude oil and bitumen decreased by approximately 4% and 20%, respectively when compared to 2022. A decline in production due to the massive power supply failure and rationing in Kazakhstan.

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 volume on a quarterly basis at rates per US\$ amount by reference to the average oil price for the quarter.

Cost of sales per barrel was increased by approximately 20% when compared to 2022, of which (a) direct operating costs per barrel increased by approximately 25% mainly as a result of an increase in wages and salaries; and (b) depreciation, depletion and amortisation per barrel increased by approximately 6%.

Management's Discussion and Analysis

Selling and distribution costs per barrel decreased by approximately 22% when compared to 2022. 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 approximately 1% and 50%, respectively, in line with decreases in average oil prices.

- As at 31 December 2023, a reversal of provision for impairment was recognised 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\$201.4 million (2022: nil) (after tax expense) and the amount was credited to "Share of result of a joint venture" in the consolidated income statement of the Group.

Liquidity, financial resources and capital structure

Cash and Deposits

In 2023, the Group continues to maintain a strong financial position, with cash and deposits balances amounting to approximately HK\$1,483.8 million as at 31 December 2023 (31 December 2022: HK\$2,130.2 million).

Borrowings

As at 31 December 2023, the Group had total debt of approximately HK\$1,830.7 million (31 December 2022: HK\$2,644.4 million), which comprised:

- unsecured bank borrowings of approximately HK\$1,009.9 million;
- unsecured other borrowings of approximately HK\$780.0 million; and
- lease liabilities of approximately HK\$40.8 million.

Most of the transactions in the Group's import and export of commodities business are debt-funded. However, in contrast to loans, these borrowings are self-liquidating, transaction-specific and of short durations, as well as match the terms of the underlying transactions. Upon receipt of sales proceeds following the completion of a transaction, the related borrowings would be repaid accordingly.

The Group's total debt decreased by approximately HK\$813.7 million which was mainly due to the net repayment of bank borrowings amounted to approximately HK\$801.6 million from its surplus cash during the year.

The Group aims to maintain the cash and deposits and undrawn banking facilities at US\$225.0 million (equivalent to approximately HK\$1,755.0 million) at a reasonable level to meet the debt repayments and capital expenditures in the coming year.

Management's Discussion and Analysis

On 29 December 2022, the Company entered into a facility agreement with CITIC Finance International Limited (a fellow subsidiary of the Company) in respect of an unsecured 3-year revolving loan facility of US\$150.0 million (equivalent to approximately HK\$1,170.0 million) (the "**A Loan**"). The proceeds of the A Loan were used to refinance the prepayment of the remaining balance of US\$110.0 million (equivalent to approximately HK\$858.0 million) of a then existing loan. On 31 August 2023 and 29 September 2023, a partial prepayment of the A Loan in the aggregate amount of US\$50.0 million (equivalent to approximately HK\$390.0 million) was made by utilizing the Company's internal sources. As at 31 December 2023, the outstanding balance of the A Loan was US\$100.0 million (equivalent to approximately HK\$780.0 million).

In June 2021, a wholly-owned subsidiary of the Company entered into an unsecured 3-year committed US\$200.0 million (equivalent to approximately HK\$1,560.0 million) term loan facility agreement with China CITIC Bank International Limited (a fellow subsidiary of the Company) (the "**B Loan**"), effective from 24 June 2021. The proceeds of the B loan were mainly used for the prepayment of the remaining balance of a then existing loan. On 30 June 2023, the B loan was extended for 2 years to maturity on 30 June 2026. As at 31 December 2022, the outstanding balance of the B loan was US\$168.8 million (equivalent to approximately HK\$1,316.6 million). On 30 April 2023 and 30 June 2023, a partial prepayment of the B Loan in the amount of US\$84.2 million (equivalent to approximately HK\$663.0 million) were made by utilizing the Company's internal sources. As at 31 December 2023, the outstanding balance of the B Loan was US\$84.6 million (equivalent to approximately HK\$659.9 million).

On 22 May 2023, the Company entered into a facility agreement with Mizuho Bank, Ltd, Hong Kong branch and Bank of China (Hong Kong) Limited in respect of an unsecured 3-year committed US\$100.0 million (equivalent to approximately HK\$780.0 million) revolving loan facility (the "**C Loan**"). The proceeds of the C loan were used for operation expenses and refinancing purposes. As at 31 December 2023, the outstanding balance of the C Loan was HK\$350.0 million.

The Group leases certain plant and machinery for its aluminium and coal mining operations under finance leases. The lease liabilities arising from these finance leases as at 31 December 2023 were approximately HK\$13.2 million (31 December 2022: HK\$14.2 million).

As at 31 December 2023, the Group's net debt to net total capital ratio was 4.2% (31 December 2022: 6.2%). Of the Group's total debt, approximately HK\$374.7 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 in 2023.

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 such as electricity hedge agreements. The purpose is to manage the price risk arising from the Group's operations.

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 2023, the Group had 195 full time employees, including management and administrative staff (31 December 2022: 206).

In addition, the Group would share the expenses of the subcontractor remuneration in respect of its investments as an operator (including the Seram Block, Indonesia and Hainan-Yuedong Block, China) and jointly owned investments (PAS and CMJV and some exploration rights), involving approximately 1,529 employees in total (2022: 1,548) and amounting to approximately HK\$345.2 million (2022: HK\$325.2 million).

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 superannuation legislation of Australia for those employees in Australia who are eligible to participate; and
- (b) 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. Hao Weibao	<i>Chairman, Executive Director and Chief Executive officer</i>
Mr. Wang Xinli	<i>Executive Director</i>
Mr. Chan Kin	<i>Non-executive Director</i>
Dr. Fan Ren Da, Anthony	<i>Independent Non-executive Director</i>
Mr. Look Andrew	<i>Independent Non-executive Director</i>
Mr. Lu Dequan	<i>Independent Non-executive Director</i>

Directors – Biographies

Executive Directors

Mr. Hao Weibao, aged 55, joined the Company in April 2023 as an executive director of the Company, the Chairman and the CEO. He is the Authorised Representative, the chairman of the Nomination Committee and a member of the Remuneration Committee. He served as a member of the Risk Management Committee from 18 April 2023 to 26 March 2024. He is also a director of several subsidiaries of the Company. Mr. Hao is responsible for the strategic and corporate development, and the overall management and operations of the Group. Mr. Hao holds a Bachelor degree of Economics from Jiangxi University of Finance and Economics, a Masters in Business Administration degree from Chinese University of Hong Kong and a Doctor of Philosophy degree awarded by the University of Chinese Academy of Sciences. Mr. Hao joined CITIC Limited (stock code: 267) (a company listed on the Main Board of the Stock Exchange) and its subsidiaries (the “**CITIC Group**”) since April 2008 and has been serving as the vice chairman and general manager of CITIC Metal Group Co., Ltd. (中信金屬集團有限公司) since April 2023, the parent company of CITIC Metal Co., Ltd. (中信金屬股份有限公司, one of the first batch of listed companies in the main board registration system of the Shanghai and Shenzhen Stock Exchanges (stock code: 601061)). He served as the assistant to the general manager, subsequently as the deputy general manager and then as the general manager of CITIC Investment Holdings Limited (中信投資控股有限公司) between 2008 and 2015, during which period Mr. Hao also served as the general manager of CITIC Environment Protection (Investment) Co. Ltd. (中信環保(投資)股份有限公司). He served as the party secretary, chairman and general manager of CITIC Environment Investment Group Co., Limited (中信環境投資集團有限公司) from 2015 to 2023. Prior to joining the CITIC Group, Mr. Hao held several positions at Sinopec Engineering Incorporation (中國石化工程建設公司) from July 1992 to November 1997, and was mainly in charge of financial and project management. Mr. Hao worked at China International United Petroleum and Chemical Company Limited (“**UNIPEC**”) as a director and the chief financial officer of the United Kingdom branch (“**UK Branch**”) from December 1997 to April 2002, the deputy general manager of the UK Branch from April 2002 to June 2006, the deputy manager of the crude oil department of the head office from September 2005 to March 2007, the acting general manager of the UK Branch from June 2006 to February 2007, and the vice chief accountant of the head office from March 2007 to March 2008. During his employment at UNIPEC, he was mainly responsible for financial management, futures market operation and internal risk control. Mr. Hao has over 30 years’ experience in overseas business management, financial management, investment and project management, international financing and international trade.

Mr. Wang Xinli, aged 53, joined the Company in 2007, and has served as the vice president of the Company since 2017. In April 2021, he assumed the additional role of chief financial officer of the Company and was appointed as an executive Director of the Company in December 2023 and a member of the Risk Management Committee on 26 March 2024. He is a director of several subsidiaries and 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 30 years’ experience in enterprise management, financial management and strategic management.

Board of Directors and Senior Management

Non-executive Director

Mr. Chan Kin, aged 57, joined the Company 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 also an independent non-executive director of Hang Pin Living Technology Co. Ltd. (Stock Code: 1682) and Pioneer Global Group Ltd. (Stock Code: 224), both listed on the Main Board of the Stock Exchange. 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. He has been appointed as a member of the board of commissioners of PT Lippo Karawaci Tbk (Stock Code: LPKR), a real estate company listed on Indonesia Stock Exchange since April 2019. 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 the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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 34 years' experience in international capital markets, investment banking, corporate advisory and major transactions, particularly in Asia.

Independent Non-executive Directors

Dr. Fan Ren Da, Anthony, aged 63, joined the Company 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. Dr. Fan holds a master's degree in Business Administration from the United States of America and a PhD degree in Economics. Dr. Fan had served as an independent non-executive director of China Development Bank International Investment Limited (Stock Code: 1062) from 21 March 2012 to 20 March 2024, and an independent non-executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882, formerly known as Ocean Grand Chemicals Holdings Limited) from 2008 to 9 February 2024. He is currently 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), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Semiconductor Manufacturing International Corporation (Stock Code: 981), Technovator International Limited (Stock Code: 1206), China Dili Group (Stock Code: 1387) and Neo-Neon Holdings Limited (Stock Code: 1868), all listed on the Main Board of the Stock Exchange. Dr. Fan has been re-designated from an independent non-executive director to an executive director and resigned as the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), a company listed on the Stock Exchange, with effect from May 2021. Dr. Fan has also been appointed as a non-executive director of Hilong Holding Limited (Stock Code: 1623) since July 2022 and an independent non-executive director of Haitong Securities Co., LTD (Stock Code: 6837) since October 2023, respectively. He is also the founding president of The Hong Kong Independent Non-Executive Director Association. Dr. Fan held senior positions with various international financial institutions.

Board of Directors and Senior Management

Mr. Look Andrew, aged 59, joined the Company 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 the Remuneration Committee. Mr. Look holds a bachelor of commerce degree from the University of Toronto and has over 33 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 has been appointed as an independent non-executive director and members of the audit committee, and remuneration committee as well as the chairman of nomination committee of L.K. Technology Holdings Limited (Stock Code: 558) since 1 April 2022. He currently serves as independent non-executive directors of Hung Fook Tong Group Holdings Limited (Stock Code: 1446), Ka Shui International Holdings Limited (Stock Code: 822), EC Healthcare (formerly known as Union Medical Healthcare Limited) (Stock Code: 2138), all of which listed on the main board of the Stock Exchange. Mr. Look was also independent non-executive directors of TCL Communication Technology Holdings Limited (a company delisted on the Stock Exchange on 30 September 2016) from September 2010 to September 2016, Affluent Partners Holdings Limited (Stock Code: 1466) from September 2014 to December 2016 and Cowell e Holdings Inc. (Stock Code: 1415) from April 2017 to December 2018, all of which listed on the main board of the Stock Exchange.

Mr. Lu Dequan, aged 64, joined the Company in December 2023 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. Lu holds a Bachelor's Degree from Beijing University of Chemical Technology in Chemical Synthesis a Senior Engineer Certificate from China Petrochemical Corporation ("**SINOPEC**"), a Qualified Foreign Trader Certificate from the Ministry of Foreign Economic Relations and Trade of the People's Republic of China, and a Qualified Futures Trader Certificate from the China Securities Regulatory Commission. From October 2008 to July 2020, Mr. Lu served as the vice president of Innovation Technology Limited and 3I Corporation Limited in Hong Kong and was in charge of the petrol chemical products and equipment business. He served as the vice president of China Petrochemical International Company Limited* (中國石化國際事業有限公司) from July 2007 to April 2008, where he was in charge of chemicals and equipment import and export business. Prior to that, he worked at China International United Petroleum and Chemical Company Limited ("**UNIPEC**"), a trading arm of SINOPEC, serving as the vice general manager and general manager at the Crude Oil Department of UNIPEC from January 1998 to July 2000, the managing director at the UK branch of UNIPEC from July 2000 to June 2006, and the vice president of UNIPEC from June 2006 to July 2007. During his employment at UNIPEC, Mr. Lu was mainly responsible for crude oil trading, shipping and finance derivative hedging businesses. Prior to working at UNIPEC, Mr. Lu held several positions in the subsidiaries of SINOPEC, including the general manager of oil department and the vice president of SINOPEC (Hong Kong) Limited from September 1991 to December 1997, where he was responsible for import, export and international trading of crude oil and oil products, crude oil processing, and hedging business. Mr. Lu has over 38 years' experience in petrochemical and international trading business.

Board of Directors and Senior Management

Senior Management – Biographies

Mr. Zhao Hongbing, aged 56, joined Tincy Group Energy Resources Limited, a subsidiary of the Company, in 2017, and successively served as the chief geologist, technical deputy general manager and general manager. He joined the Company in 2021 as a vice president of the Company. He is also a general manager 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. Zhao holds a bachelor's degree in petroleum geology from the Northwest University. Before joining the Company, Mr. Zhao was engaged in Shengli Oil Field of the China Petroleum and Chemical Corporation. Mr. Zhao has over 35 years' experience in oil and gas industry.

Mr. Wat Chi Ping Isaac, aged 52, joined in 2019 as a chief legal officer and was appointed as the company secretary of the Company with effect from September 2021 upon approval of the Board. Mr. Wat has over 23 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 New Energy 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.

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.

The Group will stick to its three core objectives of “mitigating risks, improving quality and efficiency, and optimizing management”. Through deepening reform and vigorous innovation, the Group continues to pragmatically pursue cost reduction and efficiency improvement. Meanwhile, the Group will also strengthen the integrated management of risk control, compliance and internal control, optimize the management system and procedures of the Company, and improve the Company’s business process informatization construction. The Group strives to capture new development opportunities, constantly improves production efficiency and economic benefits, to achieve long-term sustainable development and aims to reward our shareholders and investors with better results!

Compliance with the Corporate Governance Code

The Board is of the view that the Company has, for the year ended 31 December 2023, 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 C.2.1 of the CG Code as disclosed in the section headed “Chairman and Chief Executive Officer” of this report.

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 2024, the Board comprised a total of six members, with two executive directors, one non-executive director and three independent non-executive directors.

Executive Directors

Mr. Hao Weibao

(Chairman and Chief Executive Officer)

Mr. Wang Xinli

Non-executive Director:

Mr. Chan Kin

Independent Non-executive Directors:

Dr. Fan Ren Da, Anthony

Mr. Look Andrew

Mr. Lu Dequan

Corporate Governance Report

The Board possesses a balance of skills, experience and diversity of perspectives, appropriate to the requirements of the business of the Company. Directors make 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, 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 will receive a comprehensive, formal and tailored induction on appointment. A 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 legal and regulatory requirements.

Mr. Hao Weibao, Mr. Wang Xinli and Mr. Lu Dequan, being directors who were appointed during the year, had obtained the legal advice referred to in rule 3.09D of the Listing Rules in April 2023, December 2023 and December 2023, respectively. Each of Mr. Hao, Mr. Wang and Mr. Lu has confirmed that he understood his obligations as a director of a listed issuer.

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 next general meeting of the Company or the AGM, whichever shall be the earlier, 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.

Save for the vesting of both the roles of Chairman and Chief Executive Officer in the same person as disclosed in the section headed "Chairman and Chief Executive Officer" of this report, to the best of the knowledge of the Company, there is no financial, business, family or other material or relevant relationship between Board members.

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 functions 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. The Board also acknowledges its responsibility for preparing the accounts of the Group.

Corporate Governance Report

The Company has put in place mechanisms to ensure independent views and input are available to the Board. This is achieved by giving directors access to external independent professional advice from legal advisers and auditor, as well as the full attendance of all independent non-executive directors at all the meetings of the Board and its relevant committees held during the year. The Board reviews the implementation and effectiveness of the aforementioned mechanisms on an annual basis.

Board Diversity

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, pursuant to which the selection of candidates will be based on a range of objective criteria and a diversity of perspectives, including but not limited to gender, age, cultural and educational background and professional experience. The Board and the Nomination Committee will review the Diversity Policy on an annual basis.

Appointment to the Board is based on objective criteria of meritocracy and the selected candidates will be considered in terms of the attributes that they have and which enable them to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Company. In assessing the suitability of a candidate as director, the Nomination Committee would consider character and integrity; qualities in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional and educational qualifications, skills, knowledge, expertise, experience and accomplishment that are relevant to the Group's business and corporate strategy; commitment to devote adequate time to effectively discharge duties as a member of the Board and relevant committees of the Company; requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; the Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and such other perspectives applicable to the Group. These factors are for reference only, and not meant to be exhaustive.

As at the date of this report, the Board comprises members of single gender. In order to achieve gender diversity on the Board level, the Board plans to propose the appointment of at least one director of different gender no later than 31 December 2024. The Company may recruit external candidates to ensure gender diversity in the Board. It may also offer equal opportunities in promoting its female employees to management positions and provide trainings to them in order to develop a pipeline of potential successors for the Board.

For the detailed gender ratio in the workforce (including senior management), please refer to page 105 of the ESG Report published by the Company on 26 April 2024. The Company will regularly review and maintain its gender diversity in accordance with its business needs, market developments and the relevant rules.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 ensuring the establishment 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. A culture of openness and debate is promoted in the Board by facilitating the effective contribution of non-executive directors and ensuring constructive relations between executive and non-executive directors. The Chairman also seeks to ensure that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the Board as a whole.

During the period from 1 January 2023 to 18 April 2023, the positions of the Chairman and the Chief Executive Officer were both held by Mr. Sun Yufeng. For the reasons and benefits of vesting the roles of both of the Chairman and Chief Executive Officer in Mr. Sun, please refer to the section headed "Corporate Governance Code" on Page 35 of the interim report of the Company for the six months ended 30 June 2023 published on 17 August 2023 and the section headed "Chairman and Chief Executive Officer" on Page 26 of the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023.

Since 18 April 2023 and up to the date of this report, both positions of the Chairman and CEO have been held by Mr. Hao Weibao. In view of Mr. Hao's personal profile, extensive relevant industry knowledge and working experience in multinational corporations, the Board has confidence that the vesting of the roles of both the Chairman and Chief Executive Officer in Mr. Hao would allow for more effective planning and execution of business strategies of the Group. Therefore, the Board considers that the deviation from the code provision C.2.1 of the Corporate Governance Code is not inappropriate. In addition, with the composition of, apart from Mr. Hao who is an executive Director, (i) a non-executive Director and three independent non-executive Directors at the time of Mr. Hao's appointments; and (ii) another executive Director, a non-executive Director and three independent non-executive Directors as at the date of this report, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

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 judgment 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 judgment. The non-executive directors take the lead where potential conflicts of interests arise. Their responsibilities include scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting, and serving on the audit, remuneration, nomination and other governance committees, if invited.

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 judgment 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 next general meeting of the Company or the AGM, whichever shall be the earlier, 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 independent non-executive directors without the presence of other executive directors.

Corporate Governance Report

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. Hao Weibao (appointed on 18 April 2023)	✓	✓
Mr. Wang Xinli (appointed on 15 December 2023)	✓	✓
Mr. Sun Yufeng (resigned on 18 April 2023)	✓	✓
Non-executive Director:		
Mr. Chan Kin	✓	✓
Independent Non-executive Directors:		
Dr. Fan Ren Da, Anthony	✓	✓
Mr. Gao Pei Ji (retired on 1 December 2023)	✓	✓
Mr. Look Andrew	✓	✓
Mr. Lu Dequan (appointed on 1 December 2023)	✓	✓

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 at least 14 days in advance to provide sufficient notice to give the directors an opportunity to attend. The Chairman is primarily responsible for drawing up and approving the agenda for each board meeting, and all directors are invited to include matters in the agenda for regular board meetings. For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers are sent, in full, to all directors in a timely manner and at least 3 days before the intended date of the board meeting or board committee meeting unless otherwise agreed. 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 2023.

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.

Corporate Governance Report

Board Committees

The Board has established the Remuneration Committee, the Nomination Committee, the Audit Committee and the 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 within a reasonable time after each meeting 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 directors (including executive directors, non-executive directors and independent non-executive directors) and senior management. It also reviews and/or approves matters relating to share schemes of the Company and/or its principal subsidiaries and provides its views on those matters as required under Chapter 17 of the Listing Rules.

The committee consults the Chairman and/or the Chief Executive Officer about their remuneration proposals for other executive directors, where applicable.

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.

Members of the committee are:

Mr. Gao Pei Ji (retired on 1 December 2023)	(Independent Non-executive Director) (Chairman)
Mr. Lu Dequan (appointed on 1 December 2023)	(Independent Non-executive Director) (Chairman)
Dr. Fan Ren Da, Anthony	(Independent Non-executive Director)
Mr. Look Andrew	(Independent Non-executive Director)
Mr. Hao Weibao (appointed on 18 April 2023)	(Executive Director)

One meeting was held during the year. During the year, the committee approved the remuneration and director's fee payable to the directors. Also, the committee assessed the performance of each individual executive director and reviewed and approved the performance-based remuneration package of each individual executive director and approved the salary payable. No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the committee during the year.

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.

The Nomination Committee has adopted the Diversity Policy in selecting and recommending suitable candidates of directorship. A summary of the Diversity Policy is set out on page 26 of this report.

The Nomination Committee shall identify and select candidates as directors pursuant to the criteria as set out above, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. For appointment and re-election of directors of the Company at a general meeting, a circular, containing the proposed candidate's brief biography and any other information, as required pursuant to the applicable laws, rules and regulations, will be sent to shareholders of the Company. The procedures for shareholders of the Company to propose a person, other than a retiring director, for election as a director of the Company at a general meeting are set forth in the Bye-laws.

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 on an annual basis, 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.

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. Hao Weibao (appointed on 18 April 2023)	(Executive Director) (Chairman)
Dr. Fan Ren Da, Anthony	(Independent Non-executive Director)
Mr. Lu Dequan (appointed on 1 December 2023)	(Independent Non-executive Director)
Mr. Gao Pei Ji (retired on 1 December 2023)	(Independent Non-executive Director)

Three meetings were 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 a 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 considered 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 judgments contained in them. The Company has in place a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the committee about possible improprieties in any matter related to the Company. 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:

Dr. Fan Ren Da, Anthony	(Independent Non-executive Director) (Chairman)
Mr. Gao Pei Ji (retired on 1 December 2023)	(Independent Non-executive Director)
Mr. Look Andrew	(Independent Non-executive Director)
Mr. Lu Dequan (appointed on 1 December 2023)	(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, nor do they have any financial interest in, 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 2023 and the financial statements for the six months ended 30 June 2023, 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 and processes. In addition, it has considered the continuing connected transactions of the Company.

The committee has recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the forthcoming AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for 2024.

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.

Members of the committee are:

Mr. Look Andrew	(Independent Non-executive Director) (Chairman)
Dr. Fan Ren Da, Anthony	(Independent Non-executive Director)
Mr. Gao Pei Ji (retired on 1 December 2023)	(Independent Non-executive Director)
Mr. Hao Weibao (appointed on 18 April 2023 and resigned on 26 March 2024)	(Executive Director)
Mr. Lu Dequan (appointed on 1 December 2023)	(Independent Non-executive Director)
Mr. Wang Xinli (appointed on 26 March 2024)	(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, in particular, considered the changes in the nature and extent of significant risks (including ESG risks), considered the risk on oil price movement, exchange rate risks and interest rate risks and the Group's ability to respond to changes in its business and the external environment, reviewed the internal control improvement of the Group and the effectiveness of the Group's processes for compliance with the Listing Rules, conducted a sensitivity analysis on market risks, and reviewed the major internal control weaknesses of the Group, the extent to which such internal control weaknesses have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have any material impact on the Company's financial performance or condition, and made recommendations to the Board upon review of the effectiveness of risk management.

Corporate Governance Report

Attendance at Meetings of the Board, the Board Committees, the AGM and the Special General Meeting (“SGM”)

	Number of meetings held during the year						
	Attended/Eligible to attend						
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	AGM held on 16 June 2023	SGM held on 16 June 2023
Executive Directors:							
Mr. Hao Weibao (appointed on 18 April 2023)	4/5	–	2/3	1/1	1/2	1/1	1/1
Mr. Sun Yufeng (resigned on 18 April 2023)	1/5	–	1/3	0/1	1/2	0/1	0/1
Mr. Wang Xinli (appointed on 15 December 2023)	0/5	–	–	–	–	0/1	0/1
Non-executive Director:							
Mr. Chan Kin	4/5	–				0/1	0/1
Independent Non-executive Directors:							
Dr. Fan Ren Da, Anthony	5/5	2/2	3/3	1/1	2/2	1/1	1/1
Mr. Gao Pei Ji (retired on 1 December 2023)	4/5	2/2	2/3	1/1	2/2	0/1	0/1
Mr. Look Andrew	5/5	2/2	–	1/1	2/2	1/1	1/1
Mr. Lu Dequan (appointed on 1 December 2023)	0/5	0/2	1/3	0/1	0/2	0/1	0/1

Corporate Governance Report

Corporate Governance Functions

The Board has the following responsibilities:

- (a) 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;
- (b) to determine the duties performed by the committees;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to review and monitor the training and continuous professional development of the directors and senior management; and
- (e) to develop, review and monitor the code of conduct applicable to the directors and employees.

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 on a monthly basis to enable the Board to make informed assessments of the financial and other matters put before the Board for approval. The Board also has access to board papers and related materials in order to make informed decisions on matters placed before it.

The Board considers that, through a review made by the Audit Committee and Risk Management Committee, the resources, staff qualifications and experience, training programmes and budget of the Company's accounting internal audit and financial reporting function, as well as those relating to the Company's ESG performance and reporting, 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 annually.

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 on an annual basis 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 is designed to manage rather than eliminate the risks of failure to achieve business objectives.

Corporate Governance Report

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. In order to ensure that the market and shareholders are fully and promptly informed about the material developments in the Company's business, the Board has adopted the Inside Information Disclosure Policy regarding the procedures of proper information disclosure. Employees are required to promptly report any inside information of which they become aware to their supervising manager for immediate referral for assessment by the Chief Executive Officer and the company secretary of the Company and determination as to whether, in the absence of any available safe harbor, an announcement shall be made by the Company. Release of inside information is subject to the approval of the Board. Unless duly authorized, all staff members of the Company shall not communicate inside information to any external parties and shall not respond to market speculations and rumours.

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 and compliance 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 and compliance 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 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 annually.

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 global economy came out of the shadow of the Covid-19 pandemic. The prevention methods and the results were reported to the Risk Management Committee during the year. The Company considered the risk management and internal control systems of the Group have been effective, adequate and appropriate.

Directors and officers liability insurance has been purchased and maintained to protect directors and officers of the Group against their potential legal liabilities to third parties that may be incurred in the course of performing their duties.

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 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

PricewaterhouseCoopers was reappointed by shareholders at the AGM held on 16 June 2023 as the Company's external auditor until the next AGM. They are primarily responsible for providing audit services in connection with the consolidated financial statements of the Group for the year ended 31 December 2023.

For the year, PricewaterhouseCoopers charged the Group HK\$7,502,000 for the provision of audit services and HK\$2,936,000 for the provision of non-audit services. Non-audit services include services related to tax compliance, general corporate and commercial advice, agreed-upon procedures, preliminary announcement and continuing connected transactions.

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.

Corporate Governance Report

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.

Corporate Governance Report

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.

Company Secretary

The Company Secretary is a full-time employee of the Company and familiar with the day-to-day affairs of the Company. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters as well as ensuring good information flow between the Board members and the compliance of the policy and procedure of the Board. The selection, appointment or dismissal of the company secretary is approved by the Board.

Mr. Wat Chi Ping Isaac ("**Mr. Wat**") is the company secretary of the Company. For the biographies of Mr. Wat, please refer to the section headed "Board of Directors and Senior Management – Senior Management Biographies" of this report. During the year ended 31 December 2023, Mr. Wat has complied with the requirement of taking no less than 15 hours of the relevant professional training under Rule 3.29 of the Listing Rules.

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 Company has adopted a shareholders' communication policy with the objective of ensuring that the shareholders of the Company will have equal and timely access to information about the Company in order to enable the shareholders of the Company to exercise their rights in an informed manner and allow them to engage actively with the Company.

The Board will whenever it thinks fit and as required under the Bye-laws and the Listing Rules convene general meetings for the purpose of asking shareholders to consider and, if thought fit, approve 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, circulars 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, the chairman or member of each of the board committees, and external auditor attend and answer questions at the AGM.

Corporate Governance Report

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 Board has reviewed the implementation and effectiveness of the shareholders' communication policy of the Company during the year. Having considered the multiple channels of communication, the steps taken to handle shareholders' queries and other specific measures in place, the Board is satisfied that the shareholders' communication policy of the Company has been properly and effectively implemented during the year.

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.

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.

Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2023.

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 non-current assets by geographical area of operations for the year ended 31 December 2023 is set out in note 4 to the Financial Statements.

Results and Dividends

The Group's profit for the year ended 31 December 2023 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 62 to 155 of this report.

The Board has recommended, subject to approval by shareholders at the 2024 AGM, the payment of a final dividend of HK2.50 cents (2022: HK6.00 cents) per ordinary share for the year ended 31 December 2023, payable on or around 18 July 2024 to shareholders whose names appear on the register of members of the Company on 27 June 2024.

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 4 to 19 of this report. Particulars of important events affecting the Group that have occurred since the end of the year can be found on page 54 of this section, and indication of likely future development in the Group's business can also be found in the above-mentioned sections. An analysis of the Group's performance during the year using key financial performance indicators is set out on page 7 of this report. An account of the Group's key relationships with its stakeholders can be found on page 39 of this report and pages 20 to 21 of the ESG Report.

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.

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. The "Karazhanbas Oilfield Water Treatment Plant" project uses the membrane method to treat the extracted water from the oilfield as the boiler feed water source for the steam extraction of the oilfield, realizing resource utilisation of oilfield extracted water and actively reducing its own environmental impact. The Seram Block continues to use associated gas to replace diesel as the fuel for the turbines in its major production facilities, striving to reduce air pollutant emissions.

For more detailed information on the Company's environmental, social and governance, please read in conjunction with the Company's ESG Report to comprehensively understand the Company's environmental, social and governance performance.

Compliance with Laws and Regulations

Save as disclosed in this report, 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.

Report of the Directors

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 of this report. 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 Company's share options during the year are set out in note 34 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.

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 2023, the Company had contributed surplus and retained profits amounting to approximately HK\$358,625,000 (2022: 358,625,000) and HK\$6,123,144,000 (2022: 6,137,767,000), respectively.

Charitable Contributions

During the year, the Group did not make any charitable contributions (2022: Nil).

Report of the Directors

Major Customers and Major Suppliers

During the year, the amount of revenue attributable to the Group's five largest customers and to the largest customer accounted for approximately 66.9% (2022: 58.0%) and 36.8% (2022: 29.6%), respectively, of the Group's total revenue for the year. The amount of purchases from the Group's five largest suppliers and from the largest supplier accounted for approximately 37.9% (2022: 37.3%) and 16.8% (2022: 9.8%), respectively, of the Group's total purchases for the year.

None of the directors or any of their close associates (as defined in the Listing Rules) or any shareholder (which, to the best of the knowledge of the directors, owned more than 5% of the number of issued shares of the Company as at 31 December 2023) had any beneficial interest in any of 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. Hao Weibao (appointed on 18 April 2023)

Mr. Wang Xinli (appointed on 15 December 2023)

Mr. Sun Yufeng (resigned on 18 April 2023)

Non-executive Director:

Mr. Chan Kin

Independent Non-executive Directors:

Dr. Fan Ren Da, Anthony

Mr. Gao Pei Ji (retired on 1 December 2023)

Mr. Look Andrew

Mr. Lu Dequan (appointed on 1 December 2023)

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.

(i) Mr. Wang Xinli and Mr. Lu Dequan, in accordance with Bye-laws 86(2); and (ii) Dr. Fan Ren Da, Anthony and Mr. Look Andrew, in accordance with Bye-laws 87(1) and 87(2) will retire from office 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.

Details of the remuneration of the directors, senior management and the five highest paid individuals are set out in Note 7, Note 39(c) and Note 8, respectively, to the Financial Statements.

Report of the Directors

Interests of Directors and Controlling Shareholders in Transactions, Arrangements and Contracts

So far as is known to the directors, no director and no entity connected with a director had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting during or at the end of the year to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party.

Save as disclosed herein and so far as is known to the directors, as at 31 December 2023, none of the directors or their respective close associates (as defined in the Listing Rules) was materially interested in any subsisting contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

Save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this report, and note 39 to the Financial Statements in relation to the related party transactions of the Group during the year, no contract of significance, or contract of significance for the provision of services, between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of their subsidiaries had been entered into during the year or subsisted as at the end of the year.

Directors' Competing Interests

During the year and up to the date of this report, the following director of the Company is 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 ^{Note}	– CITIC Metal Group Limited	– Commodity Trading and Mining	Director ^{Note}
Mr. Hao Weibao ^{Note}	– CITIC Metal Group Limited	– Commodity Trading and Mining	Vice chairman and the general manager ^{Note}

As the Board is independent of the board of the above-mentioned entity and the above directors of the Company cannot control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of this entity.

Save as disclosed above, none of the directors of the Company or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

Note: Mr. Sun Yufeng resigned as, and Mr. Hao Weibao was appointed as, an executive director, Chairman, Chief Executive Officer, Authorised Representative, chairman of the Nomination Committee and member of the Remuneration Committee and the Risk Management Committee of the Company with effect from 5 p.m., 18 April 2023. Mr. Hao Weibao ceased to be a member of the Risk Management Committee on 26 March 2024.

Report of the Directors

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

As at 31 December 2023, 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. Chan Kin ("Mr. Chan")	Interest of controlled corporation	786,558,488*	10.01
Mr. Lu Dequan (appointed on 1 December 2023)	Beneficial owner	908,000	0.01

* 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.

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 (retired on 1 December 2023)	CITIC Limited	Ordinary shares	20,000	Beneficial owner	-

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) of this report, and so far as is known to the directors, as at 31 December 2023:

- 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
- Save as disclosed in the section headed "Board of Directors and Senior Management", 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.

Report of the Directors

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 in this report, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow 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.

Equity-linked Agreement

Save as disclosed in the section headed "Share Option Scheme" below in this report, the Company did not enter into any equity-linked agreement during the year and there was no equity-linked agreement subsisted as at the end of the year.

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, which was in effect throughout the year and remained in effect up to the date of this report.

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 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 34 to the Financial Statements. Up to the date of this report, no share option has been granted under the New Scheme.

Report of the Directors

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

As at 31 December 2023, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or 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)	Interest of controlled corporation	4,675,605,697 ⁽¹⁾	59.50
CITIC Limited	Interest of controlled corporation	4,675,605,697 ⁽²⁾	59.50
CITIC Corporation Limited	Interest of controlled corporation	4,675,605,697 ⁽³⁾	59.50
CITIC Projects Management (HK) Limited	Interest of controlled corporation	3,895,083,904 ⁽⁴⁾	49.57
Keentech Group Limited	Beneficial owner	3,895,083,904 ⁽⁵⁾	49.57
CITIC Australia Pty Limited	Beneficial owner	750,413,793 ⁽⁶⁾	9.55
Argyle Street Management Holdings Limited	Interest of controlled corporation	786,558,488 ⁽⁷⁾	10.01
Argyle Street Management Limited	Interest of controlled corporation	786,558,488 ⁽⁸⁾	10.01
ASM Connaught House General Partner Limited	Interest of controlled corporation	786,558,488 ⁽⁹⁾	10.01
ASM Connaught House General Partner II Limited	Interest of controlled corporation	786,558,488 ⁽¹⁰⁾	10.01
ASM Connaught House Fund LP	Interest of controlled corporation	786,558,488 ⁽¹¹⁾	10.01
ASM Connaught House Fund II LP	Interest of controlled corporation	786,558,488 ⁽¹²⁾	10.01
ASM Connaught House (Master) Fund II LP	Interest of controlled corporation	786,558,488 ⁽¹³⁾	10.01
Sea Cove Limited	Interest of controlled corporation	786,558,488 ⁽¹⁴⁾	10.01
TIHT Investment Holdings III Pte. Ltd.	Beneficial owner	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 Argyle Street Management Holdings Limited ("**ASM Holding**") through its interest in Argyle Street Management Limited ("**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" of this report, and so far as is known to the directors, as at 31 December 2023, no person had an interest or a short position in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register to be kept under section 336 of the SFO.

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, there were no discloseable connected transactions under the Listing Rules.

Continuing connected transactions

The following transactions between certain connected persons (as defined in the Listing Rules) of the Company and the Group were entered into and/or during the year ongoing for which relevant announcements and circulars had been made by the Company in accordance with the Listing Rules:

1. On 8 May 2023, the Company entered into (i) the international financial services agreements (the **"International Financial Services Agreements"**) with each of China CITIC Bank International Limited (中信銀行(國際)有限公司) (**"CITIC Bank International"**), an indirect non-wholly owned subsidiary of CITIC Bank (as defined below), and therefore a connected person of the Company, and CITIC Finance International Limited (**"CITIC Finance International"**), a wholly-owned subsidiary of CITIC Limited, and therefore a connected person of the company; and (ii) the PRC financial services agreements (the **"PRC Financial Services Agreements"**), together with the International Financial Services Agreements, the **"Financial Services Agreements"**) with each of the Beijing branch of China CITIC Bank Corporation Limited (中信銀行股份有限公司) (**"CITIC Bank PRC"**), a joint stock limited company incorporated in the People's Republic of China (**"PRC"**), whose H shares and A shares are listed on the Main Board of the Stock Exchange (stock code: 998) and the Shanghai Stock Exchange (stock code: 601998), respectively, which is a subsidiary of CITIC Group and a connected person of the Company and CITIC Finance Company Limited (中信財務有限公司) (**"CITIC Finance PRC"**), together with CITIC Bank International, CITIC Finance International and CITIC Bank PRC, the **"Counterparties"**), a subsidiary of CITIC Limited, and therefore a connected person of the Company, pursuant to which each of the Counterparties agreed to provide financial services, including but not limited to deposit services to the service recipients (the **"Service Recipients"**), which comprise the Company and its subsidiaries from time to time.

In respect of the deposit services under the International Financial Services Agreements, the actual interest rate on deposits provided by CITIC Bank International or CITIC Finance International shall be agreed by both parties and no Service Recipients shall be obliged to engage CITIC Bank International or CITIC Finance International for deposit services if such interest rate is lower than the interest rate applicable to the same grade deposit services provided to the relevant Service Recipient by the local major domestic commercial banks, which are independent third parties to the Company.

In respect of the deposit services under the PRC Financial Services Agreements, the interest rates on RMB deposits placed by any Service Recipient at CITIC Bank PRC or CITIC Finance PRC are floating interest rates that will be determined with reference to the RMB benchmark deposit interest rates published by the People's Bank of China. The interest rates of foreign currency deposits are floating interest rates that will be determined with reference to LIBOR (or the reference interest rate as agreed by both parties in writing). The actual interest rates shall be agreed by both parties and in principle shall be not lower than the interest rate applicable to the same-grade deposit of the same term provided to the relevant Service Recipient by other financial institutions in the PRC, which are independent third parties to the Company.

Report of the Directors

Given that the Counterparties intended to continue to carry out the transactions of the same or similar nature as those contemplated under the (i) the Previous PRC Financial Services Agreements (as defined below); and (ii) the Previous International Financial Services Agreements (as defined below) (collectively, the **“Previous Financial Services Agreements”**, as defined hereunder) from time to time and the Board intended to revise the annual caps in respect of the deposit services for the remaining years under the Previous Financial Services Agreements to meet the business demands, and to streamline all agreements entered into between the Group and the Counterparties in respect of the financial services, the Company and each of the Counterparties agreed to (i) terminate the Previous Financial Service Agreements; and (ii) enter into the Financial Services Agreements to replace the Previous Financial Services Agreements in its entirety and set new annual caps for the deposit services under the Financial Services Agreements.

The Financial Services Agreements shall remain in force for a term of three years from 16 June 2023. Details of the Financial Services Agreements were disclosed in the announcement (the **“Announcement”**) of the Company dated 8 May 2023 and the circular of the Company dated 1 June 2023 (the **“Circular”**).

Under the Financial Services Agreements, the annual caps in respect of the aggregate amount of daily maximum balance of deposits placed and maintained by the Group with the Counterparties (including the interests accrued thereon) for the term of the Financial Services Agreements for the period from its effective date (i.e. 16 June 2023) to 31 December 2023, 31 December 2024, 31 December 2025 and for the period from 1 January to 15 June 2026 had been fixed at HK\$2,000 million, HK\$2,000 million, HK\$2,000 million and HK\$2,000 million respectively. For the year ended 31 December 2023, the actual aggregate amount of daily maximum balance of deposit placed and maintained by the Group with the Counterparties (including the interests accrued thereon) was approximately HK\$1,355.7 million.

The credit services provided under the Financial Services Agreements involve the provision of financial assistance by the Counterparties to the Group, which are on normal commercial terms or better, and no security are granted by the Group over its assets in respect of such credit services. Therefore, the credit services are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The settlement services, collection and payment services, and other financial services under the Financial Services Agreements are on normal commercial terms or better. During the term of the Financial Services Agreements, the fees payable by the Group for the provision of each of the settlement services, collection and payment services, and other financial services under the Financial Services Agreements did not exceed the de minimis threshold under Rule 14A.76 of the Listing Rules.

Report of the Directors

- On 22 October 2021, the Company entered into the financial services agreement with CITIC Bank PRC (the **"Previous CITIC Bank PRC Financial Services Agreement"**), pursuant to which CITIC Bank PRC agreed to provide financial services, including but not limited to deposit services to the Service Recipients, which comprise the Company and its subsidiaries from time to time, within the PRC. In respect of the deposit services with CITIC Bank PRC, the interest rates on RMB deposits placed by any Service Recipient at CITIC Bank PRC are floating interest rates that will be determined with reference to the RMB benchmark deposit interest rates published by the People's Bank of China. The interest rates of foreign currency deposits are floating interest rates that will be determined with reference to LIBOR (or the reference interest rate as agreed by both parties in writing). The actual interest rates shall be agreed by both parties and in principle shall be not lower than the interest rate applicable to the same-grade deposit of the same term provided by other financial institutions in the PRC to the relevant Service Recipient.

The Previous CITIC Bank PRC Financial Services Agreement was originally set for a term of three years from 22 October 2021 but was later terminated and replaced by the Financial Services Agreement in its entirety from 16 June 2023. Details of the Previous CITIC Bank PRC Financial Services Agreement were disclosed in the announcement of the Company dated 22 October 2021.

- On 22 October 2021, the Company entered into the financial services agreement with CITIC Finance PRC, (the **"Previous CITIC Finance PRC Financial Services Agreement"**), pursuant to which CITIC Finance PRC agreed to provide financial services, including but not limited to deposit services to the Service Recipients, which comprise the Company and its subsidiaries from time to time, within the PRC. In respect of the deposit services with CITIC Finance PRC, the interest rates on RMB deposits placed by any Service Recipient at CITIC Finance PRC are floating interest rates that will be determined with reference to the RMB benchmark deposit interest rates published by the People's Bank of China. The interest rates of foreign currency deposits are floating interest rates that will be determined with reference to LIBOR (or the reference interest rate as agreed by both parties in writing). The actual interest rates shall be agreed by both parties and in principle shall be not lower than the interest rate applicable to the same-grade deposit of the same term provided by other financial institutions in the PRC to the relevant Service Recipient.

The Previous CITIC Finance PRC Financial Services Agreement was originally set for a term of three years from 22 October 2021 but was later terminated and replaced by the Financial Services Agreement in its entirety from 16 June 2023. Details of the Previous CITIC Finance PRC Financial Services Agreement were disclosed in the announcement of the Company dated 22 October 2021.

Under the Previous CITIC Bank PRC Financial Services Agreement and the Previous CITIC Finance PRC Financial Services Agreement (collectively, the **"Previous PRC Financial Services Agreements"**), the annual caps in respect of the aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon) for the term of the Previous PRC Financial Services Agreements for the year ended 31 December 2021, the year ended 31 December 2022, the year ending 31 December 2023 and the period ending 21 October 2024 had been fixed at HK\$105 million, HK\$105 million, HK\$105 million and HK\$105 million respectively. For the year ended 31 December 2023, the actual aggregate amount of daily maximum balance of deposit (including the interests accrued thereon) was approximately HK\$6.9 million.

Report of the Directors

The comprehensive credit services under the Previous PRC Financial Services Agreements involved the provision of financial assistance by CITIC Bank PRC and CITIC Finance PRC to the Group, which were on normal commercial terms or better, and no security were granted by the Group over its assets in respect of such comprehensive credit services. Therefore, the comprehensive credit services were fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The settlement services and other financial services under the Previous PRC Financial Services Agreements were on normal commercial terms or on terms that were no less favourable than those offered by the other financial institutions in the PRC. During the term of the Previous PRC Financial Services Agreements, the fees paid by the Group for the provision of each of the settlement services and other financial services under the Previous PRC Financial Services Agreements did not exceed the de minimis threshold under Rule 14A.76 of the Listing Rules.

4. On 16 August 2021, the Company entered into the financial services agreement (the **"Previous CITIC Bank International Financial Services Agreement"**) with CITIC Bank International, pursuant to which CITIC Bank International agreed to provide financial services, including but not limited to deposit services to the Service Recipients, which comprise the Company and its subsidiaries from time to time. In respect of the deposit services with CITIC Bank International, no Service Recipients shall be obliged to engage CITIC Bank International for deposit services if such interest rate is lower than the interest rate applicable to the same-grade deposit services provided by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

The Previous CITIC Bank International Financial Services Agreement was originally set for a term of three years from 30 September 2021 (i.e. the effective date of the agreement upon approval of the independent shareholders of the relevant special general meeting), but was later terminated and replaced by the Financial Services Agreement in its entirety from 16 June 2023. Details of the Previous CITIC Bank International Financial Services Agreement were disclosed in the announcements of the Company dated 16 August 2021 and 30 September 2021 and the circular of the Company dated 9 September 2021.

5. On 16 August 2021, the Company entered into the financial services agreement (the **"Previous CITIC Finance International Financial Services Agreement"**) with CITIC Finance International, pursuant to which CITIC Finance International agreed to provide financial services, including but not limited to deposit services to the Service Recipients, which comprise the Company and its subsidiaries from time to time. In respect of the deposit services with CITIC Finance International, the interest rate shall not be lower than the interest rate applicable to the same-grade deposit services provided by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

The Previous CITIC Finance International Financial Services Agreement was originally set for a term of three years from 30 September 2021 (i.e. the effective date of the agreement upon approval of the independent shareholders of the relevant special general meeting), but was later terminated and replaced by the Financial Services Agreement in its entirety from 16 June 2023. Details of the Previous CITIC Finance International Financial Services Agreement were disclosed in the announcements of the Company dated 16 August 2021 and 30 September 2021 and the circular of the Company dated 9 September 2021.

Report of the Directors

Under the Previous CITIC Bank International Financial Services Agreement and the Previous CITIC Finance International Financial Services Agreement (collectively, the “**Previous International Financial Services Agreements**”, together with the Previous PRC Financial Services Agreements, the “**Previous Financial Services Agreement**”), the annual caps in respect of the aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including the interests accrued thereon) for the term of the Previous International Financial Services Agreements for the year ended 31 December 2021, the year ended 31 December 2022, the year ending 31 December 2023 and the period ending 30 September 2024 had been fixed at HK\$1,200.0 million, HK\$1,200.0 million, HK\$1,200.0 million and HK\$1,200.0 million respectively. For the year ended 31 December 2023, the actual aggregate amount of daily maximum balance of deposit (including the interests accrued thereon) was approximately HK\$1,168.2 million.

The credit services provided under the Previous International Financial Services Agreements involved the provision of financial assistance by CITIC Bank International and CITIC Finance International to the Group, which were on normal commercial terms or better, and no security were granted by the Group over its assets in respect of such credit services. Therefore, the credit services were fully exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Rule 14A.90 of the Listing Rules.

The settlement services, collection and payment services, and other financial services under the Previous International Financial Services Agreements were on normal commercial terms or on terms that were no less favourable than those offered by the major domestic banks in Hong Kong. During the term of the Previous International Financial Services Agreements, the fees paid by the Group for the provision of each of the settlement services, collection and payment services, and other financial services under the Previous International Financial Services Agreements did not exceed the de minimis threshold under Rule 14A.76 of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the aforesaid continuing connected transactions (the “**Continuing Connected Transactions**”) have been reviewed by the Independent Non-Executive Directors who have confirmed that the Continuing Connected Transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the relevant agreements governing them, on terms that are fair and reasonable, and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company’s auditor was engaged to report on the 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 (Revised) “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 report containing its findings and conclusions in respect of the above disclosed Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules.

Report of the Directors

The auditor confirmed that, based on the foregoing in respect of the disclosed Continuing Connected Transactions:

- (i) nothing has come to auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have not been approved by the Company's board of directors;
- (ii) nothing has come to auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iii) with respect to the aggregate amount of each of the Continuing Connected Transactions set out in the above, nothing has come to auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

The Group has followed its pricing policies for the Financial Services Agreements as set out in the Announcement and Circular when determining the price and terms of the transactions conducted thereunder during the year.

Details of the related party transactions of the Company undertaken in the normal course of business during the year are disclosed under note 39 to the Financial Statements. Save as disclosed above, none of these related party transactions constitute discloseable connected/continuing connected transactions as defined under Chapter 14A of the Listing Rules. Certain related party transaction of the Company constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules but are exempted from any disclosure requirement under Chapter 14A of the Listing Rules. In relation to those related party transactions that also constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules, they have complied with the applicable requirements under Chapter 14A of the Listing Rules.

Events after the Reporting Period

Save as disclosed in the Company's profit warning announcement dated 16 January 2024 and note 44 to the Financial Statements, there was no other important event or transaction affecting the Group and which is required to be disclosed by the Company to its shareholders from 1 January 2024 to the date of this report.

Report of the Directors

Updates on Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Subsequent to the date of the 2023 interim report of the Company and as at the date of this report, the updates on the director's information are set out below:

Name of Director	Details of Changes
1. Mr. Gao Pei Ji	retired as an independent non-executive Director; chairman of the Remuneration Committee, member of the Audit Committee, Nomination Committee and the Risk Management Committee of the Company, with effect from 5 p.m., 1 December 2023.
2. Mr. Lu Dequan	appointed as an independent non-executive Director; chairman of the Remuneration Committee, member of the Audit Committee, Nomination Committee and the Risk Management Committee of the Company, with effect from 5 p.m., 1 December 2023. For details, please refer to the announcement of the Company dated 1 December 2023.
3. Mr. Wang Xinli	appointed as an executive Director, with effect from 5 p.m., 15 December 2023 and as a member of the Risk Management Committee with updated remuneration, with effect from 5 p.m., 26 March 2024. For details, please refer to the announcements of the Company dated 15 December 2023 and 26 March 2024.
4. Mr. Chan Kin	appointed as an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224) in September 2023.
5. Dr. Fan Ren Da Anthony	appointed as an independent non-executive director of Haitong Securities Co., LTD (Stock Code: 6837) in Oct 2023, and ceased to be an independent non-executive director of China Development Bank International Investment (stock code: 1062) in March 2024 and Hong Kong Resources Holdings Company Limited (stock code: 2882, formerly known as Ocean Grand Chemicals Holdings Limited) in February 2024.

Save for the information disclosed above, there is no other information required to be disclosed in this report pursuant to rule 13.51B(1) of the Listing Rules.

Audit Committee

The Company has an audit committee which was established in compliance with rule 3.21 of the Listing Rules with responsibility for, among others, 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

PricewaterhouseCoopers, who will retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Hao Weibao

Chairman

Hong Kong, 26 March 2024

Independent Auditor's Report



羅兵咸永道

To the Shareholders of CITIC Resources Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Resources Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 62 to 155, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) 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 our report.

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

Independence

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

Independent Auditor's Report

Key Audit Matters

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

Key audit matters identified in our audit are assessment on recoverable amounts of property, plant and equipment held by the Group and its joint venture and impairment assessment of investment in an associate.

Key Audit Mater	How our audit addressed the Key Audit Matter
<i>Assessment on recoverable amounts of property, plant and equipment held by the Group and its joint venture</i>	
<p><i>Refer to notes 2.4, 3, 13 and 21 to the consolidated financial statements.</i></p> <p>As at 31 December 2023, property, plant and equipment held by the Group amounted to approximately HK\$3,988 million. The Group also has significant property, plant and equipment held by its joint venture. The property, plant and equipment of the Group and its joint venture are primarily used for the production of aluminium ingots and crude oil.</p> <p>In addition to assessing evidence of possible impairment, the Group also assessed whether there was any indication that a previously recognised impairment loss for property, plant and equipment no longer exists or the assessed impairment amount may have decreased. During the year ended 31 December 2023, indications of possible reversal were identified. For those property, plant and equipment held by the Group and its joint venture with reversal indicators exist, the Group estimated the recoverable amounts. Significant management's judgments and assumptions are required to estimate the recoverable amounts. The recoverable amounts are estimated taking into consideration of the forecast crude oil and aluminium prices, forecast costs, forecast production volumes, and discount rates.</p> <p>Based on the assessment on the recoverable amounts performed by management, the Group recognised a reversal of impairment loss of property, plant and equipment held by the Group of approximately HK\$543 million and share of its joint venture's reversal of impairment loss of approximately HK\$266 million for the year ended 31 December 2023.</p> <p>We considered this is a key audit matter as significant judgments and assumptions are involved in the estimation of recoverable amounts.</p>	<p>Our procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> - Understanding the management's assessment process of assessment of recoverable amounts of property, plant and equipment held by the Group and its joint venture, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgments involved in determining the assumptions to be applied; - Assessing the appropriateness of the valuation methodologies used; - Evaluating the independence, competence, capability and objectivity of the management's experts engaged in estimating the crude oil reserve; - Assessing the reasonableness of key assumptions, including the forecast crude oil and aluminium prices, forecast costs, forecast production volumes, and discount rates, used in management's estimation of recoverable amounts, with the involvement of our valuations experts; and - Performing sensitivity analysis on the key assumptions to evaluate the potential impacts on the recoverable amounts including the forecast crude oil and aluminum prices, forecast costs, forecast production volumes, and discount rates as these are the key assumptions to which the measurement of recoverable amounts is the most sensitive. <p>We found the judgments and assumptions made by management in relation to the assessment on recoverable amounts to be supportable based on available evidence.</p>

Independent Auditor's Report

Key Audit Matters (continued)

Key Audit Mater	How our audit addressed the Key Audit Matter
<i>Impairment assessment of investment in an associate</i>	
<p data-bbox="164 480 833 541"><i>Refer to notes 2.4, 3 and 20 to the consolidated financial statements.</i></p> <p data-bbox="164 584 833 717">The Group's investment in an associate is accounted for under the equity method. As at 31 December 2023, the Group's carrying amount of investment in an associate amounted to approximately HK\$1,821 million.</p> <p data-bbox="164 761 833 1166">Investment in an associate is subject to impairment assessment when there is an indication of impairment. In carrying out the impairment assessment, significant management's judgments and assumptions are required to estimate the recoverable amount, being the higher of the fair value less costs of disposal and value in use. The recoverable amounts are estimated taking into consideration of the associate's volume-weighted average share price for a period close to the year-end date and the price premium. The Group engaged an independent external expert to assist them to determine the price premium.</p> <p data-bbox="164 1209 833 1442">Based on management's impairment assessment, the Group recognised an impairment loss of investment in an associate of approximately HK\$845 million for the year ended 31 December 2023. Significant assumptions, including volume-weighted average share price for a period close to the year-end date and the price premium, were involved in the impairment assessment.</p> <p data-bbox="164 1485 833 1580">We considered this is a key audit matter as significant judgments and assumptions are involved in the impairment assessment.</p>	<p data-bbox="866 480 1428 541">Our procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> <li data-bbox="866 584 1428 851">– Understanding the management's assessment process of impairment assessment of investment in an associate, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgments involved in determining the assumptions to be applied; <li data-bbox="866 894 1428 955">– Assessing the appropriateness of the valuation methodologies used; <li data-bbox="866 998 1428 1166">– Evaluating the independence, competence, capability and objectivity of the independent external expert engaged by the management in estimating the price premium; and <li data-bbox="866 1209 1428 1476">– Assessing the reasonableness of key assumptions used by management in the estimation of recoverable amount of investment in an associate, including the volume-weighted average share price for a period close to the year-end date and the price premium, by comparing these key assumptions against market data. <p data-bbox="866 1519 1428 1645">We found the judgments and assumptions made by management in relation to the impairment assessment to be supportable based on available evidence.</p>

Independent Auditor's Report

Other Information

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

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in 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.
- 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 current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yu Lung Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2024

Consolidated Income Statement

	Notes	2023	2022
Revenue	5	3,825,577	5,866,160
Cost of sales		(2,824,203)	(4,031,373)
Gross profit		1,001,374	1,834,787
Other income, gains and losses, net	5	102,656	174,958
General and administrative expenses		(272,527)	(304,763)
Other expenses, net		(258,553)	(69,007)
Finance costs	9	(162,763)	(141,816)
Reversal/(provision) for impairment of trade and other receivables		739	(41,394)
Share of results of:			
An associate		(112,523)	102,398
A joint venture		398,357	320,147
Profit before tax	6	696,760	1,875,310
Income tax expense	10	(77,927)	(475,188)
Profit for the year		618,833	1,400,122
Attributable to:			
Ordinary shareholders of the Company		551,803	1,335,537
Non-controlling interests		67,030	64,585
		618,833	1,400,122
Earnings per share attributable to ordinary shareholders of the Company	12	HK cents	HK cents
Basic		7.02	17.00
Diluted		7.02	17.00

Consolidated Statement of Comprehensive Income

	Notes	2023	2022
Profit for the year		618,833	1,400,122
Other comprehensive loss			
Other comprehensive 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		–	(6,000)
Income tax effect		–	1,800
		–	(4,200)
Exchange differences on translation of foreign operations		(77,683)	(251,582)
Share of other comprehensive (loss)/income of an associate, net of tax		(4,857)	66,922
Share of other comprehensive income of a joint venture		873	2,161
		(81,667)	(186,699)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement (loss)/gain on defined benefit plan	31	(4,607)	2,723
Income tax effect		1,382	(817)
		(3,225)	1,906
Share of other comprehensive income/(loss) of a joint venture		12,500	(21,170)
Share of other comprehensive income of an associate		757	1,803
		10,032	(17,461)
Other comprehensive loss for the year, net of tax		(71,635)	(204,160)
Total comprehensive income for the year		547,198	1,195,962
Attributable to:			
Ordinary shareholders of the Company		487,815	1,154,612
Non-controlling interests		59,383	41,350
		547,198	1,195,962

Consolidated Statement of Financial Position

	Notes	2023	2022
Non-current assets			
Property, plant and equipment	13	3,988,055	3,601,304
Right-of-use assets	14(a)	49,003	75,915
Mining assets	16	242,232	189,405
Exploration, evaluation and development expenditures	17	61,876	27,737
Investment in an associate	20	1,821,296	2,784,400
Investment in a joint venture	21	2,786,632	2,374,903
Prepayments, deposits and other receivables	22	44,090	29,626
Time deposits	26	118,497	102,972
Deferred tax assets	32	171,640	56,823
Pension assets	31	4,704	–
Total non-current assets		9,288,025	9,243,085
Current assets			
Inventories	23	435,861	560,457
Trade receivables	24	239,688	297,358
Prepayments, deposits and other receivables	22	104,310	105,469
Derivative financial instruments	25	72,691	102,995
Cash and deposits	26	1,483,816	2,130,203
Total current assets		2,336,366	3,196,482
Current liabilities			
Accounts payable	27	242,729	106,899
Tax payable		91,167	59,136
Accrued liabilities and other payables	28	606,026	869,273
Bank and other borrowings	29	350,000	96,166
Lease liabilities	14(b)	24,663	30,709
Provision for long-term employee benefits	31	32,120	41,487
Provisions	30	11,531	75
Total current liabilities		1,358,236	1,203,745
Net current assets		978,130	1,992,737
Total assets less current liabilities		10,266,155	11,235,822

Consolidated Statement of Financial Position

	Notes	2023	2022
Non-current liabilities			
Bank and other borrowings	29	1,439,880	2,486,640
Lease liabilities	14(b)	16,196	30,898
Deferred tax liabilities	32	339,927	328,871
Provision for long-term employee benefits	31	23,965	15,268
Provisions	30	604,764	608,457
Total non-current liabilities		2,424,732	3,470,134
Net assets			
Equity			
Equity attributable to ordinary shareholders of the Company			
Issued capital	33	392,886	392,886
Reserves	35	7,368,897	7,352,545
		7,761,783	7,745,431
Non-controlling interests		79,640	20,257
Total equity		7,841,423	7,765,688

Hao Weibao
Director

Wang Xinli
Director

Consolidated Statement of Changes in Equity

	Issued capital	Share premium account	Contributed surplus (note 35)	Capital reserve (note 35)	Exchange fluctuation reserve
At 1 January 2022	392,886	6,852	251,218	(38,579)	182,180
Profit for the year	-	-	-	-	-
Other comprehensive income/(loss) for the year:					
Cash flow hedges, net of tax	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	(220,749)
Share of other comprehensive income of an associate, net of tax	-	-	-	-	-
Share of other comprehensive income of a joint venture	-	-	-	-	-
Share of other comprehensive income of defined benefit plan of an associate	-	-	-	-	-
Share of other comprehensive loss of defined benefit plan of a joint venture	-	-	-	-	-
Re-measurement gain on defined benefit plan, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	(220,749)
Final dividend	-	-	-	-	-
At 31 December 2022	392,886	6,852	251,218	(38,579)	(38,569)
At 1 January 2023	392,886	6,852	251,218	(38,579)	(38,569)
Profit for the year	-	-	-	-	-
Other comprehensive income/(loss) for the year:					
Exchange differences on translation of foreign operations	-	-	-	-	(70,036)
Share of other comprehensive income of an associate, net of tax	-	-	-	-	-
Share of other comprehensive income of a joint venture	-	-	-	-	-
Share of other comprehensive income of defined benefit plan of an associate	-	-	-	-	-
Share of other comprehensive loss of defined benefit plan of a joint venture	-	-	-	-	-
Re-measurement gain on defined benefit plan, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	(70,036)
Final dividend	-	-	-	-	-
At 31 December 2023	392,886	6,852	251,218	(38,579)	(108,605)

Consolidated Statement of Changes in Equity

Attributable to ordinary shareholders of the Company

Cash flow hedge reserve (note 35)	Investment related reserve (note 35)	Defined benefit reserve (note 35)	Retained profits	Sub-total	Non- controlling interests	Total equity
16,308	(1,422,978)	37,703	7,518,827	6,944,417	(21,093)	6,923,324
-	-	-	1,335,537	1,335,537	64,585	1,400,122
(4,200)	-	-	-	(4,200)	-	(4,200)
(7,598)	-	-	-	(228,347)	(23,235)	(251,582)
-	66,922	-	-	66,922	-	66,922
-	2,161	-	-	2,161	-	2,161
-	1,803	-	-	1,803	-	1,803
-	(21,170)	-	-	(21,170)	-	(21,170)
-	-	1,906	-	1,906	-	1,906
(11,798)	49,716	1,906	1,335,537	1,154,612	41,350	1,195,962
-	-	-	(353,598)	(353,598)	-	(353,598)
4,510	(1,373,262)	39,609	8,500,766	7,745,431	20,257	7,765,688
4,510	(1,373,262)	39,609	8,500,766	7,745,431	20,257	7,765,688
-	-	-	551,803	551,803	67,030	618,833
-	-	-	-	(70,036)	(7,647)	(77,683)
-	(4,857)	-	-	(4,857)	-	(4,857)
-	873	-	-	873	-	873
-	757	-	-	757	-	757
-	12,500	-	-	12,500	-	12,500
-	-	(3,225)	-	(3,225)	-	(3,225)
-	9,273	(3,225)	551,803	487,815	59,383	547,198
-	-	-	(471,463)	(471,463)	-	(471,463)
4,510	(1,363,989)	36,384	8,581,106	7,761,783	79,640	7,841,423

Consolidated Statement of Cash Flows

	Notes	2023	2022
Cash flows from operating activities			
Profit before tax		696,760	1,875,310
Adjustments for:			
Interest income	5	(73,917)	(42,489)
Depreciation of property, plant and equipment	6	434,006	450,498
Depreciation of right-of-use assets	6	34,488	27,631
Amortisation of mining assets	6	14,888	8,256
Reversal for long-term employee benefits	6	(13,322)	(3,622)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	1,414	(262)
Loss on disposal of items of exploration, evaluation and development expenditures	6	6,725	–
Write-back of inventories to net realisable value	6	(2,589)	(54)
Reversal of impairment of mining assets		(60,786)	–
Reversal of impairment of exploration, evaluation and development expenditures	6	(41,140)	–
Reversal for impairment of trade receivables	6	(739)	(2,604)
Reversal of impairment of property, plant and equipment	6	(542,826)	(31,200)
Provision for impairment of other receivables		–	43,998
Provision for impairment of an associate	6	844,724	45,178
Provision for impairment of goodwill		–	24,682
Fair value loss/(gain) on derivative financial instruments	6	30,304	(98,362)
Finance costs	9	162,763	141,816
Share of results of an associate		112,523	(102,398)
Share of results of a joint venture		(398,357)	(320,147)
		1,204,919	2,016,231
Changes in inventories		116,009	(146,900)
Changes in trade receivables		56,797	396,924
Changes in prepayments, deposits and other receivables		28,729	83,682
Changes in accounts payable		137,116	(29,350)
Changes in accrued liabilities and other payables		(264,267)	7,739
Changes in provisions		13,403	(11,767)
Cash generated from operations		1,292,706	2,316,559
Income tax paid		(138,108)	(163,184)
Net cash flows from operating activities		1,154,598	2,153,375

Consolidated Statement of Cash Flows

	Notes	2023	2022
Net cash flows from operating activities		1,154,598	2,153,375
Cash flows from investing activities			
Interest received		73,147	41,768
Dividend income from an associate	20	–	152,279
Additions to items of property, plant and equipment		(404,999)	(511,964)
Additions to mining assets	16	(6,929)	(222)
Additions to exploration, evaluation and development costs	17	(420)	(500)
Proceeds from disposal of items of property, plant and equipment		439	943
Proceeds from disposal of items of exploration, evaluation and development costs		781	–
Repayment of loan from a joint venture		–	23,400
Addition in time deposits with original maturity of more than one year		(18,787)	(21,941)
Decrease in time deposit with original maturity over three months		–	58,939
Changes in deposits with a fellow subsidiary		439,290	(603,971)
Net cash flows from/(used) in investing activities		82,522	(861,269)
Cash flows from financing activities			
Proceeds from bank borrowings	38(b)	700,000	2,102,801
Repayments of bank borrowings	38(b)	(1,501,631)	(3,181,527)
Principal portion of lease payments	38(b)	(34,857)	(25,639)
Interest portion of lease liabilities	38(b)	(1,564)	(1,770)
Dividend paid to shareholders	38(b)	(471,422)	(353,580)
Finance charges paid	38(b)	(138,367)	(96,867)
Net cash flows used in financing activities		(1,447,841)	(1,556,582)
Net decrease in cash and cash equivalents		(210,721)	(264,476)
Cash and cash equivalents at beginning of year		966,322	1,306,724
Effect of foreign exchange rate changes, net		3,624	(75,926)
Cash and cash equivalents at end of year		759,225	966,322
Analysis of balances of cash and cash equivalents			
Cash and bank balances		493,578	707,948
Time deposits		265,647	258,374
	26	759,225	966,322

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.

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 and the sale of aluminium ingots in Australia;
- (b) the operation of coal mines and the sale of coal in Australia;
- (c) the import of other commodity products and manufactured goods;
- (d) the exploration, development, production and sale of crude oil from the Seram Block; and
- (e) the exploration, development, production and sale of crude 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 immediate 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				
Star Choice Venture Limited	BVI/Hong Kong	US\$1	100	Financing
Global Enterprises (HK) Limited	Hong Kong	HK\$2	100	Provision of management services
CITIC Resources Australia Pty Limited	State of Victoria, Australia	A\$430,298,351	100	Investment holding
Indirectly held				
CITIC Australia (Portland) Pty Ltd	State of Victoria, Australia	A\$45,675,119	100	Aluminium smelting
CITIC Australia Coppabella Pty Ltd	State of Victoria, Australia	A\$5,000,002	100	Mining and production of coal
CA Commodity Trading Pty Ltd	State of Victoria, Australia	A\$500,002	100	Import and export of commodities and manufactured goods
CRH Trading Pty Ltd	State of Victoria, Australia	A\$2	100	Petroleum and commodities trading

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)				
北京千泉投資顧問有限公司 (Beijing Qian Quan Investment Consulting Co. Limited) <i>(wholly foreign-owned enterprise)</i>	Mainland China/ Limited liability	RMB1,243,173	100	Consulting
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 <i>(wholly foreign-owned enterprise)</i>	Hong Kong/ Mainland China/ Limited liability	HK\$10,000,000	90	Exploration, development and operation of oilfields
CITIC Oil & Gas Holdings Limited	BVI/Hong Kong	US\$100	100	Investment holding
KAZCITIC Investment LLP	Kazakhstan	KZT100,000,000	100	Property holding
中信石油技術開發(北京)有限公司 (CITIC Petroleum Technology Development (Beijing) Limited) <i>(wholly foreign-owned enterprise)</i>	Mainland China/ Limited liability	US\$100,000	100	Oil technology development

Notes to Financial Statements

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and defined benefit pension plans plan assets which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”).

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023 (“**Financial Statements**”). 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).

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 ordinary 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.

Notes to Financial Statements

2.2 Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for these Financial Statements.

HKFRS 17	Insurance contracts
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – pillar two model rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKFRS 17	Insurance contracts

The adoption of the above new and revised HKFRSs in the current year has no material impact to the Group.

2.3 Issued but not yet effective hong kong financial reporting standards

The following revised HKFRSs to the Group which have been issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as of 31 December 2023 may impact the Group in future years but are not yet effective for the year ended 31 December 2023:

Standard No.	Title
Amendments to HKAS 1	Classification of liabilities as current or non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) ¹
Amendments to HKFRS 7 and HKAS 7	Supplier Finance Arrangements ¹
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for financial periods beginning on or after 1 January 2024

² Effective for financial periods beginning on or after 1 January 2025

³ Effective date to be determined

The Group has not early adopted the revised HKFRSs issued by HKICPA that are not yet effective for the year ended 31 December 2023 and is in the process of making an assessment of their impact. None of these is expected to have significant effect on the Financial Statements of the Group.

2.4 Summary of material accounting policies

Investments in an associate 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 an associate 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.

The Group's share of the post-acquisition results and other comprehensive income of an associate 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 an associate or a joint venture is included as part of the Group's investments in an associate or a joint venture.

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.

2.4 Summary of material accounting policies (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement in which the Group has 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 on the acquisition date, which is the sum of the fair values of assets transferred by the Group, liabilities incurred to the former owners of the acquired business 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.

2.4 Summary of material accounting policies (continued)

Business combinations and goodwill (continued)

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.

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. Provision for impairment of goodwill is included in "other expenses, net" in the consolidated income statement.

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.

2.4 Summary of material accounting policies (continued)

Fair value measurement

The Group measures its derivative financial instruments 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.

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.

2.4 Summary of material accounting policies (continued)

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.

Property, plant and equipment

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 2035 (2022: 2030).

Notes to Financial Statements

2.4 Summary of material accounting policies (continued)

Property, plant and equipment (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	2 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 judgment. 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.

2.4 Summary of material accounting policies (continued)

Property, plant and equipment (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.

Capital works

Capital works represent development expenditures 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.

Exploration, evaluation and development expenditures

Exploration, evaluation and development expenditures are recorded at cost less any impairment losses. 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.

Exploration, evaluation and development costs relating to current areas of interest are capitalised to the extent that such costs are expected to be recouped through successful development and production of the areas, by its sale, or of an area of interest or where activities in an area of interest have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves but active and significant work are continuing.

Where it is decided to abandon an area of interest, exploration, valuation and development expenditures capitalised in respect of that area of interest are written off in the year in which the decision is taken.

2.4 Summary of material accounting policies (continued)

Mining assets

Mining assets

Expenditure is transferred from the “Exploration, evaluation and development expenditures” to “Mining assets” when the exploration and development work completed supports a decision to develop the area of interest for commercial production. Upon commercial production of the mining area commences, amortisation of the expenditure will be recognised in accordance with the manner in which economic benefits is expected to flow to the Group.

Mining assets are stated at cost, less accumulated amortisation and accumulated impairment losses. The initial cost of a mining asset comprises the capitalised expenditure transferred from the “Exploration, evaluation and development expenditures” plus any costs directly attributable to bringing the asset to commercial production.

Mining assets are amortised on a units-of-production basis over the expected economically recoverable reserve of the area of interest. Economically recoverable reserve of the area of interest includes proven and probable reserve based on the life of mine plans prepared by the manager of the mine. The assets’ economically recoverable reserve and method of amortisation are reviewed at each year end and adjusted prospectively, if appropriate. Amortisation of mining assets are recorded as part of Cost of Goods Sold in the consolidated income statement.

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.

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.

2.4 Summary of material accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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.

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.

2.4 Summary of material accounting policies (continued)

Investments and other financial assets (continued)

Derecognition of financial assets (continued)

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 Expected Credit Loss(es) (“**ECL(s)**”) 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.

2.4 Summary of material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

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.

2.4 Summary of material accounting policies (continued)

Impairment of financial assets (continued)

Simplified approach (continued)

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.

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

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.

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.

2.4 Summary of material accounting policies (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments to manage its price 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.

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.

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.

2.4 Summary of material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

- (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.

2.4 Summary of material 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. 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. Provision for or write-back of inventories to net realisable value is included in "other expenses, net" in the consolidated income statement.

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 with short maturity of generally within three months and which are not restricted as to use.

2.4 Summary of material accounting policies (continued)

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.

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.

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.

2.4 Summary of material 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.

2.4 Summary of material 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.

Interest 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.

Dividend income

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.

Other income

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

2.4 Summary of material 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:

Leasehold land	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.

2.4 Summary of material accounting policies (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.

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 defined benefit obligation at that date and any unrecognised actuarial gains (less unrecognised actuarial losses) less the fair 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. All re-measurements of defined benefit liabilities/assets are recognised in other comprehensive income.

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.

2.4 Summary of material accounting policies (continued)

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 material 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 judgments and estimates

The preparation of the Group's Financial Statements requires management to make judgments, 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.

The following is a review of the more significant assumptions and estimates as well as the accounting policies and methods used in the preparation of the Financial Statements.

a) Income tax

Determining income tax provisions requires the Group to make judgments 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 judgments 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.

3 Significant accounting judgments and estimates (continued)

b) 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.

c) 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 30 to the Financial Statements.

d) Recoverability of non-financial assets (other than goodwill)

The Group assesses all its non-financial assets (other than goodwill) at the end of each reporting period whether there are any indicators of impairment or a previously recognised impairment loss has disappeared or reduced. Internal and external sources of information are reviewed at each balance sheet date for indications.

If there is such indicator, the recoverable amount, which is the higher of its fair value less costs of disposal and its value in use, is then assessed to identify whether any impairment charge or reversal of impairment is required as at the year end.

Based on the above, an impairment or a reversal of an impairment previously provided on the relevant non-financial assets (other than goodwill) is made by management. In the event of a previously provided impairment being reversed, the reversal cannot raise the carrying value above the carrying amount that would have been determined (net of amortisation or depreciation), if no impairment had originally been recognised. Significant judgments are required in assessing whether such indicators of impairment or reversal of impairment exist, and in estimating the recoverable amounts. Further details are set out in notes 13, 16, 17, 20 and 21 to the Financial Statements.

3 Significant accounting judgments and estimates (continued)

e) 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 judgment 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 32 to the Financial Statements.

f) Rehabilitation provisions

(i) Aluminium business unit

The Group has used the current CPI of 2.5% in projecting the future value of its rehabilitation costs. The discount rate is based on the long-term Australian Treasury 10-year bond rate 4.0% (2022: 4.1%) appropriate for Portland Aluminium Smelter to calculate the present value of the liability. Dismantling costs are based on the estimate prepared by the smelter's manager.

The valuation amount derived was translated from A\$ into US\$ at the period end rate of 0.68 (2022: 0.68).

(ii) Coal business unit

The manager of the Coppabella and Moorvale coal mines provides estimated costs for closing and rehabilitating the mine sites. These estimates include the costs of dismantling the infrastructure and the costs of restoring the land in compliance with the requirements of the Environmental Laws of the State. The Group has applied CPI of 2.5% against management's estimated costs to project the future costs of rehabilitating the mine at the time when the life of the mine expires. This projected future cost was discounted to net present value using a discount rate, based on the long-term Australian Treasury 10-year bond rate of 4.1% (2022: 4.1%) appropriate for the coal mines project.

The valuation amount derived was translated from A\$ into US\$ at the period end rate of 0.68 (2022: 0.68).

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 Portland Aluminium Smelter and the sale of aluminium ingots in Australia;
- (b) the coal segment comprises the operation of coal mines and the sale of coal in Australia;
- (c) the crude oil segment comprises the operation of oilfields and the sale of crude oil in Indonesia and China; and
- (d) the import and export of commodities segment comprises the import of other commodity products and manufactured goods.

Management monitors the results of the Group's operating segments separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, 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 results of an associate and a joint venture as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in an associate, investment in a joint venture, deferred tax assets, cash and deposits, 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.

For the year ended 31 December 2022, revenue for the import and export of commodities comprise of the import of steel products from various countries for distribution in Australia and New Zealand.

Notes to Financial Statements

4 Operating segment information (continued)

In the second half of 2022, a Deed of Termination was signed to cease the import and distribution arrangement with its business partner for steel products. Sales of the Group's steel products was last transacted in November 2022. Management has collected all trade receivables and tax refunds and settled its outstanding liabilities for the steel operations during the year. There is no material impact on the Group's profitability from the cessation of the steel import and distribution operations.

Management is in advanced negotiations with external parties to develop new trading product lines. During the year, the Company has established a trading and marketing team which focuses on the development of crude oil trading in 2024.

Year ended 31 December 2023	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,239,638	1,111,179	519	1,474,241	3,825,577
Other income, gains and losses, net	17,788	9,586	(6,940)	25,082	45,516
	1,257,426	1,120,765	(6,421)	1,499,323	3,871,093
Segment results	206,566	376,364	(4,127)	934,031	1,512,834
<i>Reconciliations:</i>					
Interest income and unallocated gains and losses, net					57,140
Unallocated expenses					(996,285)
Unallocated finance costs					(162,763)
Share of results of:					
An associate					(112,523)
A joint venture					398,357
Profit before tax					696,760
Segment assets	945,664	764,032	178	3,585,172	5,295,046
<i>Reconciliations:</i>					
Investment in an associate					1,821,296
Investment in a joint venture					2,786,632
Unallocated assets					1,721,417
Total assets					11,624,391
Segment liabilities	444,348	282,662	-	625,540	1,352,550
<i>Reconciliations:</i>					
Unallocated liabilities					2,430,418
Total liabilities					3,782,968

Notes to Financial Statements

4 Operating segment information (continued)

Year ended 31 December 2023	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Other segment information:					
Depreciation and amortisation	31,407	67,348	-	369,020	467,775
Unallocated amounts					15,607
					<u>483,382</u>
Reversal of impairment in the consolidated income statement					
Write-back of inventories to net realisable value	-	-	-	(2,589)	(2,589)
Reversal of impairment of property, plant and equipment	(293,126)	-	-	(249,700)	(542,826)
Reversal of impairment of mining assets	-	(60,786)	-	-	(60,786)
Reversal of impairment of exploration, evaluation and development expenditures	-	(41,140)	-	-	(41,140)
Reversal of impairment of trade receivables	-	-	(739)	-	(739)
Provision of impairment in the consolidated income statement					
Provision for impairment of an associate					844,724
					<u>196,644</u>
Capital expenditure ¹	12,650	34,250	-	322,872	369,772
Unallocated amounts					477
					<u>370,249</u>
Additions to right-of-use assets	-	10,988	-	-	10,988

¹ Capital expenditure consists of additions to property, plant and equipment, mining assets and exploration, evaluation and development expenditures.

Notes to Financial Statements

4 Operating segment information (continued)

Year ended 31 December 2022	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,356,359	1,368,675	1,286,964	1,854,162	5,866,160
Other income, gains and losses, net	119,629	18,153	4,210	10,109	152,101
	1,475,988	1,386,828	1,291,174	1,864,271	6,018,261
Segment results	237,360	650,168	(2,402)	946,121	1,831,247
<i>Reconciliations:</i>					
Interest income and unallocated gains and losses, net					22,857
Unallocated expenses					(259,523)
Unallocated finance costs					(141,816)
Share of results of:					
An associate					102,398
A joint venture					320,147
Profit before tax					1,875,310
Segment assets	761,797	680,012	152,980	3,442,726	5,037,515
<i>Reconciliations:</i>					
Investment in an associate					2,784,400
Investment in a joint venture					2,374,903
Unallocated assets					2,242,749
Total assets					12,439,567
Segment liabilities	433,149	307,431	15,911	692,479	1,448,970
<i>Reconciliations:</i>					
Unallocated liabilities					3,224,909
Total liabilities					4,673,879

Notes to Financial Statements

4 Operating segment information (continued)

Year ended 31 December 2022	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Other segment information:					
Depreciation and amortisation	28,355	47,216	–	394,786	470,357
Unallocated amounts					16,028
					486,385
(Reversal of impairment)/impairment in the consolidated income statement					
Write-back of inventories to net realisable value, net	–	–	(54)	–	(54)
Reversal of impairment of property, plant and equipment	(31,200)	–	–	–	(31,200)
Reversal of impairment of trade receivables	–	–	(2,604)	–	(2,604)
(Reversal)/provision of impairment of other receivables	–	(8,755)	37,062	15,691	43,998
Unallocated amounts					69,860
					80,000
Capital expenditure ¹	28,511	46,790	–	345,165	420,466
Unallocated amounts					1,008
					421,474
Additions to right-of-use assets	–	20,911	–	1,224	22,135

¹ Capital expenditure consists of additions to property, plant and equipment, mining assets and exploration, evaluation and development expenditures.

Notes to Financial Statements

4 Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2023	2022
Mainland China	1,406,152	1,743,743
Australia	21,414	1,256,508
Europe	868,725	855,594
Other Asian countries	1,297,723	1,770,043
Others	231,563	240,272
	3,825,577	5,866,160

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

(b) Non-current assets

	2023	2022
Hong Kong	13,744	25,416
Mainland China	3,290,592	3,195,947
Australia	2,916,397	3,514,678
Kazakhstan	2,787,090	2,375,401
Other Asian countries	103,858	74,820
	9,111,681	9,186,262

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

Information about major customers

During the year, revenue of HK\$1,406,152,000 (2022: HK\$1,743,743,000) 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\$615,612,000 (2022: HK\$722,198,000) was derived from sales to a customer of the aluminium smelting segment, which amounted to more than 10% of the Group's revenue for the year.

Notes to Financial Statements

5 Revenue, other income, gains and losses, net

Revenue from contracts with customers

(a) Disaggregated revenue information

2023	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Geographical markets					
Mainland China	–	–	–	1,406,152	1,406,152
Australia	–	20,895	519	–	21,414
Europe	640,562	228,163	–	–	868,725
Other Asian countries	599,076	630,557	–	68,090	1,297,723
Others	–	231,563	–	–	231,563
Revenue from contracts with customers	1,239,638	1,111,178	519	1,474,242	3,825,577

2022	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Geographical markets					
Mainland China	–	–	–	1,743,743	1,743,743
Australia	–	20,670	1,235,838	–	1,256,508
Europe	722,198	133,396	–	–	855,594
Other Asian countries	619,073	1,040,551	–	110,419	1,770,043
Others	15,088	174,058	51,126	–	240,272
Revenue from contracts with customers	1,356,359	1,368,675	1,286,964	1,854,162	5,866,160

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, gains and losses, net (continued)

Revenue from contracts with customers (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.

Other income, gains and losses, net

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

	2023	2022
Interest income	73,917	42,489
Handling service fees	–	4,874
Sale of scrap	10,082	5,690
Loss on disposal of items of exploration, evaluation and development expenditures	(6,725)	–
(Loss)/gain on disposal of items of property, plant and equipment, net	(1,414)	262
Fair value gain on derivative financial instruments	–	96,127
Exchange losses, net	(6,592)	(18,062)
Others	33,388	43,578
	102,656	174,958

Notes to Financial Statements

6 Profit before tax

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

	Notes	2023	2022
Cost of inventories sold		2,824,203	4,031,373
Depreciation of property, plant and equipment		434,006	450,498
Depreciation of right-of-use assets	14(a)	34,488	27,631
Amortisation of mining assets	16	14,888	8,256
Lease payments not included in the measurement of lease liabilities	14(c)	6,434	6,201
Auditor's remuneration		7,524	7,987
Employee benefit expenses (including directors' remuneration (note 7)):			
Full time employees of the Group			
– Wages and salaries		173,759	200,675
– Pension cost – defined benefit plan		702	1,693
– Reversal for long-term employee benefits		(13,322)	(3,622)
		161,139	198,746
– Welfares		13,157	10,476
– Pension scheme contributions***		8,216	8,629
		182,512	217,851
Employees by PAS & CMJV		284,428	269,506
Subcontractor		60,780	55,680
Non-executive directors		1,970	1,970
		529,690	545,007
Loss/(gain) on disposal of items of property, plant and equipment, net		1,414	(262)
Loss on disposal of items of exploration, evaluation and development expenditures		6,725	–
Fair value loss on derivative financial instruments**		30,304	–
Fair value gain on derivative financial instruments		–	(96,127)
Exchange losses, net		6,592	18,062
Write-back of inventories to net realisable value**		(2,589)	(54)
Reversal of impairment of trade receivables		(739)	(2,604)
Reversal of impairment of mining assets**		(60,786)	–
Reversal of impairment of exploration, evaluation and development expenditures**		(41,140)	–
Reversal of impairment of property, plant and equipment**		(542,826)	(31,200)
Provision for impairment of goodwill**		–	24,682
Provision for impairment of an associate**		844,724	45,178
Provision for impairment of other receivables		–	43,998

* Cost of inventories sold for the year included an aggregate amount of HK\$825,714,000 (2022: HK\$680,296,000) which comprised employee benefit expenses of HK\$358,087,000 (2022: HK\$211,845,000), reversal of write-back of inventories to net realisable value of HK\$264,000 (2022: HK\$1,044,000) and depreciation and amortisation of HK\$464,774,000 (2022: HK\$467,352,000).

** Included in "Other expenses, net" in the consolidated income statement.

*** As at 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes for the future years (2022: Nil).

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.

(a) Independent non-executive directors

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

	2023	2022
Fan Ren Da, Anthony	570	570
Gao Pei Ji (note 1)	524	570
Look Andrew	540	540
Lu Dequan (note 2)	46	–
	1,680	1,680

Note 1: retired with effect from 1 December 2023

Note 2: appointed with effect from 1 December 2023

There were no other emoluments payable to the independent non-executive directors during the year 2022: Nil).

(b) Executive directors and non-executive director

	Fees	Salaries	Housing allowances	Bonuses	Pension scheme contributions	Total remuneration
2023						
Executive directors:						
Hao Weibao (note 1)	–	–	–	–	–	–
Sun Yufeng (note 2)	–	–	–	–	–	–
Wang Xinli (note 3)	–	112	2	112	5	231
	–	112	2	112	5	231
Non-executive director:						
Chan Kin	290	–	–	–	–	290
	290	112	2	112	5	521

Note 1: appointed with effect from 18 April 2023.

Note 2: resigned with effect from 18 April 2023.

Note 3: appointed with effect from 15 December 2023.

Except for directors' fee, the unpaid portion of the total emoluments for directors will be determined based on an evaluation to be conducted and finalised in 2024. Such emoluments, when finalised, will be disclosed on an individual name basis in the consolidated financial statements for the year ending 31 December 2024.

Notes to Financial Statements

7 Directors' remuneration (continued)

(b) Executive directors and non-executive director (continued)

	Fees	Salaries	Housing allowances	Bonuses	Pension scheme contributions	Total remuneration
2022						
Executive directors:						
Sun Yufeng (note 1)	-	1,800	298	-	230	2,328
Suo Zhengang (note 2)	218	1,953	267	1,832	245	4,515
	218	3,753	565	1,832	475	6,843
Non-executive director:						
Chan Kin	290	-	-	-	-	290
	508	3,753	565	1,832	475	7,133

Note 1: resigned with effect from 18 April 2023.

Note 2: retired with effect from 30 September 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration in 2023 (2022: same).

8 Five highest paid employees

The five highest paid employees during the year included one (2022: two) director and four (2022: three) non-director individuals. Details of the remuneration of the director are set out in note 7 to the Financial Statements while details of the remuneration of the non-director individuals are set out below:

	2023	2022
Non-director individuals		
Salaries	6,305	6,992
Bonuses	5,455	5,191
Pension scheme contributions	520	180
Housing allowances	147	-
Other benefits	3	-
	12,430	12,363

	Year ended 31 December	
	2023	2022
Number of non-director individuals by remuneration bands:		
HK\$1,000,001 – HK\$1,500,000	2	-
HK\$1,500,001 – HK\$2,000,000	-	-
HK\$2,000,001 – HK\$2,500,000	-	1
HK\$2,500,001 – HK\$3,000,000	-	-
HK\$3,000,001 – HK\$3,500,000	1	-
HK\$3,500,001 – HK\$4,000,000	-	-
HK\$4,000,001 – HK\$4,500,000	-	-
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$5,000,001 – HK\$5,500,000	-	1
	4	3

Notes to Financial Statements

9 Finance costs

An analysis of finance costs is as follows:

		2023	2022
Interest expense on bank and other borrowings	38(b)	136,195	113,589
Interest expense on lease liabilities	14(c)	1,564	1,770
		137,759	115,359
Other finance charges:			
Increase in discounted amounts of provisions arising from the passage of time	30	17,188	20,621
Others		7,816	5,836
		162,763	141,816

10 Income tax expense

		2023	2022
Current – Hong Kong		–	–
Current – Elsewhere			
Charge for the year		168,632	163,554
(Over)/underprovision in prior years		(349)	2,586
Deferred taxation		(90,356)	309,048
Total tax expense for the year		77,927	475,188

Assessable profits derived in Hong Kong is subject to a tax rate of 16.5% (2022:16.5%). No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year (2022: 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% (2022: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 25% (2022: 25%). 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% (2022: 15%).

Mainland China: The Group's subsidiaries registered in Mainland China were subject to corporate income tax at a rate of 25% (2022: 25%).

Kazakhstan: The Group's subsidiary incorporated in Kazakhstan was subject to corporate income tax at the rate of 20% (2022: 20%).

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 income tax expense at the Group's effective tax rate is as follows:

	2023	2022
Profit before tax	696,760	1,875,310
Profits attributable to an associate and a joint venture	(285,834)	(422,545)
	410,926	1,452,765
Tax at the Hong Kong statutory tax rate of 16.5% (2022: 16.5%)	67,803	239,706
Effect of different taxation rates in other jurisdictions	16,785	194,151
Underprovision in prior years	57	2,587
Effect of non-taxable income	(4,656)	(4,125)
Effect of non-deductible expenses	56,797	89,532
Temporary differences not recognised	(9,725)	(7,922)
Recognition/utilisation of previously unrecognised temporary differences/tax losses	(49,134)	(38,741)
Income tax expense	77,927	475,188

Deferred tax assets have not been recognised in respect of tax losses because it has 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.

The Group is within the scope of the OECD Pillar Two model rules. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion Proposal ("GloBE") effective tax rate for each jurisdiction and the 15% minimum rate. All entities within the Group have an effective tax rate that exceeds 15%.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications.

11 Dividend

	2023	2022
Proposed final dividend of HK2.50 cents (2022: HK6.00 cents) per ordinary share	196,443	471,464

The proposed final dividend for the year is subject to the approval of shareholders at the forthcoming annual general meeting of the Company.

Notes to Financial Statements

12 Earnings per share attributable to ordinary shareholders of the Company

The calculation of the basic earnings per share amount was based on the profit for the year attributable to ordinary shareholders of the Company of HK\$551,803,000 (2022: HK\$1,335,537,000) and the weighted average number of ordinary shares in issue during the year, which was 7,857,727,149 (2022: 7,857,727,149) shares.

The Group had no potentially dilutive ordinary shares in issue during 2023 (2022: same).

13 Property, plant and equipment

2023	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 2023	10,642,575	9,369	11,447	1,915,257	26,135	782,820	125,406	93,737	13,606,746
Change in provision for abandonment cost	(24,598)	-	-	-	-	-	-	-	(24,598)
Change in provision for rehabilitation cost	-	-	-	(6,162)	-	12,570	-	-	6,408
Additions	1,457	-	-	48,853	195	42	-	321,409	371,956
Disposals/write-off	-	-	(1,174)	(8,392)	-	(66)	-	-	(9,632)
Transfers	304,453	-	-	11,356	-	44,665	(55,321)	(305,153)	-
Exchange realignment	(216,388)	-	(46)	(3,971)	(216)	(469)	-	(2,194)	(223,284)
At 31 December 2023	10,707,499	9,369	10,227	1,956,941	26,114	839,562	70,085	107,799	13,727,596
Accumulated depreciation and impairment:									
At 1 January 2023	7,594,999	-	7,857	1,723,651	22,909	614,446	41,580	-	10,005,442
Depreciation provided during the year	364,842	-	1,794	47,608	1,190	18,572	-	-	434,006
Disposals/write-off	-	-	(1,174)	(3,103)	-	(52)	-	-	(4,329)
Reversal of impairment	(249,700)	-	-	(234,501)	-	(58,625)	-	-	(542,826)
Exchange realignment	(149,872)	-	(46)	(2,576)	(58)	(200)	-	-	(152,752)
At 31 December 2023	7,560,269	-	8,431	1,531,079	24,041	574,141	41,580	-	9,739,541
Net carrying amount:									
At 31 December 2023	3,147,230	9,369	1,796	425,862	2,073	265,421	28,505	107,799	3,988,055

Notes to Financial Statements

13 Property, plant and equipment (continued)

2022	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 2022	10,525,640	9,369	11,447	1,911,526	25,908	788,423	71,981	456,526	13,800,820
Change in provision for rehabilitation cost	-	-	-	(8,334)	-	(7,075)	-	-	(15,409)
Change in provision for abandonment cost	33,910	-	-	-	-	-	-	-	33,910
Additions	-	-	-	19,026	348	3,085	53,425	344,868	420,752
Disposals/write-off	-	-	-	(5,678)	(57)	(224)	-	-	(5,959)
Transfers	669,799	-	-	385	-	-	-	(670,184)	-
Exchange realignment	(586,774)	-	-	(1,668)	(64)	(1,389)	-	(37,473)	(627,368)
At 31 December 2022	10,642,575	9,369	11,447	1,915,257	26,135	782,820	125,406	93,737	13,606,746
Accumulated depreciation and impairment:									
At 1 January 2022	7,471,820	-	6,063	1,688,608	21,167	632,550	41,580	100,260	9,962,048
Depreciation provided during the year	390,563	-	1,794	47,932	1,873	8,403	-	-	450,565
Disposals/write-off	-	-	-	(5,056)	(11)	(161)	-	-	(5,228)
Transfers	100,260	-	-	-	-	-	-	(100,260)	-
Reversal of impairment	-	-	-	(6,240)	-	(24,960)	-	-	(31,200)
Exchange realignment	(367,644)	-	-	(1,593)	(120)	(1,386)	-	-	(370,743)
At 31 December 2022	7,594,999	-	7,857	1,723,651	22,909	614,446	41,580	-	10,005,442
Net carrying amount:									
At 31 December 2022	3,047,576	9,369	3,590	191,606	3,226	168,374	83,826	93,737	3,601,304

For those property, plant and equipment held by the Group with reversal indicators exist, the Group estimated the recoverable amounts. Significant management's judgments and assumptions are required to estimate the recoverable amounts. The recoverable amounts are estimated taking into consideration of the forecast crude oil and aluminium prices, forecast costs, forecast production volumes, and discount rates.

Based on the assessment on the recoverable amounts performed by management, the Group recognised a reversal of impairment loss of property, plant and equipment held by the Group of approximately HK\$542,826,000.

The estimate of the recoverable amount of the property, plant and equipment of the PAS and the oil and gas properties of the Hainan-Yuedong Block was determined based on a value in use calculation, using a discounted cash flow model. Future cash flows were adjusted for risks specific to these assets and discounted using a pre-tax discount rate of 12.21% in respect of the PAS and 16.64% in respect of the Hainan-Yuedong Block for the year.

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 7 years, while plant and machinery generally have lease terms between 2 and 5 years. The Group has applied the short-term lease exemption to its three 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:

	Leasehold land	Buildings	Plant and machinery	Total
As at 31 December 2021 and 1 January 2022	12,959	44,677	25,487	83,123
Additions	–	18,744	3,391	22,135
Disposal	–	(355)	–	(355)
Remeasurement	–	123	–	123
Depreciation charge	(1,220)	(18,207)	(8,204)	(27,631)
Exchange realignment	(964)	(516)	–	(1,480)
As at 31 December 2022 and 1 January 2023	10,775	44,466	20,674	75,915
Additions	–	5,511	5,477	10,988
Disposal	–	–	(6,019)	(6,019)
Remeasurement	–	3,012	–	3,012
Depreciation charge	(1,171)	(29,055)	(4,262)	(34,488)
Exchange realignment	(277)	(128)	–	(405)
As at 31 December 2023	9,327	23,806	15,870	49,003

Notes to Financial Statements

14 Leases (continued)

(b) Lease liabilities

The carrying amount of lease liabilities as at 31 December 2023 and 2022 are as follows:

	2023	2022
Current portion	24,663	30,709
Non-current portion	16,196	30,898

The maturity analysis of lease liabilities is disclosed in note 41 to the Financial Statements.

(c) The amounts recognised in consolidated income statement in relation to leases are as follows:

	2023	2022
Interest on lease liabilities	1,564	1,770
Depreciation of right-of-use assets	34,488	27,631
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in cost of sales and general and administrative expenses)	6,434	6,201

15 Goodwill

	2023	2022
Cost:		
At 1 January and 31 December	341,512	341,512
Accumulated impairment:		
At 1 January	341,512	316,830
Impairment provided during the year	–	24,682
At 31 December	341,512	341,512
Net carrying amount:		
At 31 December	–	–

Notes to Financial Statements

15 Goodwill (continued)

Impairment testing of goodwill

Prior to 31 December 2022, the Group's goodwill was related to its import and export of commodities cash-generating unit which is a reportable segment. In 2022, 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%.

As at 31 December 2022, goodwill of HK\$24,682,000 was fully impaired as a result of the cessation of steel business.

16 Mining assets

	2023	2022
Cost:		
At 1 January	913,712	828,100
Additions	6,929	222
Transfer from exploration, evaluation and development expenditures (note 17)	–	85,390
At 31 December	920,641	913,712
Accumulated amortisation and impairment:		
At 1 January	724,307	716,051
Amortisation provided during the year	14,888	8,256
Reversal of impairment during the year	(60,786)	–
At 31 December	678,409	724,307
Net carrying amount:		
At 31 December	242,232	189,405

For those mining assets held by the Group with reversal indicators exist, the Group estimated the recoverable amounts. Significant management's judgments and assumptions are required to estimate the recoverable amounts. The recoverable amounts are estimated taking into consideration of the forecast coal prices, forecast costs, forecast production volumes, and discount rates.

Based on the assessment on the recoverable amounts performed by management, the Group recognised a reversal of impairment loss of mining assets held by the Group of approximately HK\$60,786,000.

Notes to Financial Statements

17 Exploration, evaluation and development expenditures

	2023	2022
Cost:		
At 1 January	80,834	173,910
Additions	420	500
Transfer to mining assets (Note 16)	–	(85,390)
Written off	–	(8,186)
Disposal	(19,378)	–
At 31 December	61,876	80,834
Accumulated amortisation and impairment:		
At 1 January	53,097	61,283
Reversal of impairment during the year	(41,140)	–
Written off	–	(8,186)
Disposal	(11,957)	–
At 31 December	–	53,097
Net carrying amount:		
At 31 December	61,876	27,737

For those exploration, evaluation and development expenditures held by the Group with reversal indicators exist, the Group estimated the recoverable amounts. Significant management's judgments and assumptions are required to estimate the recoverable amounts. The recoverable amounts are estimated taking into consideration of the forecast coal prices, forecast costs, forecast production volumes, and discount rates.

Based on the assessment on the recoverable amounts performed by management, the Group recognised a reversal of impairment loss of exploration, evaluation and development expenditures held by the Group of approximately HK\$41,140,000.

Notes to Financial Statements

18 Investments in joint operations

As at 31 December 2023 and 2022, the Group had interests in the following joint operations:

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

19 Interests in other contractual arrangements

As at 31 December 2023 and 2022, 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) 15% participating interest in the West Walker operations; and
- (g) 13.335% participating interest in the West/North Burton operations.

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

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:

	2023	2022
Non-current assets	2,573,128	2,561,747
Current assets	382,806	321,634
Current liabilities	(132,304)	(168,770)
Non-current liabilities	(242,110)	(240,916)

The Group is committed to a total of HK\$6,810,000 (2022: HK\$4,547,000) in plant and equipment and exploration projects.

Notes to Financial Statements

19 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:

	2023	2022
Non-current assets	893,412	899,696
Current assets	147,021	143,689
Current liabilities	(135,635)	(179,605)
Non-current liabilities	(136,645)	(128,124)
Proportionate share of combined net assets employed in the remaining contractual arrangements	768,153	735,656

The Group is committed to a total of HK\$4,436,000 (2022: HK\$11,099,000) in plant and equipment and exploration projects.

20 Investment in an associate

	2023	2022
Share of net assets	1,821,296	2,784,400

Particulars of the Group's associate as at 31 December 2023 and 2022 were as follows:

Name	Place of incorporation/operation	Issued ordinary share capital	Percentage of equity interest attributable to the Group		Principal activity
			2023	2022	
AWC (note 3b)	Australia/Australia	US\$2,706,700,000	9.6117	9.6117	Investment holding

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

AWC, an 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.

Notes to Financial Statements

20 Investment in an associate (continued)

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 Financial Statements:

	2023	2022
Current assets	31,980	37,440
Non-current assets	21,266,120	29,815,161
Current liabilities	(28,080)	(10,140)
Non-current liabilities	(2,321,280)	(873,600)
Net assets	18,948,740	28,968,861
Reconciliation to the Group's investment in an associate:		
Proportion of ownership	9.6117%	9.6117%
Proportionate share of net assets and carrying amount	1,821,296	2,784,400
Market value of the Group's investment	1,517,880	2,240,160

	2023	2022
Revenue	3,900	5,460
(Loss)/profit for the year	(1,170,780)	811,200
Other comprehensive income/(loss) for the year	263,640	(295,620)
Dividend received by the Group	–	152,279

The market value of the Group's investment in AWC is HK\$1,517,880,000 based on the closing share price of A\$0.91/share (2022: HK\$2,240,160,000 at A\$1.52/share) at 31 December 2023. In view of the decrease in the market value of the investment during the year, management performed an assessment to determine the recoverable value of the asset on the balance sheet date.

In assessing the recoverable value of the asset, management have adopted the volume weighted average share price of the investment at A\$1.02/share (2022:A\$1.57/share) and a price premium of 20%. The volume weighted average share price was calculated over a 4 week period across the balance sheet date. A price premium is included given the size of the shareholding held, the additional voting rights and board seat granted to the Company in relation to the investment. The price premium is determined based on an external study of comparable sales transactions of shareholdings between 15% to 20% in developed economies over the last 5 years.

Based on the above, a provision for impairment of HK\$844,724,000 (2022: HK\$45,178,000) was recorded as at 31 December 2023.

Notes to Financial Statements

20 Investment in an associate (continued)

Note 1:

The Australian Taxation Office (ATO) has undertaken a transfer pricing examination in respect of certain historical third-party alumina sales made by Alcoa of Australia Limited (AoA) over a 20-year period. AWC's exposure to any additional taxes, interest and penalties are carried through its 40% ownership of AoA through AWAC. In the year 2020, AoA issued Notices of Assessment (the Notices) asserting claims for additional income tax payable of approximately A\$214 million and claims for compounded interest on the primary tax amount totalling approximately A\$707 million. The ATO also issued a position paper with its preliminary view on the imposition of administrative penalties related to the tax assessment, which proposed penalties of approximately A\$128 million.

Subsequent to the receipt of the Notices and in accordance with the ATO's dispute resolution practices, AoA paid 50% of the assessed primary income tax amount (exclusive of interest and any penalties), being approximately A\$107 million, out of cash flows. In exchange, the ATO will not seek further payment prior to final resolution of the matter. AoA disagreed with the Notices and had also lodged formal objections and various submissions to the ATO proposing that the interest amount should be remitted and no penalties should be payable. To date, AoA has not received a determination from the objections team on the Notices, nor has it received a response to its submissions to ATO on the interest and penalties.

In 2022, AoA submitted statutory notices to the ATO requiring the ATO to make decisions on AoA's objections within a 60-day period. The ATO then issued its decision disallowing AoA's objections related to the income tax assessment, while the position on penalties and interest remains outstanding. Following which, AoA filed proceedings in the Australian Administrative Appeals Tribunal (AAT) against the ATO to contest the Notices, a process which could last several years. The AAT held the first directions hearing in 2022 ordering AoA and ATO to file its evidence and related materials. AoA filed its evidence and related materials on 4 November 2022. The ATO filed its evidence on 13 November 2023, after seeking and being granted a series of extensions. AoA must file reply evidence by 15 March 2024. The matter is listed for hearing before AAT from 3 to 28 June 2024.

AoA's obligation to make any further payment of the primary tax amount, or payment of any penalty or interest amount, will be determined through the objection and court processes available to AoA. If AoA is ultimately fully successful, the 50%-part payment to the ATO would be refunded. Further interest on the unpaid amounts will continue to accrue during the dispute. AWC understands that AoA will defend its position in respect of the ATO's Notices and any penalties imposed.

There are other potential obligations due to the various lawsuits and claims and proceedings which have been, or may be, instituted or asserted against entities within AWAC, including those pertaining to environmental, safety and health and tax matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Therefore, it is possible that the results of operations or liquidity in a particular period could be materially affected by certain contingencies.

Note 2:

On 8 January 2024, AoA announced plans to fully curtail the Kwinana refinery in Western Australia ("**WA**"), beginning in the second quarter of 2024. Provision for the restructuring costs as a result of the curtailment will be reflected in the AWAC's financial statements in the first quarter of 2024.

On 26 February 2024, AWC has received a non-binding, indicative and conditional proposal from AoA to acquire 100% of the ordinary shares on issue in AWC via a scheme of arrangement, for scrip consideration of 0.02854 shares of AoA common stock for each AWC share. AWC has entered into a Transaction Process and Exclusivity Deed with AoA, which grants AoA a 20 business day period of exclusivity.

On 12 March 2024, AWC announced that it has entered into a Scheme Implementation Deed ("**SID**") with AoA in relation to a proposal for AoA to acquire 100% of the fully paid ordinary shares in AWC by way of a scheme of arrangement ("**the Transaction**"). If the Transaction is approved by AWC shareholders and the other conditions precedent are satisfied or waived, the Scheme is expected to be implemented by 3Q 2024.

Notes to Financial Statements

21 Investment in a joint venture

	2023	2022
Share of net assets	2,786,632	2,374,903

Particulars of the Group's joint venture as at 31 December 2023 and 2022 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 crude oil, production and sale of road bitumen and clarified oil, and provision of oilfield related services in Kazakhstan.

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:

	2023	2022
Cash and cash equivalents	152,865	492,043
Other current assets	1,519,149	1,035,641
Current assets	1,672,014	1,527,684
Non-current assets	7,755,167	7,274,211
Financial liabilities, excluding accounts payable and other payables	(533,041)	(743,615)
Other current liabilities	(990,844)	(597,396)
Current liabilities	(1,523,885)	(1,341,011)
Non-current financial liabilities, excluding accounts payable, other payables and provisions	(600,047)	(1,078,238)
Other non-current liabilities	(1,450,085)	(1,390,145)
Non-current liabilities	(2,050,132)	(2,468,383)
Net assets	5,853,164	4,992,501
Non-controlling interests	(279,900)	(242,696)
	5,573,264	4,749,805
Reconciliation to the Group's investment in a joint venture:		
Proportion of ownership	50%	50%
Proportionate share of net assets and carrying amount	2,786,632	2,374,903

Notes to Financial Statements

21 Investment in a joint venture (continued)

	Year ended 31 December	
	2023	2022
Revenue	7,148,869	8,074,985
Interest income	24,941	21,570
Depreciation and amortisation	(772,373)	(766,143)
Reversal of impairment of property, plant and equipment	531,973	–
Interest expense	(138,009)	(126,850)
Income tax expense	(379,711)	(341,280)
Profit for the year attributable to:		
Shareholders of CCEL	796,714	640,293
Non-controlling interests of CCEL	36,708	35,066
Other comprehensive profit/(loss) attributable to:		
Shareholders of CCEL	26,746	(38,018)
Non-controlling interests of CCEL	889	(9,255)

Note 1:

In February 2023, KBM received the final tax audit results from the local tax authority in Kazakhstan, claiming for tax payment, penalties and late charges in the aggregate amount of approximately KZT39,100,000,000 (equivalent to approximately US\$83,190,000) (the "Audited Tax Claims"). The Company has been informed that, having considered the advice from its legal counsel and tax advisor, KBM refutes the majority of the Audited Tax Claims primarily relating to the withholding tax on dividends paid to CCPL and the deductibility of certain fees and interests incurred by KBM. The disputed amount of the Audited Tax Claims in aggregate is approximately KZT37,400,000,000 (equivalent to approximately US\$79,570,000). KBM has been working with its legal and tax advisers for initiating the procedures of administrative review against the final tax audit results. On 1 December 2023, it has been brought to the Company's attention that the Ministry of Finance of the Republic of Kazakhstan has issued the final results of the administrative review, and has decided to substantially waive and reduce the Audited Tax Claims from approximately KZT39,100,000,000 (equivalent to approximately US\$83,190,000) to approximately KZT1,570,000,000 (equivalent to approximately US\$3,340,000) (the "Remaining Disputed Amount"). KBM made an appeal to the Specialised Interdistrict Administrative Court of Astana for the Remaining Disputed Amount but the appeal was concluded and KBM is considering making a further appeal as at the date of this report.

Note 2:

For those property, plant and equipment held by the Group's joint venture with reversal indicators exist, the Group estimated the recoverable amounts. Significant management's judgments and assumptions are required to estimate the recoverable amounts. The recoverable amounts are estimated taking into consideration of the forecast crude oil prices, forecast costs, forecast production volumes, and discount rates.

Based on the assessment on the recoverable amounts performed by management, the Group recognised a reversal of impairment loss of property, plant and equipment held by the Group's joint venture of approximately HK\$265,987,000.

The estimate of the recoverable amount of the property, plant and equipment of CCEL was determined based on a value in use calculation, using a discounted cash flow model. Future cash flows were adjusted for risks specific to these assets and discounted using a pre-tax discount rate of 14.96% in respect of the CCEL for the year.

Notes to Financial Statements

22 Prepayments, deposits and other receivables

	2023	2022
Prepayments	20,984	32,637
Deposits and other receivables	182,488	157,530
	203,472	190,167
Impairment allowance	(55,072)	(55,072)
	148,400	135,095
Portion classified as current assets	(104,310)	(105,469)
Non-current portion	44,090	29,626

Included in the Group's other receivables was an amount due from CCEL of HK\$12,426,000 (2022: HK\$12,426,000), which was interest free and repayable on demand.

At 31 December 2023, other receivables of HK\$55,072,000 (2022: HK\$55,072,000) were impaired and fully provided. The amount of HK\$nil was written off during the year ended 31 December 2023 (2022: HK\$13,773,000).

The carrying amounts of deposits and other receivables approximate their fair value.

The carrying amounts of the Group's deposits and other receivables are mainly denominated in Australian dollars and Renminbi which accounted for 58% (2022: 47%) and 14% (2022: 21%) respectively.

23 Inventories

	2023	2022
Raw materials	203,742	229,239
Work in progress	45,345	26,365
Finished goods	186,774	304,853
	435,861	560,457

Notes to Financial Statements

24 Trade receivables

	2023	2022
Trade receivables	239,688	301,985
Impairment	–	(4,627)
	239,688	297,358

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:

	2023	2022
Within one month	234,367	143,098
One to two months	5,321	212
Two to three months	–	85,617
Over three months	–	68,431
	239,688	297,358

The carrying amount of the Group's trade receivables are mainly denominated in Australian dollars which accounted for 61% (2022: 55%) and 23% are denominated in US dollars (2022: 28%).

Movements in the loss allowance of trade receivables are as follows:

	2023	2022
At 1 January	4,627	7,831
Reversal of impairment	(739)	(2,604)
Amount written off as uncollectible	(3,836)	(156)
Exchange realignment	(52)	(444)
At 31 December	–	4,627

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 there is no reasonable expectation of recovery.

Notes to Financial Statements

24 Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	31 December 2023		
	Expected credit loss rate	Gross carrying amount	Expected credit loss
Current	–	234,367	–
Less than 3 months past due	–	5,321	–
Over 3 months past due	–	–	–
	–	239,688	–

	31 December 2022		
	Expected credit loss rate	Gross carrying amount	Expected credit loss
Current	0.26%	277,313	719
Less than 3 months past due	2.50%	21,297	533
Over 3 months past due	100%	3,375	3,375
	1.53%	301,985	4,627

25 Derivative financial instruments

	2023 Assets	2022 Assets
EHA3	72,691	102,995

A component of the cash flows under the EHA3 are linked to variability in the London Metal Exchange aluminium prices and foreign exchange rate. The future cash flows of the hedge are revalued using the forward market electricity prices, forecast aluminium prices and foreign exchange rates. These cash flows are then discounted to the net present value using a discount rate that reflects the credit risk of the hedge counterparty. The movement in the fair value of the EHA3 is recognised under in the consolidated income statement.

Notes to Financial Statements

25 Derivative financial instruments (continued)

Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 41.

26 Cash and deposits

	Note	2023	2022
Cash and bank balances		493,578	707,948
Time deposits		384,144	361,346
		877,722	1,069,294
Less: Time deposit with original maturity more than one year	(a)	(118,497)	(102,972)
Cash and cash equivalents		759,225	966,322
Deposits with a fellow subsidiary	(b)	724,591	1,163,881
Cash and deposits		1,483,816	2,130,203

Notes:

- (a) Balance represented non-pledged time deposit with original maturity more than one year, which was set aside for abandonment cost.
- (b) The deposits made to CITIC Finance International Limited, a fellow subsidiary of the Company's ultimate holding company. The deposits are unsecured, interest-bearing at market rates ranging from 2.78% to 5.69% and for balance of HK\$498,391,000, HK\$156,000,000 and HK\$70,200,000 which is withdrawable in January 2024, February 2024 and March 2024 respectively.

The bank balances and time deposits are placed with creditworthy banks with no recent history of default.

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\$201,318,000 and HK\$22,000 (2022: HK\$543,978,000 and HK\$12,000), 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.

Notes to Financial Statements

27 Accounts payable

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

	2023	2022
Within one month	242,729	106,895
One to three months	–	–
Over three months	–	4
	242,729	106,899

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

The carrying amounts of trade payables approximate their fair value.

The carrying amounts of the Group's trade payables are primarily denominated in Australian dollars and Renminbi representing 60% (2022: 51%) and 38% (2022: 45%) of the total balance, respectively.

28 Accrued liabilities and other payables

	2023	2022
Other payables	181,521	291,476
Accrued liabilities	424,505	577,797
	606,026	869,273

Note:

In 2023, included in the balance of other payables and accrued liabilities were construction expenses of HK\$154,670,000 (2022: HK\$207,733,000) and accrued production cost of HK\$30,291,000 (2022: HK\$44,650,000).

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

The carrying amounts of accrued liabilities and other payable approximate their fair values.

The carrying amounts of the Group's other payables are primarily denominated in Renminbi and Australian dollars, representing 38% (2022: 38%) and 28% (2022: 36%) of the total balance, respectively.

Notes to Financial Statements

29 Bank and other borrowings

	Notes	2023	2022
Bank borrowings – unsecured	(a)	1,009,880	1,412,806
Other borrowing – unsecured	(b)	780,000	1,170,000
		1,789,880	2,582,806

Notes:

- (a) As at 31 December 2023, the bank borrowings included:
- (i) a bank loan of HK\$350,000,000, which is interest-bearing at Chicago Mercantile Exchange Term Secured Overnight Financing Rate (“CME Term SOFR”) plus margin per annum, repayable in 2024.
 - (ii) bank loans denominated totalling US\$84,600,000 (HK\$659,880,000), which are loans obtained from a subsidiary of Company’s ultimate holding company, and interest-bearing at CME Term SOFR plus margin per annum, repayable in 2026.
- (b) The other borrowing US\$100,000,000 (HK\$780,000,000), obtained from a subsidiary of the Company’s ultimate holding company, which is interest-bearing at CME Term SOFR plus margin per annum, repayable in 2025.

	2023	2022
Bank loans repayable:		
Within one year	350,000	96,166
In the second year	–	1,316,640
In the third to fifth years, inclusive	659,880	–
	1,009,880	1,412,806
Other borrowing repayable:		
In the second year	780,000	1,170,000
Total bank and other borrowings	1,789,880	2,582,806
Current portion	(350,000)	(96,166)
Non-current portion	1,439,880	2,486,640

At 31 December 2023, 80% (2022: 96%) of the Group’s bank and other borrowings are denominated in US dollars and nil (2022: 4%) are denominated in Australian dollars.

Notes to Financial Statements

30 Provisions

	2023	2022
At 1 January	608,532	620,996
Remeasurement		
– to profit or loss	13,403	(9,348)
– to property, plant and equipment	(18,190)	18,501
Increase in discounted amounts of provisions arising from the passage of time	17,188	20,621
Exchange realignment	(4,638)	(42,238)
At 31 December	616,295	608,532
Current portion	(11,531)	(75)
Non-current portion	604,764	608,457

As at 31 December 2023, balance included the provision for rehabilitation cost of HK\$377,467,000 (2022: HK\$344,336,000) and provision of abandonment cost of HK\$238,828,000 (2022: HK\$264,196,000).

The provision for rehabilitation cost represents the estimated costs of rehabilitation relating to the areas disturbed during the operation of PAS and its coal mines in Australia at the end of their useful lives up to 2035 (2022: 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

31 Provision for long-term employee benefits

	2023	2022
At 1 January	56,755	66,586
Reversal	(13,322)	(3,622)
Re-measurement loss/(gain) on defined benefit plan (note (a))	4,607	(2,722)
Transfer to pension assets	4,704	–
Exchange realignment	3,341	(3,487)
At 31 December	56,085	56,755
Current Portion	(32,120)	(41,487)
Non-current portion	23,965	15,268

Note (a):

The provision for long-term employee benefits represents the estimated future payments in respect of past services provided by employees in Australia. 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.

Defined benefit assets of HK\$10,086,000 were included in the provision for long-term employee benefits in 2022.

	2023			2022		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
As at 1 January	45,973	(56,059)	(10,086)	59,124	(68,795)	(9,671)
Current service cost	1,232	–	1,232	2,044	–	2,044
Interest expense/(income)	1,880	(2,410)	(530)	1,123	(1,474)	(351)
Total amount recognised in consolidated income statement	3,112	(2,410)	702	3,167	(1,474)	1,693
Remeasurements						
Return on plan assets, excluding amounts included in interest/(income)	–	328	328	–	1,084	1,084
Loss/(gain) from change in financial assumptions	2,855	–	2,855	(6,318)	–	(6,318)
Actuarial losses arising from liability experience	1,424	–	1,424	2,511	–	2,511
Total amount recognised in other comprehensive income	4,279	328	4,607	(3,807)	1,084	(2,723)
Exchange differences	979	248	1,227	(3,401)	4,359	958
Contributions:						
Employers	–	(1,154)	(1,154)	–	(343)	(343)
Plan participants	460	(460)	–	624	(624)	–
Payments from plan:						
Benefit payments	(5,998)	5,998	–	(9,399)	9,399	–
Taxes, premiums and expenses paid	(601)	601	–	(335)	335	–
As at 31 December	48,204	(52,908)	(4,704)	45,973	(56,059)	(10,086)

Notes to Financial Statements

31 Provision for long-term employee benefits (continued)

The Group operates a defined benefit plan for its employees in Australia. The obligation calculated under the Australia DBP is the sum of the discounted value of the accrued liabilities for members of the defined benefit plan. The calculation is performed by Timothy Simon Jenkins of Mercer Consulting (Australia) Pty Ltd, a fellow member of the Institute of Actuaries of Australia and is fully qualified under the Australian laws and regulations.

The Australia DBP is administered by an independent trustee and was funded to 116% of the Group's obligation to the employees pursuant to the obligation stated in the Australia Actuary Report. The valuation revealed that the assets of the Australia DBP were sufficient to cover the aggregate vested liabilities as at the valuation date.

The total assets disclosed above relates to funded plans as follows:

	2023	2022
Present value of funded obligations	48,204	45,973
Fair value of plan assets	(52,908)	(56,059)
Total surplus in defined benefit pension plans	(4,704)	(10,086)

The significant actuarial assumptions were as follows:

	2023	2022
Discount rate	5.08%	2.46%
Salary growth rate	3.00%	2.50%

Notes to Financial Statements

31 Provision for long-term employee benefits (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption		Impact on defined benefit obligation				
			Increase in assumption		Decrease in assumption		
			2023	2022	2023	2022	
Discount rate	0.50%	Decrease by	1,209	1,186	Increase by	1,271	1,240
Salary growth rate	0.50%	Increase by	975	967	Decrease by	944	928

The Group accounts for its interest held with respect to defined benefits provided to certain of the employees at the Portland Aluminium Smelter.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section is closed to new members. All new members receive only defined contribution, accumulation style benefits.

Categories of Plan Assets

Asset category	2023	2022
Cash and cash equivalents	8,798	9,485
Equity securities	11,373	13,034
Debt securities	13,767	14,516
Real estate	3,791	4,454
Private equity funds	2,792	2,300
Infrastructure	4,766	4,337
Structured debt	7,621	7,933
Total	52,908	56,059

Notes to Financial Statements

32 Deferred tax

The movements in the Group's deferred tax assets and liabilities during the years ended 31 December 2023 and 2022 were as follows:

2023 Deferred tax assets	Accrual of expenses	Tax losses available for offsetting against future taxable profits	Investment in an associate	Hedge revaluation reserve	Total
At 1 January	166,569	91,775	–	21,919	280,263
(Charged)/credited					
– to profit and loss	(959)	(51,152)	269,124	–	217,013
– to other comprehensive income	–	–	1,757	–	1,757
At 31 December	165,610	40,623	270,881	21,919	499,033

2023 Deferred tax liabilities	Property, plant and equipment and provision for impairment	Exploration, evaluation and development costs	Investment in an associate	Employee defined benefit reserve	Others	Total
At 1 January	(329,944)	(62,158)	(18,049)	(16,974)	(125,186)	(552,311)
(Charged)/credited						
– to profit and loss	(68,660)	(25,646)	18,049	–	(50,400)	(126,657)
– to other comprehensive income	–	–	–	1,382	–	1,382
Exchange	10,266	–	–	–	–	10,266
At 31 December	(388,338)	(87,804)	–	(15,592)	(175,586)	(667,320)

Notes to Financial Statements

32 Deferred tax (continued)

2022 Deferred tax assets	Accrual of expenses	Tax losses available for offsetting against future taxable profits	Hedge revaluation reserve	Total
At 1 January	128,474	364,411	20,119	513,004
(Charged)/credited				
– to profit and loss	38,095	(348,564)	–	(310,469)
– to other comprehensive income	–	78,273	1,800	80,073
Exchange	–	(2,345)	–	(2,345)
At 31 December	166,569	91,775	21,919	280,263

2022 Deferred tax liabilities	Property, plant and equipment and provision for impairment	Exploration, evaluation and development costs	Investment in an associate	Employee defined benefit reserve	Others	Total
At 1 January	(284,991)	(172,372)	(50,661)	(16,157)	(57,008)	(581,189)
(Charged)/credited						
– to profit and loss	(71,413)	110,214	28,517	–	(65,897)	1,421
– to other comprehensive income	–	–	4,095	(817)	–	3,278
Exchange	26,460	–	–	–	(2,281)	24,179
At 31 December	(329,944)	(62,158)	(18,049)	(16,974)	(125,186)	(552,311)

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:

	2023	2022
Net deferred tax assets recognised in the consolidated statement of financial position	171,640	56,823
Net deferred tax liabilities recognised in the consolidated statement of financial position	339,927	328,871

Notes to Financial Statements

33 Issued capital

Shares

	2023	2022
Authorised: 10,000,000,000 (2022: 10,000,000,000) ordinary shares of HK\$0.05 each	500,000	500,000
Issued and fully paid: 7,857,727,149 (2022: 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 34 to the Financial Statements.

34 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) **Purposes:** The purposes of the New Scheme are 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 of the Company; 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 any employee (whether full-time or part-time), director, consultant, business associate (such as, but not limited to, suppliers of goods or services to the Group or customers of the Group) or adviser of the Group.
- (c) **Total number of shares available for issue:** The total number of shares of the Company which may be issued upon the exercise of all options granted under the New Scheme and any other schemes of the Company shall not exceed 786,852,714 shares of the Company (representing 10% of the total number of shares of the Company in issue as at the date of adoption of the New Scheme being 7,868,527,149 shares).
- (d) **Maximum entitlement of each eligible person:** Unless approved by the shareholders of the Company in general meeting (with such eligible person and his associate abstaining from voting), the total number of shares of the Company 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.
- (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) **Consideration payable for application or acceptance of option:** No consideration will be payable by an eligible person upon acceptance of an option.
- (h) **Exercise price:** The exercise price payable for each share of the Company under an option 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.
- (i) **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.

Notes to Financial Statements

35 Reserves

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 CA Trading Holding Pty Limited.

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

The defined benefit reserve represents the actuarial valuation of the employee defined benefit assets. The unrealised gains/losses are recognised in equity and will only be realised to the consolidated income statement upon winding up of the assets for the purpose of repayment to the employees.

36 Litigation

In April 2020, Weihai City Commercial Bank Co., Ltd. ("**Weihai Bank**") commenced three claims (the "Claims") in the People's High Court of Shandong Province against, amongst others, a wholly-owned subsidiary of the Company, CA Commodity Trading Pty Ltd ("**CACT**"). The Claims relate to three letters of credit (US\$ 28.4 million) issued in favour of CACT as payment for the sale by CACT to Qingdao Decheng Minerals Co., Ltd. of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. Weihai Bank had arranged for the issuance of the letter of credits as payment on behalf of Decheng; it subsequently disputed the authenticity of the warehouse receipts for the aluminium stored at the bonded warehouses at Qingdao Port.

In December 2020, the People's High Court of Shandong Province ("**Shandong Court**") issued a First Instance Judgment and ruled 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. Weihai subsequently submitted an appeal to the Supreme Court of the People's Republic of China ("**SPC**"), appealing against the decision of the Shandong Court.

On 12 December 2022, the SPC held that the Shandong Court did not clearly ascertain the facts of the Claims based on the evidence made available at the lower court; the SPC ordered that the First Instance Judgment be rescinded and the cases be referred back to the Shandong Court for a retrial. CACT has engaged local counsel in China to defend the Claims accordingly.

A hearing was held at the Shandong Court on 10 January 2024 and CACT submitted to the court all requisite evidence for the purpose of fact finding of the case. The Shandong Court will issue its finding after consideration of all evidence, which is likely to take place in the later part of the year 2024.

CACT maintains the view that the Claims are without merit and groundless.

Notes to Financial Statements

37 Commitments

The Group's capital expenditure commitments were as follows:

	2023	2022
Contracted, but not provided for: Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	121,496	157,802

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

	2023	2022
Contracted, but not provided for: Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	48,206	21,673

38 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\$10,988,000 (2022: HK\$22,135,000), in respect of lease arrangements for buildings and plant and machinery, non-cash reduction to property, plant and machinery and provision for rehabilitation cost of HK\$24,598,000 (2022: reduction of HK\$15,409,000), in respect of remeasurement of provision for rehabilitation cost of plant and machinery, leasehold improvements and buildings and structures and non-cash additions to property, plant and machinery and provision for abandonment cost of HK\$6,408,000 (2022: HK\$33,910,000) in respect of remeasurement of provision for abandonment cost of oil and gas properties.

Notes to Financial Statements

39 Related party transactions

In addition to the transactions and balances disclosed elsewhere in the Financial Statements, the Group had the following material transactions with its related parties:

(a) Transactions with state-owned enterprises (other than companies within CITIC Group)

The Company is controlled by CITIC Group which owns 58.13% of the immediate holding company's number of issued shares. CITIC Group is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as 'state-owned enterprises'). Therefore, transactions with state-owned enterprises are regarded as related party transactions.

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. The Group has certain transactions with other state-owned enterprises including but are not limited to sales and purchases of goods and services, payments for utilities and depositing and borrowing money. In the ordinary course of the Group's businesses, transactions occur with state-owned enterprises.

(b) Transactions with the fellow subsidiaries

Save as disclosed in other notes to the Financial Statements, the Group had the following significant transactions and balances with fellow subsidiaries:

	2023	2022
Fellow subsidiaries:		
Interest expenses on lease liabilities	116	64
Interest expenses on bank and other borrowings	142,260	82,237
Interest income on deposits to a fellow subsidiary	41,131	26,623
Agency fees	–	4,874

The above transactions were made based on mutually agreed terms.

Notes to Financial Statements

39 Related party transactions (continued)

(b) Transactions with the fellow subsidiaries (continued)

Significant balances with fellow subsidiaries:

	2023	2022
Fellow subsidiaries:		
Cash and deposits	727,729	1,167,872
Bank borrowing (note 29)	659,880	1,316,640
Other borrowing (note 29)	780,000	1,170,000
Lease liabilities	3,351	2,208

The above other borrowing is an unsecured loan having a tenor of 2 years commencing from December 2023 (2022: 3 years commencing from December 2022). The loan is interest-bearing at CME Term SOFR plus margin (2022: CME Term SOFR plus margin).

(c) Details of directors' emoluments 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	
	2023	2022
Salaries	4,379	6,992
Bonuses	3,710	5,191
Pension scheme contributions	419	180
Housing allowances	147	–
Other benefits	3	–
	8,658	12,363

Notes to Financial Statements

39 Related party transactions (continued)

- (d) In December 2023, the Group entered into a 3-year lease agreement with CITIC House Pty Limited, a subsidiary of the Company's ultimate holding company, for the leasing of office premises.

The Group had total future minimum lease payments under non-cancellable leases with related parties falling due as follows:

	2023	2022
Within one year	1,969	5,171
In the second to fifth years, inclusive	4,172	–
	6,141	5,171

40 Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2023	2022
Financial assets at amortised cost		
– Financial assets included in deposits and other receivables	127,416	102,458
– Time deposits	118,497	102,972
– Trade receivables	239,688	297,358
– Cash and deposits	1,483,816	2,130,203
	1,969,417	2,632,991
Financial asset at fair value through profit or loss-designated as such upon initial recognition		
– Derivative financial instruments	72,691	102,995

Notes to Financial Statements

40 Financial instruments by category (continued)

	2023	2022
Financial liabilities at amortised cost		
– Accounts payable	242,729	106,899
– Financial liabilities included in other payables	181,521	291,476
– Bank and other borrowings	1,789,880	2,582,806
– Lease liabilities	40,859	61,607
	2,254,989	3,042,788

41 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, lease liabilities, cash and deposits, and time deposits. 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 transaction, including electricity hedge agreements. The purpose is to manage the price risk arising from the Group's operations and sources of finance.

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.

Notes to Financial Statements

41 Financial risk management objectives and policies (continued)

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.

The following table demonstrates the sensitivity of the Group's profit 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 %	(Decrease)/ increase in profit before tax	(Decrease)/ increase in equity
2023			
If US\$ strengthens against A\$	7	(14,438)	(14,438)
If US\$ weakens against A\$	(7)	15,717	15,717
	Increase/ (decrease) in US\$ rate %	(Decrease)/ increase in profit before tax	(Decrease)/ increase in equity
2022			
If US\$ strengthens against A\$	9	(36,010)	(36,010)
If US\$ weakens against A\$	(9)	23,127	23,127

Price risk

The Group commits to electricity hedge contracts in order to protect itself from adverse movements in electricity prices.

Notes to Financial Statements

41 Financial risk management objectives and policies (continued)

Price risk (continued)

Electricity

The Group enters into electricity hedge agreements to swap the market electricity price payable on the electricity consumed at the PAS to a fixed electricity price for a fixed tenure.

The Group's exposure to the market electricity price risk at balance date is as follows:

	Increase/ (decrease) in electricity price %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
2023			
EHA3	190	727,350	727,350
EHA3	(190)	(727,350)	(727,350)
2022			
EHA3	154	341,429	341,429
EHA3	(154)	(134,417)	(134,417)

Notes to Financial Statements

41 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 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	(Decrease)/ increase in profit before tax	(Decrease)/ increase in equity
2023			
US\$debts	100	(14,399)	(14,399)
US\$debts	(100)	14,399	14,399
2022			
US\$debts	100	(24,960)	(24,960)
US\$debts	(100)	24,960	24,960

41 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.

A summary of the assumptions underpinning the company’s expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Loans whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are past due for more than one year and there is no reasonable expectation of recovery.	Asset is written off

Notes to Financial Statements

41 Financial risk management objectives and policies (continued)

Credit risk (continued)

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. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
2023						
Trade receivables*	-	-	-	239,688		239,688
Financial assets included in prepayments, deposits and other receivables						
– Normal**	127,416	-	-	-		127,416
Time deposits	118,497	-	-	-		118,497
Cash and deposits	1,483,816	-	-	-		1,483,816
	1,729,729	-	-	239,688		1,969,417

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
2022						
Trade receivables*	-	-	-	301,985		301,985
Financial assets included in prepayments, deposits and other receivables						
– Normal**	102,458	-	-	-		102,458
Time deposits	102,972	-	-	-		102,972
Cash and deposits	2,130,203	-	-	-		2,130,203
	2,335,633	-	-	301,985		2,637,618

* For trade receivables to which the Group applied the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 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".

Notes to Financial Statements

41 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.

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:

	Less than 3 months	3 to 12 months	Over 1 year	Total
2023				
Accounts payable	242,729	–	–	242,729
Financial liabilities included in other payables	181,521	–	–	181,521
Bank and other borrowings	435,832	–	1,543,551	1,979,383
Lease liabilities	5,840	19,595	17,523	42,958
	Less than 3 months	3 to 12 months	Over 1 year	Total
2022				
Accounts payable	106,899	–	–	106,899
Financial liabilities included in other payables	275,699	–	–	275,699
Bank and other borrowings	97,488	–	2,658,360	2,755,848
Lease liabilities	8,749	23,993	32,817	65,559

41 Financial risk management objectives and policies (continued)

Fair value estimation

The fair values of financial assets included in prepayments, deposits and other receivables, trade receivables, pledged deposit, cash and bank deposits, 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 deposits 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 deposits and bank and other borrowings as at the end of the year was assessed to be insignificant.
- (b) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments of EHA3 were measured using valuation techniques similar to forward pricing and discounted cash flow models, which means using present value calculations. The fair values of EHA3 were the same as their carrying amounts.

The fair values of the EHA3 were based on valuation techniques using market data that is observable, which are significant to the overall valuation of the derivative.

Notes to Financial Statements

41 Financial risk management objectives and policies (continued)

Fair value estimation (continued)

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined in note 24.

(i) Financial instruments carried at fair value

	As at 31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	–	72,691	–	72,691

	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	–	102,995	–	102,995

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 (2022: Nil).

(ii) Fair values of financial instruments carried at cost or amortised cost

The carrying amounts of the Group's financial instruments carried at cost or amortised cost approximate their fair values as at 31 December 2023 (2022: Same).

Notes to Financial Statements

42 Capital risk 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 ordinary 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:

	2023	2022
Bank and other borrowings	1,789,880	2,582,806
Lease liabilities	40,859	61,607
Less: cash and deposits	(1,483,816)	(2,130,203)
Net debt	346,923	514,210
Total equity	7,841,423	7,765,688
Add: net debt	346,923	514,210
Net total capital	8,188,346	8,279,898
Net debt to net total capital	4.2%	6.2%

Notes to Financial Statements

43 Statement of financial position of the Company

The financial position of the Company as at the end of the reporting period was as follows:

	2023	2022
Non-current assets		
Property, plant and equipment	352	401
Investments in subsidiaries	4,174,361	4,174,361
Due from subsidiaries	3,238,184	3,725,202
Total non-current assets	7,412,897	7,899,964
Current assets		
Prepayments, deposits and other receivables	8,590	4,185
Cash and deposits	592,793	874,194
Total current assets	601,383	878,379
Current liabilities		
Accrued liabilities and other payables	349	2,487
Bank and other borrowings	350,000	–
Total current liabilities	350,349	2,487
Net current assets	251,034	875,892
Total assets less current liabilities	7,663,931	8,775,856
Non-current liabilities		
Due to subsidiaries	–	709,077
Bank and other borrowings	780,000	1,170,000
Total non-current liabilities	780,000	1,879,077
Net assets	6,883,931	6,896,779
Equity		
Issued capital	392,886	392,886
Reserves	6,491,045	6,503,893
Total equity	6,883,931	6,896,779

Notes to Financial Statements

43 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 2022	6,852	358,625	(4,390)	5,760,605	6,121,692
Profit for the year	-	-	-	730,760	730,760
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	-	-	5,039	-	5,039
Total comprehensive income for the year	-	-	5,039	730,760	735,799
Final dividend	-	-	-	(353,598)	(353,598)
At 31 December 2022	6,852	358,625	649	6,137,767	6,503,893

	Share premium account	Contributed surplus	Exchange fluctuation reserve	Retained profits	Total
At 1 January 2023	6,852	358,625	649	6,137,767	6,503,893
Profit for the year	-	-	-	456,839	456,839
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	-	-	1,775	-	1,775
Total comprehensive income for the year	-	-	1,775	456,839	458,614
Final dividend	-	-	-	(471,462)	(471,462)
At 31 December 2023	6,852	358,625	2,424	6,123,144	6,491,045

44 Events after the reporting period

On 26 February 2024, the Company noted an announcement of Alumina Limited ("AWC"), regarding a non-binding, indicative and conditional proposal from Alcoa to acquire 100% of the ordinary shares in issue in AWC by way of scheme of arrangement (the "Transaction"), for scrip consideration of 0.02854 shares of Alcoa common stock for each share in AWC. On 12 March 2024, AWC entered into a binding Scheme Implementation Deed with Alcoa in relation to the Transaction. As of the date of this report, the Company is still considering and assessing this matter. For further details, please refer to the announcement of the Company dated 26 February 2024 and the announcement of AWC dated 12 March 2024.

45 Approval of the financial statements

The financial statements were approved and authorised for issue by the Board on 26 March 2024.

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				
	2023	2022	2021	2020	2019
Revenue	3,825,577	5,866,160	4,349,406	2,850,058	3,425,510
Profit/(loss) before tax	696,760	1,875,310	1,336,323	(261,827)	631,340
Income tax expense	(77,927)	(475,188)	(222,176)	(98,690)	(236)
Profit/(loss) for the year	618,833	1,400,122	1,114,147	(360,517)	631,104
Attributable to:					
Ordinary shareholders of the Company	551,803	1,335,537	1,103,366	(363,848)	600,293
Non-controlling interests	67,030	64,585	10,781	3,331	30,811
	618,833	1,400,122	1,114,147	(360,517)	631,104

Assets, Liabilities and Non-controlling Interests

HK\$'000

	31 December				
	2023	2022	2021	2020	2019
Non-current assets	9,288,025	9,243,085	9,453,299	8,882,834	9,692,552
Current assets	2,336,366	3,196,482	3,250,441	3,392,465	2,975,458
Total assets	11,624,391	12,439,567	12,703,740	12,275,299	12,668,010
Current liabilities	1,358,236	1,203,745	1,425,066	1,189,560	2,074,900
Non-current liabilities	2,424,732	3,470,134	4,355,350	5,318,421	4,400,361
Total liabilities	3,782,968	4,673,879	5,780,416	6,507,981	6,475,261
Non-controlling interests	79,640	20,257	(21,093)	(40,397)	(60,640)
Equity attributable to ordinary shareholders of the Company	7,761,783	7,745,431	6,944,417	5,807,715	6,253,389

Reserve Quantities Information

Proved Oil Reserves Estimate (unaudited)

million barrels

2023	Indonesia (41%)	China (100%)	Kazakhstan (50%)	Total
At 1 January	1.1	27.0	70.9	99.0
Revision	0.2	0.2	1.2	1.6
Production	(0.2)	(2.9)	(6.9)	(10.0)
At 31 December	1.1	24.3	65.2	90.6

Glossary of Terms

In this report, unless the context otherwise requires, the following expressions have the following meanings:

A\$	Australian dollar, the lawful currency of Australia
AGM	Annual general meeting of the Company
AOA	Alcoa of Australia Limited
AWC	Alumina Limited
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Audit Committee	Audit committee of the Company
Australia DBP	Defined benefit plan in Portland Aluminium Smelter located in Australia
Authorised Representative	authorised representative of the Company appointed pursuant to Rule 3.05 of the Listing Rules
Board	Board of directors of the Company
BVI	British Virgin Islands
Bye-laws	Bye-laws of the Company
CACT	CA Commodity Trading Pty Ltd
CCEL	CITIC Canada Energy Limited
CCPL	CITIC Canada Petroleum Limited
CG Code	Corporate Governance Code contained in Appendix C1 to the Listing Rules
Chairman	Chairman of the Board
Chief Executive Officer or CEO	Chief executive officer of the Company
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

Glossary of Terms

Claims	Three claims commenced by Weihai in the Shandong High People's Court in China against, among others, CACT
CITIC Oil & Gas	CITIC Oil & Gas Holdings Limited
CMJV	Coppabella and Moorvale coal mines joint venture
CNPC	China National Petroleum Corporation
Companies Act	Companies Act 1981 of the laws of Bermuda, as amended from time to time
Company	CITIC Resources Holdings Limited
COVID-19	Coronavirus disease 2019
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
EHA3	Hedging agreement with the independent electricity suppliers, AGL Energy Limited, Alinta Energy Pty Limited and Origin Energy Limited, a company listed on ASX (Stock Code: ORG)
ESG Report	Environmental, social and governance report published by the Company on its website and the website of the Stock Exchange
Financial Statements	Consolidated financial statements
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
Karazhanbas oilfield	Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan
KBM	JSC Karazhanbasmunai
KZT	Tenge, the lawful currency of Kazakhstan
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange

Glossary of Terms

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 C3 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
Notices	Notices of assessment
PAS	Portland Aluminium Smelter
PAS JV	Portland Aluminium Smelter joint venture in Australia
PRC	the People's Republic of China and for the purpose of this report only, excluding Hong Kong Special Administrative Region of the People's Republic of China and Macau Special Administrative Region of the People's Republic of China and Taiwan
PRMS	Petroleum Resources Management System
PSC	Production sharing contract which grants the right to explore, develop and produce petroleum from the Seram Block
Remuneration Committee	Remuneration committee of the Company
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)
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
Tincy Group	Tincy Group Energy Resources Limited

Glossary of Terms

US\$	United States dollars, the lawful currency of the United States of America
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
2026 EHA	Hedging agreement with an independent electricity supplier, for a term of nine years commencing from 1 July 2026 and ending on 30 June 2035 with the supply of 300 megawatts of electricity to the PAS.

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.

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