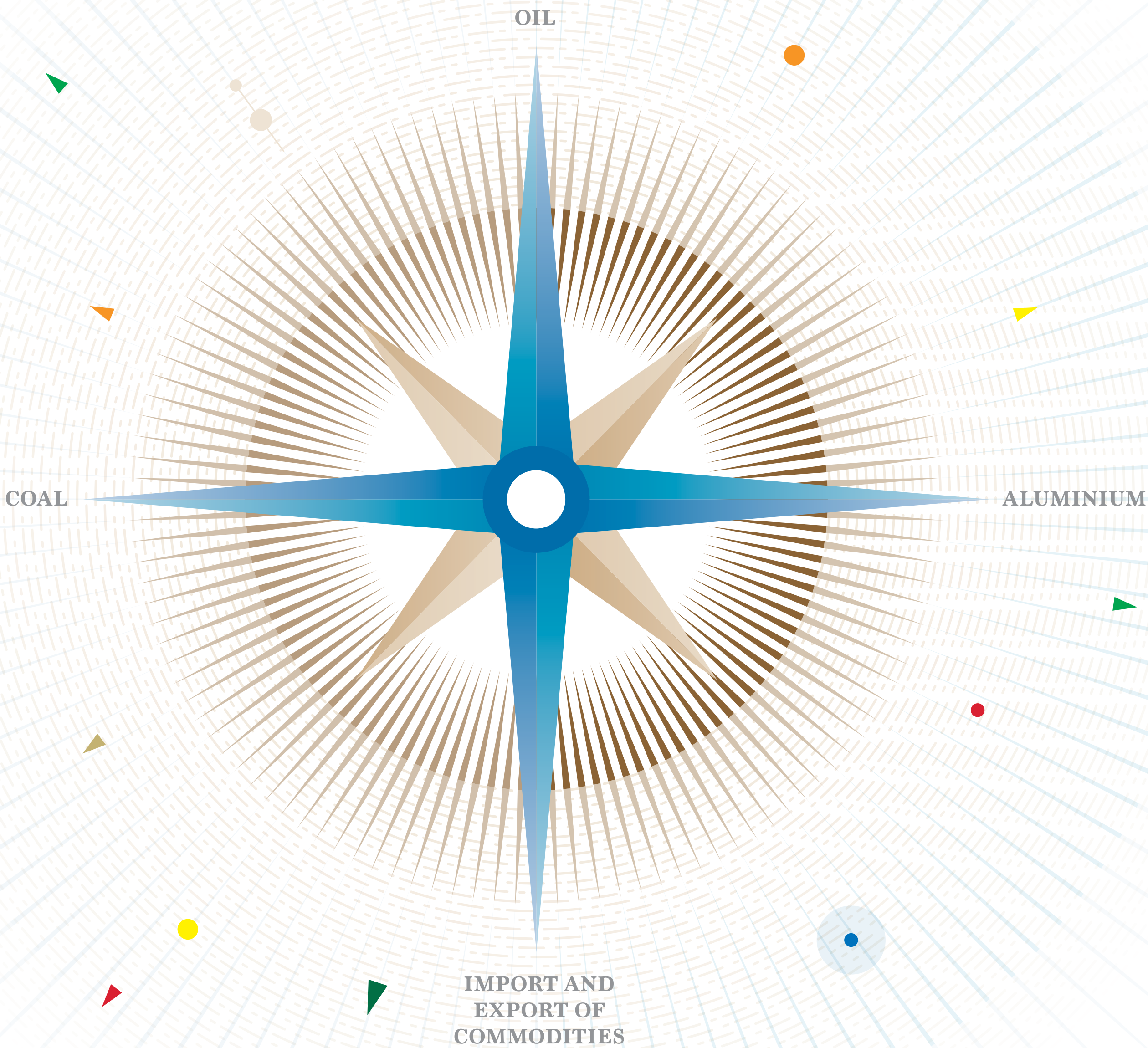
中信資源控股有限公司
CITIC Resources Holdings Limited

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

Stock Code 股份代號 : 1205



ANNUAL REPORT
2021
年報

OIL

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

COAL

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

ALUMINIUM

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

IMPORT AND EXPORT OF COMMODITIES

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

Contents
目錄

Financial Results
財務業績

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Chan Kin

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

Company Secretary

Mr. Wat Chi Ping Isaac

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Auditor

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Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
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Principal Bankers

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

"Upholding long-term values under both changed and unchanged circumstances"

Dear Shareholders,

2021 was the first year of the Chinese government's "14th Five-Year Plan". Although the COVID-19 pandemic persisted around the world with the global political and economic environment still full of uncertainties, the management and all staff of the Company are united in their efforts and determined to reform under the leadership of the Board, with a focus on three core missions: "cost reduction and efficiency improvement", "enhancing asset value" and "optimizing asset structure". By stepping up efforts in institutional reform and business process reorganization, continuously promoting refined management, and seizing opportunities from the gradual recovery of commodity prices, the Group's results attained remarkable improvement.

In 2021, CITIC Resources achieved a consolidated operating revenue of approximately HK$4,349,000,000, representing an increase of approximately 52.6% year-on-year; net profit attributable to parent company of approximately HK$1,103,000,000, with turnaround of losses into profits and a year-on-year increase in profit of approximately HK$1,467,000,000. Various financial indicators have showed significant improvement that has reached the best levels over the past 5 years.

On behalf of the Board, I would like to express my highest appreciation to my fellow management and all of my colleagues for their relentless efforts and achievements over the past year. In addition, on behalf of the Group, I would also like to extend my heartfelt gratitude to all our shareholders, customers, suppliers, financial institutions and business partners for their support and trust throughout these years.

In 2021, the Company continued to promote management improvement and institutional reform, constantly strengthened our refined management, strictly controlled major capital expenditure, and monitored measures on budget control and cost reduction. Based on its experience on cost reduction and efficiency improvement in 2020, the Company further promoted the work relating to "cost reduction and efficiency improvement 2.0". Under the principle of "Full process, High standard, Strict implementation, and Seeking breakthroughs", the Company further formalized the long-term mechanism of cost reduction and efficiency improvement. KBM oilfields applied the developed lined-pipe technology in China to conduct comprehensive management of oilfields, which effectively solved the issues of pipeline corrosion and perforation, thereby significantly reduced minor repairing on wells, with the operation rate of oil wells raised from 96.3% to 99%. The Yuedong oilfield implemented cost reduction throughout the entire region and process, as well as strengthened the node management on bulky materials and the process management on energy saving and consumption reduction. The amount of cost reduction and efficiency improvement exceeded HK$40,000,000 for the year, and it also controlled the rise in operating cost for single barrel while RMB appreciation. The oilfields in Indonesia improved the pricing mechanism which changed the pricing benchmark to Brent oil prices, thus significantly increased the crude oil realised selling price. By converting government loans into government subsidies, aluminium smelting segment was able to create additional income of over HK$64,000,000. Through continuously exploring the potential of cost reduction, the Company improved its overall risk resilience and profitability as well as further improved its operating results.

In 2021, according to the Company's "14th Five-Year" development plan, the Company actively implemented various work with a major focus on "enhancing asset value". Through means such as conducting in-depth research on geological reservoirs, strengthening comprehensive management of old oilfields, accelerating capacity building, reinforcing the application of new technology, refining the control of development and production processes, and effectively launching node management, we achieved production safety and environmental protection, along with steady increase in production, significant improvement in operating results and further enhancement in corporate value. At the end of 2021, over half of the Yuedong oilfield's development adjustment plan had been implemented, the results of new wells being put into production were in line with our expectations, and research work on the exploration potentials of new blocks was actively carried out at the same time. The KBM oilfields' scale on steam flooding thermal recovery expanded gradually with constant introduction of new process technology, in order to achieve steady progress in production. The Seram Block in Indonesia was conducting further studies on the development of Lofin natural gas block, with expectations of new breakthroughs. All the above developments not only increased the current economic benefits, but also effectively enhanced the intrinsic value of assets.

Oil and Gas Business

Oil and gas upstream development business has always been one of the Company's key major businesses with over a decade of development. From having visions for the future to currently facing difficult challenges in reality, the Company's oil and gas business division has remained conscientious, worked diligently, endeavored to overcome objective difficulties from both internal and external environment, and actively rectified the deviations which stemmed from our subjective views. Through in-depth reservoir research, promotion of the application of new technologies, as well as maintaining stable reserves and increase in production, the business conditions of oil and gas business were able to continue in improvement. In 2021, the Company's oil and gas business achieved operation output of 17,686,000 barrels and working interest output of 9,509,000 barrels, representing an increase of 5.6% and 6.2% respectively when compared with the same period of last year. The oil and gas business achieved revenue of approximately HK$1,348,000,000 (excluding non-consolidated associate's KBM project) and contributed net profit attributable to parent company of approximately HK$739,000,000 (of which profit attributable to the investment in Karazhanbas oilfield was approximately HK$306,000,000).

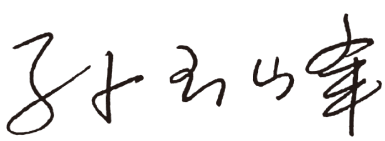
Non-oil Businesses

The Company's non-oil businesses include aluminium smelting, coal, import and export trading as well as investment in AWC, which have been important sources of income and profit supplement for the Company. In 2021, the prices of aluminium and coal also had relatively large increase, and the overall results of non-oil businesses had remarkable improvement. The production and sales volume of CMJV coal mines gradually rebounded and achieved working interest sales of 709,000 tonnes, representing an increase of 34% year-on-year; the sales volume of aluminium ingots shared by the PAS was 59,000 tonnes, representing a decrease of 6% year-on-year; the import trading of steel amounted to 99,500 tonnes, representing an increase of 4% year-on-year; the profit attributable to equity investments in AWC was approximately HK$116,000,000. In 2021, the Company's non-oil businesses achieved revenue of approximately HK$3,001,000,000 and contributed net profit attributable to parent company of approximately HK$626,000,000.

Environmental, Social and Governance ("ESG")

All these years, CITIC Resources has strived to enhance sustainable development capability, and proactively performed corporate social responsibilities. Over the past year, the Company continued to make enhancement in areas such as environmental protection, human resources, operational management, and community investments, as well as constantly improved the ESG-related performances, thus increased CITIC Resources' competitiveness in sustainable development. In 2021, the Company's respective projects implemented a series of environmental protection and emission reduction projects, such as sewage purification and reuse, micro-organism treatment for accumulated oil-soaked soil, green office, associated gas consumption, and refined node management on power saving. The Company put efforts on promoting long-term career development of employees, emphasized on employee training, and protected employees' rights. Adhering to the concept of "Working and Growing Together", the Company enhanced its performance of sustainable development with suppliers and contractors. In addition, the Company introduced relevant policies to eliminate corruption, and organised online trainings on anti-bribery, anti-corruption and prevention of financial crimes for employees. The Company upheld the "Win-Win" principle, and during the participation in the local economic construction process, each project strived to achieve harmonious development with the community, and therefore established good corporate image. The Company has published its "Environmental, Social and Governance Report" for seven consecutive years, and has elaborated and promoted the benefits of sustainable development to internal and external stakeholders.

2022 will still be a year full of uncertainties. The global COVID-19 pandemic has not yet come to an end, the recovery pace of major economies is behind expectations, and international relations are becoming more complicated. Facing a complex and difficult external environment, the Company will still focus on its three established core missions: pragmatically pursue cost reduction and efficiency improvement work; use scientific means to enhance asset values; and increase efficiency on asset transfer so as to capture new development opportunities. No matter how the external environment may change, the Company will remain persistent and diligent, forge ahead resolutely, uphold the long-term core value of maximizing shareholders' interests under both changed and unchanged circumstances, and make relentless efforts to attain sustainable development of the Company!



Sun Yufeng
Chairman

Hong Kong, 25 March 2022

Management's Discussion and Analysis

The Board of Company presents the 2021 annual results of the Group.

Financial Review

Group's financial results: **HK$'000**

Operating results and ratios

	Year ended 31 December		
	2021	2020	Increase
Revenue	**4,349,406**	2,850,058	52.6%
EBITDA [1]	**1,852,577**	257,448	619.6%
Adjusted EBITDA [2]	**2,426,863**	618,664	292.3%
Profit/(loss) attributable to shareholders	**1,103,366**	(363,848)	N/A
Adjusted EBITDA coverage ratio [3]	**16.1 times**	2.8 times	
Earnings/(loss) per share (Basic) [4]	**HK 14.04 cents**	(HK 4.63 cents)	

Financial position and ratios

	Year ended 31 December		Increase /
	2021	2020	(decrease)
Cash and deposits	**1,925,573**	2,314,285	(16.8%)
Total assets *	**12,703,740**	12,275,299	3.5%
Total debt [5]	**3,726,714**	4,900,719	(24.0%)
Net debt [6]	**1,801,141**	2,586,434	(30.4%)
Equity attributable to shareholders	**6,944,417**	5,807,715	19.6%
Current ratio [7]	**2.3 times**	2.9 times	
Net debt to net total capital [8]	**20.6%**	30.8%	
Net asset value per share [9]	**HK$0.88**	HK$0.74	

1 profit/(loss) before tax + finance costs + depreciation + amortisation
2 EBITDA + (share of finance costs, depreciation, amortisation, income tax credit/expense and non-controlling interests of a joint venture)
3 adjusted EBITDA/(finance costs + share of finance costs of a joint venture)
4 profit/(loss) attributable to shareholders/weighted average number of ordinary shares in issue during the year
5 bank and other borrowings + lease liabilities
6 total debt – cash and deposits
7 current assets/current liabilities
8 net debt/(net debt + equity attributable to shareholders) x 100%
9 equity attributable to shareholders/number of ordinary shares in issue at end of year
* including capital expenditure in respect of exploration, development and mining production activities during the year, totalling HK$521,535,000 (2020: HK$608,612,000)

The global economy and commodity markets are recovering from the historic collapse in demand caused by the COVID-19. The surplus in global crude oil inventories that built up last year is being consumed and global oil inventories are returning to pre-pandemic levels in 2021.

In comparing with 2020, the average Dated Brent and Platts Dubai crude oil prices increased by approximately 69.6% and approximately 64.1% to US$70.9 per barrel and US$69.4 per barrel respectively. The revenue of the Group climbed up by approximately 52.6% year-on-year. The Group recorded a profit attributable to shareholders of HK$1,103.4 million in 2021 as compared with a loss attributable to shareholders of HK$363.8 million in 2020. This was mainly due to a combination effect of a sharp increase in crude oil and other related commodity prices in 2021. The substantial turnaround from a loss to a profit attributable to shareholders was primarily attributable to the following factors:

- a significant improvement in operating results of the oil business of the Group, including a substantial share of profit of HK$306.3 million from the Group investment in Karazhanbas oilfield when comparing with a record of share of loss of HK$279.9 million of last year. The improvement in operating results, from the oil business of the Group as a whole was mainly attributable to an increase in average realised crude oil price and stringent ongoing costs control during the year;

- the Group's aluminium smelting segment and coal segment recorded turnaround in operating results from losses in 2020 to a profit in 2021 which was mainly due to an increase in average selling price of aluminium and coal as compared with 2020; and

- a reduction in finance costs of the Group by approximately HK$66.5 million, representing a drop of approximately 44.2% year-on-year, which was mainly due to the Group having successfully refinanced its loan at a significant lower finance cost, and its debt reduction with loan prepayment by utilising internal sources of fund in 2021.

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$1,257.1 million	(2020:	HK$836.4 million)	▲	50%
Segment results	a profit of HK$364.9 million	(2020:	a loss of HK$31.6 million)		N/A

- Due to the restriction of production in polluting industries to reduce electricity use and carbon emissions by China, together with strong global demand, the aluminium selling price trended upwards since August 2020 and climbed to a 13-year high of $3,000 per tonne in mid-September 2021, the average selling price increased by 61% as compare to 2020. Even the sales volume dropped 6%, the segment recorded a significant improvement in revenue, gross margin and results for the year.

- The Group's aluminium smelting business is a net US$ denominated asset while certain costs are payable in A$. Fluctuations between A$ and US$ throughout the year caused a net exchange gain of HK$32.7 million (2020: a net exchange loss of HK$43.9 million).

- In January 2017, the Group entered into EHA2. The EHA2 swaps a floating electricity price for a fixed electricity price to minimise the variability in cash flow. Hedge accounting has been applied to the EHA2. In accordance with HKFRSs, the EHA2 is considered to be a derivative financial instrument and revalued at the end of each reporting period during its term and on its expiry, based on forward market prices of electricity with its fair value gain or loss recognised in the consolidated statement of comprehensive income. EHA2 ended at 31 July 2021.

- In March 2021, EHA3 was signed and effectively allowed the PAS to hedge the spot price for electricity for a specific load from 1 August 2021 to 31 July 2026. In accordance with HKFRSs, components of EHA3, which are linked to several market factors, are considered a financial instrument embedded in the EHA3. Its fair value gain or loss is recognised in the consolidated income statement.

- At the end of 2021, as the terms for loan forgiveness of HK$64.2 million (2020: HK$67.6 million) from State Government of Victoria were met, therefore, the amount was treated as a government loan forgiveness and recorded as "Other income and gains" in the consolidated income statement.

Coal

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

Revenue	HK$740.7 million	(2020:	HK$400.4 million)	▲	85%
Segment results	a profit of HK$141.4 million	(2020:	a loss of HK$67.5 million)		N/A

- In September 2021, the shortage of domestic coal supply in China continued to intensify, it drove the price of imported coal to rise, the average selling price rise, thus, by 38% as compared to 2020. In conjunction with increase in the sales volume, the segment recorded an increase in revenue and a turnaround result in gross margin and results for the year.

- The Group's coal business is a net US$ denominated asset while most of its costs are payable in A$. Fluctuations between A$ and US$ throughout the year caused a net exchange gain of HK$7.4 million (2020: a net exchange loss of HK$15.0 million).

- In 2020, the Group disposed of its interests in the Gundyer west coal tenements located in central Queensland in Australia to Fitzroy Australia Resources Pty Ltd. As a result, a pre-tax gain on disposal of other assets of HK$15.1 million was recorded in "Other income and gains" in the consolidated income statement.

- In 2021, an exchange fluctuation reserve of HK$3.9 million (2020: HK$18.2 million) was reclassified to profit or loss upon the deregistration of foreign subsidiaries. The amount was treated as "reclassification adjustments for foreign operations deregistered or disposed of, net" and recorded as "Other income and gains" in the consolidated income statement.

Import and export of commodities

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

Revenue	HK$1,003.4 million	(2020: HK$805.8 million)	▲	25%
Segment results	HK$28.6 million	(2020: HK$53.3 million)	▼	46%

- Attributable to an increase in both sales volume and selling price, the segment recorded a significant increase in revenue for the year. However, as the gross profit margin dropped as compared to 2020, the gross margin and results are, therefore, dropped.

- The Group's import and export of commodities business is a net US$ denominated asset while certain costs are payable in A$. Fluctuations between A$ and US$ throughout the year caused a net exchange gain of HK$1.5 million (2020: a net exchange loss of HK$1.3 million).

- In April 2020, Weihai commenced three claims in the Shandong High People's Court against, amongst others, CACT. It is alleged that the Claims relate to three letters of credit issued in favour of CACT as payment for the sale by CACT to Decheng of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. CACT refutes the Claims and has engaged local counsel in China to defend the Claims accordingly. The Shandong High People's Court has issued a first instance judgment that CACT is not liable for Weihai's losses as there is no evidence of any intention to commit fraud on the part of CACT. However, the Shandong High People's Court published a notice on 16 May 2021, which states that Weihai submitted an appeal to the first instance judgement and the appeal hearing is held on 19 October 2021. Up to the date of this report, no judgment has been issued by the Court in respect of the appeal hearing.

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 2021, in respect of the PSC, the Seram Block had estimated proved oil reserves of 3.0 million barrels (2020: 3.3 million barrels) as determined in accordance with the standards of the PRMS.

- For the year, the segment results of CITIC Seram recorded a profit of HK$48.1 million (2020: HK$37.5 million). The following table shows a comparison of the performance of the Seram Block for the years stated:

		2021 (41%)	2020 (41%)	Change
Average benchmark Mean of Platts Singapore (MOPS):				
Platts HSFO 180 CST Singapore	(US$ per barrel)	**60.6**	36.6	▲ 66%
Platts HSFO 380 CST Singapore	(US$ per barrel)	**59.4**	35.6	▲ 67%
Average crude oil realised price	(US$ per barrel)	**65.1**	45.6	▲ 43%
Sales volume	(barrels)	**198,000**	298,000	▼ 34%
Revenue	(HK$ million)	**100.7**	106.1	▼ 5%
Total production	(barrels)	**197,000**	234,000	▼ 16%
Daily production	(barrels)	**540**	640	▼ 16%

- A 5% decrease in revenue was a result of a 34% decrease in the sales volume coupled with a 43% increase in the average crude oil realised price.

  Production decreased by 16% year-on-year due to natural decline of existing wells. In July 2021, a new development well was drilled in the Seram Block and started to produce oil.

  Cost of sales per barrel increased by 9% as compared to 2020 due to production volume decreased compared to last year.

  Under cost control program, the administrative expense decreased by 12%, of which staff cost and travelling expenses decreased by 12% and 29% respectively.

- The Lofin area has been plugged and temporarily abandoned since 2H 2015. CITIC Seram reactivated exploration activities in Lofin area during the year.

- In January 2021, CITIC Seram was advised by SKK MIGAS (a special task force established by the government of Indonesia to manage the upstream oil and gas business activities of the country) to offer a 10% participating interest under the PSC to a Regional-Owned Company, MEA appointed by Local Government of Maluku. MEA will set up a subsidiary to receive such 10% participating interest. Based on a letter issued by The Minister of Energy and Mineral Resources in the 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. The transfer is subject to the decision of MEA after due diligence and the final approval from the government of Indonesia. The process is expected to be completed by mid of 2022.

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 2021, the Yuedong oilfield had estimated proved oil reserves of 29.5 million barrels (2020: 30.3 million barrels) as determined in accordance with the standards of the PRMS.

- For the year, the segment results of CITIC Haiyue recorded a profit of HK$598.7 million (2020: HK$128.6 million), being a 366% increase. The following table shows a comparison of the performance of the Yuedong oilfield for the years stated:

		2021 (Tincy Group's share)	2020 (Tincy Group's share)	Change
Average benchmark quote:				
Platts Dubai crude oil	(US$ per barrel)	**69.4**	42.3	▲ 64%
Average crude oil realised price	(US$ per barrel)	**69.3**	44.7	▲ 55%
Sales volume	(barrels)	**2,317,000**	2,031,000	▲ 14%
Revenue	(HK$ million)	**1,247.5**	701.4	▲ 78%
Total production	(barrels)	**2,310,000**	2,031,000	▲ 14%
Daily production	(barrels)	**6,330**	5,550	▲ 14%

- A 78% increase in revenue was a result of a 55% increase in the average crude oil realised price coupled with a 14% increase in sales volume filtered from increase in production when compared to 2020. Production increased by 14% as compared to 2020 which was mainly attributable to an increase in number of production wells in the Yuedong oilfield.

  Cost of sales per barrel increased by 6% as compared to 2020, of which (a) depreciation, depletion and amortisation per barrel increased by 11% as a result of an increase in number of production wells; and (b) an appreciation (in average) of RMB, the functional currency of Tincy Group, during the year. Direct operating costs per barrel slightly decreased mainly as a result of a decrease in repair and maintenance under an existing stringent cost control program; and on the contrast, increase in transportation fee due to an increase in number of wells put into production.

- Under a stringent cost control program, only essential repairs and maintenance works have been deployed to maintain production level of existing wells. Drilling program has been resumed since 4Q 2019. Capital expenditure will continue to be applied in respect of drilling new wells in the Yuedong oilfield.

- In July 2019, KEER commenced a joint legal claim action with a general contractor of Tincy Group. Pursuant to the Shengli Oilfield Claim B, KEER was seeking a compensation from Tincy Group of RMB30.9 million (HK$38.0 million) in respect of loss of construction contract and relevant warranty plus interest. Certain bank amount of RMB35.0 million (HK$43.0 million) had been frozen as a blockade fund by the Dalian Court. The general contractor applied to the Dalian Court to withdraw its legal claim from the Shengli Oilfield Claim B. The general contractor was requested as a third party by the Dalian Court to participate in the litigation.

  Pursuant to the civil judgement issued by the Dalian Court in December 2020, Tincy Group had to pay a compensation and reimbursement of RMB17.3 million (HK$21.2 million) plus interest to KEER.

  Based on a legal advice from its legal counsel, Tincy Group has justifiable arguments on determination of the contractual relationships amongst Tincy Group, KEER and the general contractor, any rights and obligations thereunder and judgement on compensation amount, in respect of which, Tincy Group lodged an appeal to the Dalian Court in January 2021. The appeal hearing had been held on 11 June 2021.

  In November 2021, the Liaoning High People's Court issued a civil judgement to reject the appeal and its decision on the relevant compensation was final and conclusive, while the compensation amount was not amended. Tincy Group had to pay a compensation and reimbursement of RMB17.3 million (HK$21.2 million) plus interest and reimburse KEER with the relevant advanced expenses.

  The bank amount of RMB35.0 million (HK$43.0 million) has been unfrozen since December 2021 for the settlement of compensation and reimbursement. The compensation and reimbursement had been settled in January 2022. Tincy Group has discharged its obligations pursuant to the civil judgement issued by the Liaoning High People's Court. The court case was closed.

- In May 2021, TianEnLu applied a transportation fee claim against Tincy Group to the Dalian Court. Pursuant to the transportation fee claim, TianEnLu was seeking unpaid transportation fee from Tincy Group of RMB1.3 million (HK$1.6 million) plus interest and legal fee.

  In November 2021, TianEnLu applied a cancellation of transportation fee claim to the Dalian Court. The court case was closed.

Bauxite mining and alumina refining

The Group has an interest in a world-class global portfolio of upstream mining and refining operations in the aluminium sector through its 9.6117% equity interest 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 associate of the Group.

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

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

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

Share of profit of an associate	HK$116.2 million	(2020: HK$110.5 million)	▲	5%

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

During the year, the Group received a dividend of HK$137.1 million (2020: HK$139.2 million) from AWC.

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

Crude oil and bitumen (the Karazhanbas oilfield, Kazakhstan)

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

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

  As at 31 December 2021, the Karazhanbas oilfield had estimated proved oil reserves of 156.2 million barrels (2020: 167.5 million barrels) as determined in accordance with the standards of the PRMS.

- On 28 April 2021, CITIC Canada Petroleum Limited, a wholly-owned subsidiary of CCEL, entered into the sale and purchase agreements in respect of the acquisition of the entire participating interests in Caspi Bitum JV LLP and Support Service Vehicles and Well Servicing Division LLP. All the conditions precedent for the acquisition have been fulfilled and the completion of the acquisition has taken place on 31 August 2021. Details of the acquisitions are set out in the announcements of the Company dated 7 July 2021 and 1 September 2021.

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

Share of profit of a joint venture	HK$306.3 million	(2020: a loss of HK$279.9 million)	N/A

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

		2021 (50%)	2020 (50%)	Change	
Crude oil					
Average benchmark end-market quotes:					
Urals Mediterranean crude oil	(US$ per barrel)	**69.2**	41.4	▲	67%
Dated Brent crude oil	(US$ per barrel)	**70.9**	41.8	▲	70%
Average crude oil realised price	(US$ per barrel)	**67.0**	37.2	▲	80%
Sales volume	(barrels)	**5,504,000**	5,842,000	▼	6%
Revenue	(HK$ million)	**2,878.5**	1,694.2	▲	70%
Total production	(barrels)	**7,001,000**	6,688,000	▲	5%
Daily production	(barrels)	**19,200**	18,300	▲	5%
Bitumen					
Average selling price	(US$/tonne)	**133.6**	122.2	▲	9%
Sales volume	(tonnes)	**203,000**	188,000	▲	8%
Revenue	(HK$ million)	**211.6**	178.8	▲	18%
Total production	(tonnes)	**203,000**	185,000	▲	10%

Although sales volume of crude oil decreased by 6%, revenue increased by 70% when compared to 2020 as a result of a 80% increase in the average crude oil realised price. When compared to 2020, a 18% increased in revenue of bitumen during the year was a result of a 9% increase in the average selling price of bitumen couple with a 8% increase in sales volume. Production of crude oil increased by 5% as compared to 2020.

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

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

Cost of sales per barrel was slightly increased when compared to 2020, of which (a) direct operating costs per barrel was slightly decreased mainly due to a 3% devaluation of KZT, the functional currency of KBM, had a favourable impact on the costs payable by KBM in KZT; and (b) depreciation, depletion and amortisation per barrel increased by 2%.

Selling and distribution costs per barrel increased by 74% when compared to 2020. 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 increased by 71% and 262%, respectively, in line with increases in average oil prices.

Liquidity, Financial Resources and Capital Structure

Cash and Deposits

As at 31 December 2021, the Group maintained strong liquidity with undrawn bank facilities of HK$1,711.3 million and had cash and deposits in total amount of HK$1,925.6 million.

During the year, the outstanding balance of the A Loan (as defined below) totaling US$500.0 million (HK$3,900.0 million) were fully prepaid prior to the final maturity date of the loan facility on 29 June 2022.

Borrowings

As at 31 December 2021, the Group had total debt of HK$3,726.7 million, which comprised:

- unsecured bank borrowings of HK$2,489.1 million;
- unsecured other borrowings of HK$1,170.0 million; and
- lease liabilities HK$67.6 million

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

In June 2017, a wholly-owned subsidiary of the Company entered into a facility agreement with a subsidiary of CITIC Limited (a substantial shareholder of the Company) in respect of an unsecured 5-year term loan facility of US$500.0 million (HK$3,900.0 million) (the "**A Loan**"). The proceeds of the A Loan were used mainly to finance the repayment of a term loan of US$490.0 million (HK$3,822.0 million) signed in June 2015. On 31 March 2021, a partial amount of the A Loan totaling US$300.0 million (HK$2,340.0 million) were prepaid by utilizing the Company's internal sources of available fund amounting to US$150.0 million (HK$1,170.0 million) and by refinancing from a loan drawdown of the C Loan (as defined below) amounting to US$150.0 million (HK$1,170.0 million). On 30 June 2021, the remaining balance of the A Loan amounting to US$200.0 million (HK$1,560.0 million) was fully prepaid by refinancing from a loan drawdown of the D Loan (as defined below). As at 31 December 2021, there was no outstanding balance of the A Loan.

In December 2019, the Company entered into an unsecured 4-year committed US$200.0 million (HK$1,560.0 million) credit facility agreement comprising of US$100.0 million term loan and US$100.0 million revolving loan in form of a self-arranged club loan with 5 financial institutions (the "**B Loan**") commencing from 31 December 2019. The purpose of the B Loan is to refinance existing indebtedness and/or general corporate funding requirement to support the operation and growth of the business of the Group. As at 31 December 2021, the outstanding balance of the B Loan was US$100.0 million (HK$780.0 million).

In March 2021, 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 term loan facility of US$150.0 million (HK$1,170.0 million) (the "**C Loan**"). The proceeds of the C Loan was used for refinancing the prepayment of partial amount of US$150.0 million (HK$1,170.0 million) of the A Loan on 31 March 2021. As at 31 December 2021, the outstanding balance of the C Loan was US$150.0 million (HK$1,170.0 million).

In June 2021, a wholly-owned subsidiary of the Company entered into an unsecured 3-year committed US$200.0 million (HK$1,560.0 million) credit facility agreement with China CITIC Bank International Limited (a fellow subsidiary of the Company) (the "**D Loan**") commencing from 24 June 2021. The proceeds of the D Loan was mainly used for the prepayment of the remaining outstanding balance of the A Loan amounting to US$200.0 million (HK$1,560.0 million) on 30 June 2021. As at 31 December 2021, the outstanding balance of the D Loan was US$200.0 million (HK$1,560.0 million).

Further details of the bank and other borrowings are set out in note 29 to these Financial Statements.

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 2021 were HK$21.2 million.

As at 31 December 2021, the Group's net debt to net total capital ratio was 20.6% (31 December 2020: 30.8%). Of the Group's total debt, HK$267.1 million was repayable within one year, including the D Loan, trade finance and lease liabilities.

Share capital

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

Financial risk management

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

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

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 2021, the Group had 179 full time employees, including management and administrative staff.

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

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

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

(a) a defined scheme under the 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. Sun Yufeng	*Chairman and Executive Director*
Mr. Suo Zhengang	*Vice Chairman, Executive Director and Chief Executive Officer*
Mr. Chan Kin	*Non-executive Director*
Mr. Fan Ren Da, Anthony	*Independent Non-executive Director*
Mr. Gao Pei Ji	*Independent Non-executive Director*
Mr. Look Andrew	*Independent Non-executive Director*

Directors – Biographies

Executive Directors

Mr. Sun Yufeng, aged 57, joined in 2019 as an executive director and the Chairman of the Company. He is the chairman of the Nomination Committee and a member of the Risk Management Committee. He is also a director of several subsidiaries of the Company. He is responsible for the strategic and corporate development, management and operations of the Group. Mr. Sun holds a bachelor's degree in English Literature from the Shanghai International Studies University and a master's degree in Business and Administration from the University of Delaware. Mr. Sun is the vice chairman and president of CITIC Metal Group Limited, positions he has held since 2016. Mr. Sun is a non-executive co-chairman of Ivanhoe Mines Ltd., a company listed on the Toronto Stock Exchange (Stock Code: IVN) and OTC Markets (Stock Code: IVPAF). He also holds directorships in several metal mining processing and trading companies, including 中博世金科貿有限責任公司 (China Platinum Co. Ltd.), 西部超導材料科技股份有限公司 (Western Superconducting Technologies Co., Ltd.) and Companhia Brasileira de Metalurgia e Mineração (CBMM). Mr. Sun was a director of MMG South America Management Company Limited, which owns Las Bambas copper project, from April 2014 to June 2019. Mr. Sun joined 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**") in 1987 and CITIC Metal Co. Ltd. in 1999, where he served as General Manager and Chairman of CITIC Metal Co. Ltd. respectively between 2003 and 2016, responsible for the management of its trading and investment business. Mr. Sun has over 34 years' experience in business management and investment.

Mr. Suo Zhengang, aged 59, joined in 2015 as an executive director, a Vice Chairman and the Chief Executive Officer of the Company. He is a member of the Remuneration Committee and the Risk Management Committee. He is also a director of several subsidiaries of the Company. He is responsible for the strategic and corporate development, management and operations of the Group. Mr. Suo holds a Bachelor of Science degree in Mechanical Engineering from North China University of Technology and was granted the title of senior economist by CITIC Senior Specialised Technique Qualification Evaluation Committee. Mr. Suo has held directorship in several subsidiaries of CITIC Group. He was a non-executive director of South Manganese Investment Limited (formerly known as CITIC Dameng Holdings Limited) listed on the Main Board of the Stock Exchange (Stock Code: 1091) from December 2014 to December 2020. Mr. Suo has over 32 years' experience in business operations and development, and project investments. He has experience in the natural resources industry.

Non-executive Director

Mr. Chan Kin, aged 55, joined in 2017 as a non-executive director of the Company. Mr. Chan holds an AB degree from Princeton University and a master's degree in Business Administration from the Wharton School of University of Pennsylvania where he was a Palmer Scholar. He is the founder, a partner and chief investment officer of Argyle Street Management Limited ("**ASM Limited**"). He is the chairman and a deemed executive director of TIH Limited (Stock Code: T55) and a non-executive non-independent director of OUE Limited (Stock Code: LJ3), both companies listed on the Singapore Exchange. On 18 April 2019, Mr. Chan was 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. 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 activities. He is also a licensed representative in Singapore for TIH Investment Management Pte Ltd. Mr. Chan has over 32 years' experience in international capital markets, investment banking, corporate advisory and major transactions, particularly in Asia.

Independent Non-executive Directors

Mr. Fan Ren Da, Anthony, aged 61, joined in 2000 as an independent non-executive director of the Company. He is the chairman of the Audit Committee and a member of the Remuneration Committee, Nomination Committee and the Risk Management Committee. Mr. Fan holds a master's degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. He is also an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Semiconductor Manufacturing International Corporation (Stock Code: 981), China Development Bank International Investment Limited (Stock Code: 1062), Technovator International Limited (Stock Code: 1206), China Dili Group (Stock Code: 1387), Neo-Neon Holdings Limited (Stock Code: 1868) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange. Mr. 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 18 May 2021. Mr. Fan ceased to act as an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (Stock Code: 112), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), CGN New Energy Holdings Co., Ltd. (Stock Code: 1811) and Raymond Industrial Limited (Stock Code: 229), in June 2017, August 2017, June 2018 and May 2021, respectively. He is also the Founding President of The Hong Kong Independent Non-Executive Director Association. Mr. Fan held senior positions with various international financial institutions.

Mr. Gao Pei Ji, aged 74, joined in 2011 as an independent non-executive director of the Company. He is the chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and the Risk Management Committee. Mr. Gao holds a LL.M. degree from the Law School of University of California, Berkeley. He has been admitted to practise law in China since 1984. He is a foreign legal consultant to Clifford Chance, Hong Kong office. He is also an independent non-executive director of CGN Mining Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1164). He was a partner of Clifford Chance between 1993 and 2007. Mr. Gao has extensive and diversified experience in general practice, including banking and finance, direct investment, international trade, construction contracts, arbitration and litigation in relation to financial matters, and insolvency.

Mr. Look Andrew, aged 57, joined in 2015 as an independent non-executive director of the Company. He is the chairman of the Risk Management Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Look holds a bachelor of commerce degree from the University of Toronto and has over 31 years' experience in the equity investment analysis of Hong Kong and China stock markets. From 2000 to 2008, Mr. Look served in Union Bank of Switzerland as the head of Hong Kong research, strategy and product. He was rated as the best Hong Kong strategist and best analyst by the Asiamoney magazine, a leading monthly financial and capital markets publication for corporate and finance readers and investors, in 2001, 2002, 2003, 2005, 2006 and 2007. Mr. Look is currently an independent non-executive director of Hung Fook Tong Group Holdings Limited (Stock Code: 1446), Ka Shui International Holdings Limited (Stock Code: 822) and EC Healthcare (formerly known as Union Medical Healthcare Limited) (Stock Code: 2138), and he has been appointed as an independent non-executive director and members of the audit committee, remuneration committee and nomination committee of L.K. Technology Holdings Limited (Stock Code: 558) with effect from 1 April 2022, all of which are listed on the Stock Exchange. He was an independent non-executive director of TCL Communication Technology Holdings Limited (a company delisted on the Stock Exchange on 30 September 2016) from September 2010 to September 2016, an independent non-executive director of Affluent Partners Holdings Limited (Stock Code: 1466) from September 2014 to December 2016, and an independent non-executive director of Cowell e Holdings Inc. (Stock Code: 1415) from April 2017 to December 2018, all of which are listed on the Stock Exchange.

Senior Management – Biographies

Mr. Wat Chi Ping Isaac, aged 50, joined in 2019 as a Chief Legal Officer and was appointed as the Company Secretary of the Company with effect from September 2021. Mr. Wat has over 22 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.

Mr. Wang Xinli, aged 51, joined in 2012 as a Vice President of the Company. In April 2021, he assumed the additional role of Chief Financial Officer of the Company. 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 28 years' experience in accounting and financial management aspects, especially in new project assessment.

Mr. Wang Yimin, aged 50, has been a Vice President of the Company since April 2021. He is also the Chairman of CITIC Kazakhstan LLP and a member of the Human Resources, Remunerations, Appointment and Social Affairs Committees of JSC Karazhanbasmunai. He joined the Company in 2014. Mr. Wang holds a bachelor's degree in Arts from the Beijing Foreign Studies University. Prior to joining the Company, Mr. Wang was engaged in CITIC Group from February 2001 to September 2014. Mr. Wang has over 28 years' experience in project management and natural resources industry. Mr. Wang is responsible for the day-to-day administration management of the Company, the coordination of overall HR and administration operations as well as the effective implementation of the strategies, directions and policies of the Company.

Mr. Zhao Hongbing, aged 54, 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 33 years' experience in oil and gas industry.

Mr. Yuan Mou, aged 59, joined the Company in November 2019. He is the Chief Engineer of the Company. He was previously the Vice President of the Company and the general manager and a director of 中信石油技術開發(北京)有限公司 (CITIC Petroleum Technology Development (Beijing) Limited), a wholly owned subsidiary of the Company. Mr. Yuan holds a bachelor's degree from the East China Petroleum Institute (now known as China University of Petroleum) and a Doctor of Philosophy of petroleum engineering from University of Petroleum in 2003. Prior to joining the Company, Mr. Yuan was engaged in Shengli Oil Field of the China Petroleum and Chemical Corporation. Mr. Yuan has over 37 years' experience in oil and gas industry.

Corporate Governance Report

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

Compliance with the Corporate Governance Code

The Board is of the view that the Company has, for the year ended 31 December 2021, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the CG Code. The Corporate Governance Report for the year ended 31 December 2022 and onward will be based on new CG Code which has been amended are re-numbered with effect from 1 January 2022.

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 25 March 2022, 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. Sun Yufeng	(Chairman)
Mr. Suo Zhengang	(Vice Chairman and Chief Executive Officer)

Non-executive Director:

Mr. Chan Kin

Independent Non-executive Directors:

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

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

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

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

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

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

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

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

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

Chairman and Chief Executive Officer

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

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

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

Non-executive Directors

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

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

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

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

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

Directors' Continuous Professional Development

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

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

Note: Mr. Sun Yang resigned as an executive director and a Vice Chairman of the Company with effect from 30 December 2021.

Board Meetings

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

There was satisfactory attendance for board meetings, which evidences prompt attention of the directors to the affairs of the Company. A total of eight board meetings were held in 2021.

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

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

Board Committees

The Board has established 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 unless a conflict of interest arises. The committees are required to report back to the Board on key findings, recommendations and decisions.

Remuneration Committee

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

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

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

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

Members of the committee are:

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

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

Nomination Committee

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

In order to maintain its competitive advantage and achieve a sustainable and balanced development, the Company recognises the benefits of having a diverse Board. The Board has adopted the Diversity Policy, 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.

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. Besides, selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

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

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

Members of the committee are:

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

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

Audit Committee

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

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

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

Members of the committee are:

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

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

The committee meets as and when required to perform its responsibilities, and at least twice in each financial year of the Company. Two meetings were held in the year. During the year, the committee reviewed, together with senior management and the external auditor, the financial statements for the year ended 31 December 2020 and the financial statements for the six months ended 30 June 2021, the accounting principles and practices adopted by the Group, statutory compliance, other financial reporting matters, and the adequacy and effectiveness of the Group's internal audit. The committee has also considered the adequacy of resources, staff qualifications and experience of the Company's accounting, internal audit and financial reporting functions. In addition, it has considered the continuing connected transactions of the Company.

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 2022.

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

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

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 18 June 2021	SGM held on 30 September 2021
Executive Directors:							
Mr. Sun Yufeng	8/8		1/1		2/2	1/1	1/1
Mr. Suo Zhengang	8/8			2/2	2/2	1/1	1/1
Mr. Sun Yang (Note)	6/8					1/1	1/1
Non-executive Director:							
Mr. Chan Kin	7/8					1/1	1/1
Independent Non-executive Directors:							
Mr. Fan Ren Da, Anthony	8/8	2/2	1/1	2/2	2/2	1/1	1/1
Mr. Gao Pei Ji	8/8	2/2	1/1	2/2	2/2	1/1	1/1
Mr. Look Andrew	8/8	2/2		2/2	2/2	1/1	1/1

Note: Mr. Sun Yang resigned as and executive director and a Vice Chairman of the Company with effect from 30 December 2021.

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 review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(c) to review and monitor the training and continuous professional development of the directors and senior management; and
(d) 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 to enable the Board to make informed assessments of the financial and other matters put before the Board for approval.

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

Risk Management and Internal Control

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

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

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

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

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

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

During the year, the risk management department identified risk by multiple channels, including questionnaires, group discussion and scenario analysis, evaluated the risk as normal risk, significant risk and critical risk, and managed the risk with reference to the risk management policy. It also controlled the risks of subsidiaries through monthly risk management reporting and risk assessment as well as the monitoring of major projects and business. The result of the review, including COVID-19 related risk, strategic and investment risk, health, safety and environment risk, asset impairment risk, market risk, liquidity risk and litigation risk, has been summarised and reported to the Risk Management Committee and the Board with recommendations and follow-up results. Furthermore, during the year, the Company engaged an internal control adviser, who reported to the Audit Committee, and had conducted a review of the Group's internal controls relating to connected transactions and made recommendations to improve the internal controls systems of the Group in such respect. Since then, such recommendations have been adopted and implemented by the Group in stages.

The Board has received from management a confirmation on the effectiveness of the risk management and internal control system. Since the last annual review, the outbreak and worldwide spread of COVID-19 pandemic led to global economy disruption, commodity price slump, and sharp increase in health risks. The prevention methods and the results were reported to the Risk Management Committee during the year.

Internal Audit

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

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

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

Auditor's Remuneration

Ernst & Young had ceased to be the Company's external auditor with effect from 18 June 2021 as the number of years that the Company had continuously engaged Ernst & Young as external auditor had exceeded the prescribed time limit of consecutive number of years of engagement under the relevant regulations issued by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council of China regarding the audit work on financial statements of state-owned enterprises. In order to comply with the above stated requirement, the Company did not further engage Ernst & Young as its auditor. With recommendation from the Audit Committee, the Board resolved to appoint PricewaterhouseCoopers as the Company's external auditor and such appointment of PricewaterhouseCoopers was approved by shareholders at the AGM held on 18 June 2021 as the Company's external auditor until the next AGM. They are primarily responsible for providing audit services in connection with the financial statements of the Group for the year ended 31 December 2021. For further details of the change of external auditor from Ernst & Young to PricewaterhouseCoopers, please refer to the announcements of the Company dated 30 March 2021 and 18 June 2021 and the circular of the Company dated 12 April 2021.

For the year, PricewaterhouseCoopers charged the Group HK$7,800,000 for the provision of audit services and HK$618,000 for the provision of non-audit services. Non-audit services comprised circular works related to capital market 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.

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

Shareholders' Rights

Procedures for shareholders to convene a special general meeting

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

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

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

Procedures for putting forward proposals at general meetings

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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.

Mr. Wong Wai Kwok resigned as the company secretary of the Company ("**Company Secretary**") effective from 27 September 2021 and Mr. Wat Chi Ping Isaac ("**Mr. Wat**") was appointed as the Company Secretary on 27 September 2021. Mr. Wat has confirmed that he has received relevant professional trainings of no less than 15 hours to update his skills and knowledge during the year.

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, approving resolutions proposed by the Board; notably in relation to notifiable and/or connected transactions. In addition, the Company communicates with shareholders through the issue of announcements, 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 of the Company, the chairman or member of each of the board committees, and external auditor attend and answer questions at the AGM.

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

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

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

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

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

Constitutional Documents

During the year, the Company's bye-laws was amended and the new bye-laws was adopted by the shareholders of the Company at the 2021 AGM held on 18 June 2021. The purposes of making the amendments were to provide flexibility to the Company in relation to the conduct of general meetings and reflecting certain amendments to the Listing Rules and the applicable laws of Bermuda. For details, please refer to the circular of the Company dated 12 April 2021 and the announcement of the Company dated 18 June 2021. Consolidated version of the Company's constitutional documents is available on the website of each of the Stock Exchange and the Company.

The Board proposes to amend the existing bye-laws of the Company (the "**Existing Bye-laws**") for, among others, conforming with the latest amendments to the Listing Rules. The Board proposes to seek the approval of Shareholders by way of special resolution ("**Special Resolution**") at the forthcoming annual general meeting of the Company to be held on 17 June 2022 (the "**2022 AGM**") to adopt a new set of Bye-laws to replace the Existing Bye-laws. Full text of the Special Resolution will be contained in the notice of the 2022 AGM. A circular containing, inter alia, the amendments to the Existing Bye-laws, together with the notice of the 2022 AGM, will be despatched to Shareholders in due course.

Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2021.

Principal Activities

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

Segment Information

An analysis of the Group's revenue and results by principal operating activities and the Group's revenue and on-current assets by geographical area of operations for the year ended 31 December 2021 is set out in note 4 to the Financial Statements.

Results and Dividends

The Group's profit for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 55 to 155.

The Board has recommended, subject to approval by shareholders at the 2022 AGM, the payment of a final dividend of HK 4.50 cents (2020: Nil) per ordinary share for the year ended 31 December 2021, payable on or around 19 July 2022 to shareholders whose names appear on the register of members of the Company on 27 June 2022.

Business Review

A fair review of the Group's business and a description of the principal risks and uncertainties faced by the Group are provided in the Chairman's Statement and Management's Discussion and Analysis on pages 1 to 15. Particulars of important events affecting the Group that have occurred since the end of the year, and indication of likely future development in the Group's business can also be found in this section. An analysis of the Group's performance during the year using key financial performance indicators is set out on page 4. An account of the Company's relationship with its key stakeholders can be found on page 32.

Environmental Policies and Performance

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

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. Following the investment in the construction of the "Produced Water Treatment Plant Project" in 2019, the Karazhanbas Oilfield has added energy-saving design to the six newly added boilers that were put into operation in 2020, aiming to realize waste heat recycling and actively reduce its own environmental impact. The Seram Block continues to use natural gas to replace diesel as the fuel for the turbines in its major production facilities, striving to reduce air pollutant emissions.

Compliance with Laws and Regulations

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

Summary of Financial Information

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

Property, Plant and Equipment

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

Share Capital and Share Options

There was no movement in the Company's share capital during the year. Details of movements in the Company's share options during the year are set out in note 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 2021, the Company had contributed surplus and retained profits amounting to HK$358,625,000 and HK$5,760,605,000 respectively.

Charitable Contributions

During the year, the Group did not make any charitable contributions (2020: Nil).

Major Customers and Major Suppliers

In the year under review, the amount of revenue attributable to the Group's five largest customers and to the largest customer accounted for 39.8% and 28.7%, 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 45.5% and 12.4%, 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 2021) 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. Sun Yufeng
Mr. Suo Zhengang
Mr. Sun Yang (resigned with effect from 30 December 2021)

Non-executive Director:
Mr. Chan Kin

Independent Non-executive Directors:
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Look Andrew

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

In accordance with Bye-laws 87(1) and 87(2), Mr. Suo Zhengang and Mr. Gao Pei Ji will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Directors' Service Contracts

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

Directors' Remuneration

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

Directors' Interests in Transactions, Arrangements and Contracts

During the year, no director and no entity connected with a director had an interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group 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 2021, 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.

Directors' Competing Interests

During the year ended 31 December 2021 and up to the date of this annual report, the following director of the Company is considered to have interests in the businesses which compete or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Sun Yufeng	— CITIC Metal Group Limited	— Commodity Trading and Mining	Director

As the Board is independent of the board of the above-mentioned entity and the above director 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.

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

As at 31 December 2021, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO), or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Long positions in shares and underlying shares of the Company

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

Mr. Sun Yang ceased to be an executive director and a Vice Chairman of the Company with effect from 30 December 2021.

* 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	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

Save as disclosed herein and in the section headed "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" (in case there is any disclosure therein) (on page 41), and so far as is known to the directors, as at 31 December 2021:

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

(b) none of the directors was a director or employee of a company which had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors' Rights to Acquire Shares or Debentures

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

Equity-linked Agreement

Save as disclosed in the section headed "Share Option Scheme" below, the Company has not entered into any equity-linked agreement during the year and 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 to eligible persons, a new share option scheme was adopted by the Company on 27 June 2014 (the "**New Scheme**"). Further details of the New Scheme are set out in note 34 to the financial statements. Up to the date of this report, no share option has been granted under the New Scheme.

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

As at 31 December 2021, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

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

Notes:

(1) The figure represents an attributable interest of 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**") through its interest in CITIC Limited. CITIC Group is a company established in China.

(2) The figure represents an attributable interest of CITIC Limited through its interest in CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Limited, a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 267), is owned as to 32.53% by CITIC Polaris Limited ("**CITIC Polaris**") and 25.60% by CITIC Glory Limited ("**CITIC Glory**"). CITIC Polaris and CITIC Glory, companies incorporated in the BVI, are direct wholly-owned subsidiaries of CITIC Group.

(3) The figure represents an attributable interest of CITIC Corporation through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**"), CITIC Australia Pty Limited ("**CA**") and Fortune Class Investments Limited ("**Fortune Class**"). Fortune Class holds 30,108,000 shares representing 0.38% of the total issued share capital of the Company. CITIC Corporation, a company established in China, is a direct wholly-owned subsidiary of CITIC Limited. Fortune Class, a company incorporated in the BVI, is an indirect wholly-owned subsidiary of CITIC Corporation.

(4) The figure represents an attributable interest of CITIC Projects through its interest in Keentech Group Limited ("**Keentech**"). CITIC Projects, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Corporation.

(5) Keentech, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Projects.

(6) CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Corporation.

(7) The figure represents an attributable interest of ASM Holdings through its interest in ASM Limited, ASM Connaught House General Partner Limited ("**ASM General Partner**") and ASM Connaught House General Partner II Limited ("**ASM General Partner II**"). ASM Holdings is a company incorporated in the BVI.

(8) The figure represents an attributable interest of ASM Limited through its control of, by virtue of its position as investment manager of, ASM Connaught House Fund LP ("**ASM Fund LP**"), ASM Connaught House Fund II LP ("**ASM Fund II**") and ASM Connaught House (Master) Fund II LP ("**ASM (Master) Fund II**"). ASM Limited, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Holdings.

(9) The figure represents an attributable interest of ASM General Partner through its role as general partner of ASM Fund LP. ASM General Partner, a company incorporated in the Cayman Islands, is a direct wholly-owned subsidiary of ASM Holdings.

(10) The figure represents an attributable interest of ASM General Partner II through its role as general partner in ASM Fund II and ASM (Master) Fund II.

(11) The figure represents an attributable interest of ASM Fund LP through its interest in Albany Road Limited ("**Albany**"). Albany, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Fund LP.

(12) The figure represents an attributable interest of ASM Fund II through its interest in ASM (Master) Fund II.

(13) The figure represents an attributable interest of ASM (Master) Fund II through its interest in Caroline Hill Limited ("**Caroline**"). Caroline, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM (Master) Fund II.

(14) The figure represents an attributable interest of Sea Cove Limited ("**Sea Cove**") through its interest in TIHT Investment Holdings III Pte. Ltd. ("**TIHT**"). Sea Cove, a company incorporated in the BVI, is owned as to more than one-third of the total issued share capital by Caroline and more than one-third of the total issued share capital by Albany.

(15) TIHT, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Sea Cove.

Save as disclosed herein and in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" (on pages 38 to 39), and so far as is known to the directors, as at 31 December 2021, no person had an interest or a short position in the shares or underlying shares of the Company required to be recorded in the register to be kept under section 336 of the SFO.

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

The following transactions between a connected person (as defined in the Listing Rules) of the Company and the Group were entered into and during the year for which relevant announcement had been made by the Company in accordance with the Listing Rules.

1. on 30 June 2021, after trading hours, a deed of surrender of lease ("**Termination Deed**") was executed between CITIC Resources Australia Pty Ltd ("**CRA**"), a subsidiary of the Company and CITIC House Pty Ltd ("**CITIC House**"), a subsidiary of CITIC Limited and an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司) ("**CITIC Group**"), a state-owned company established in the PRC in 1979 and the controlling shareholder of CITIC Limited, pursuant to which the lease agreement dated 22 December 2016 entered into between CRA as tenant and CITIC House as landlord for office premises at levels 7 and 8, 99 King Street, Melbourne, Australia ("**Lease Agreement**") and the concurrent car park licence agreement entered into between CRA as licensee and CITIC House as licensor ("**Car Park Licence Agreement**") were early terminated on 30 June 2021, prior to the expiration date on 23 September 2023 for both the Lease Agreement and the Car Park Licence Agreement. CRA had been released from any obligations under the Lease Agreement and the Car Park Licence Agreement, and CRA released CITIC House from all liability, claims, demands, charges, costs and expenses in connection with the Lease Agreement and the Car Park Licence Agreement.

Pursuant to HKFRS 16, the Group recognised a disposal of right-of-use assets of approximately US$3.641 million (equivalent to approximately HK$28.40 million) in its consolidated statement of financial position as at 31 December 2021, for the execution of the Termination Deed. A gain on disposal before tax of approximately US$0.136 million (equivalent to approximately HK$1.06 million) had been recognized upon the execution of the Termination Deed for the year ended 31 December 2021.

The Termination Deed constituted a connected transaction pursuant to chapter 14A of Listing Rules, details of which were disclosed in the announcement of the Company dated 30 June 2021.

2. On 30 June 2021, after trading hours, the New Lease Agreement was executed between CRA and CITIC House. Pursuant to the New Agreement, CITIC House as landlord agreed to let the premises located at Levels 7 and 8, 99 King Street, Melbourne, Australia to CRA for terms of two years and three months commencing from 1 July 2021 and expiring on 30 September 2023 (both days inclusive) at a monthly rental of A$51,287.37 plus GST (equivalent to approximately HK$307,724) per month with a fixed increment of 3.5% per annum on 1st October of each year, details of which were disclosed in the announcement of the Company dated 30 June 2021.

3. On 30 June 2021, after trading hours, the New Car Park Licence Agreement was executed between CRA and CITIC House. Pursuant to the New Car Park Licence Agreement, CITIC House as licensor agreed to let the car parking spaces 22, 23, 24, 25, 26, 27, 28, 39 and 40 located at 99 King Street, Melbourne, Australia to CRA for the terms of two years and three months commencing from 1 July 2021 and expiring on 30 September 2023 (both days inclusive) at a monthly rental of A$4,647.42 plus GST (equivalent to approximately HK$27,885) per month for nine (9) car parking spaces with a fixed increment of 3.5% per annum in October of each year, details of which were disclosed in the announcement of the Company dated 30 June 2021.

As disclosed in the announcement of the Company dated 30 June 2021, pursuant to HKFRS 16, the Group recognised right-of-use assets in its consolidated statement of financial position in respect of (i) the lease of office premises under the New Lease Agreement and (ii) licence of use of car parking spaces under the New Car Park Licence Agreement, with an aggregate value of approximately US$2.293 million (equivalent to approximately HK$17.89 million), each of which constituted a one-off connected transaction of the Company under Chapter 14A of 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 during the year ongoing for which relevant announcements and (if applicable) circulars had been made by the Company in accordance with the Listing Rules.

1. On 22 October 2021, the Company entered into the CITIC Bank PRC Financial Services Agreement with the Beijing branch of China CITIC Bank Corporation Limited (中信銀行股份有限公司) ("**CITIC Bank**"), 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, pursuant to which CITIC Bank 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, the interest rates on RMB deposits placed by any Service Recipient at CITIC Bank 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 CITIC Bank PRC Financial Services Agreement shall remain in force for a term of three years from 22 October 2021. Details of the CITIC Bank PRC Financial Services Agreement were disclosed in the announcement of the Company dated 22 October 2021.

2. On 22 October 2021, the Company entered into the CITIC Finance PRC Financial Services Agreement with CITIC Finance Company Limited (中信財務有限公司) ("**CITIC Finance**"), a subsidiary of CITIC Limited, and therefore a connected person of the Company, pursuant to which CITIC Finance 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, the interest rates on RMB deposits placed by any Service Recipient at CITIC Finance 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 CITIC Finance PRC Financial Services Agreement shall remain in force for a term of three years from 22 October 2021. Details of the CITIC Finance PRC Financial Services Agreement were disclosed in the announcement of the Company dated 22 October 2021.

Under the CITIC Bank PRC Financial Services Agreement and the CITIC Finance PRC Financial Services Agreement (collectively, the "**PRC Financial Services Agreements**"), the annual caps in respect of the aggregate amount of daily maximum balance of deposits to be placed and maintained by the Group with CITIC Bank and CITIC Finance (including the interests accrued thereon) for the term of the PRC Financial Services Agreements for the year ended 31 December 2021 and the years ending 31 December 2022, 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 2021, the actual maximum amount of daily deposit balance (including the interests accrued thereon) was HK$3.5 million.

The comprehensive credit services under the PRC Financial Services Agreements involve the provision of financial assistance by CITIC Bank and CITIC Finance to the Group, which shall be on normal commercial terms or better, and no security will be granted by the Group over its assets in respect of such comprehensive credit services. Therefore, the comprehensive 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 and other financial services under the PRC Financial Services Agreements shall be on normal commercial terms or on terms that are no less favourable than those offered by the other financial institutions in the PRC. During the term of the PRC Financial Services Agreements, the fees payable by the Group for the provision of each of the settlement services and other financial services under the PRC Financial Services Agreements did not exceed the de minimis threshold under Rule 14A.76 of the Listing Rules.

3. On 16 August 2021, the Company entered into the CITIC Bank International Financial Services Agreement with 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, and therefore a connected person of the Company, 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 CITIC Bank International Financial Services Agreement shall remain in force 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). Details of 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.

4. On 16 August 2021, the Company entered into the CITIC Finance International Financial Services Agreement with CITIC Finance International Limited ("**CITIC Finance International**"), a wholly-owned subsidiary of CITIC Limited, and therefore a connected person of the company, 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 CITIC Finance International Financial Services Agreement shall remain in force 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). Details of 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.

Under the CITIC Bank International Financial Services Agreement and the CITIC Finance International Financial Services Agreement (collectively, the "**Financial Services Agreements**"), the annual caps in respect of the aggregate amount of daily maximum balance of deposits to be placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including the interests accrued thereon) for the term of the Financial Services Agreements for the year ended 31 December 2021 and the years ending 31 December 2022, 2023 and the period ending 30 September 2024 had been fixed at HK$1.2 billion, HK$1.2 billion, HK$1.2 billion and HK$1.2 billion respectively. For the year ended 31 December 2021, the actual maximum amount of daily deposit balance (including the interests accrued thereon) was HK$559.9 million.

The credit services to be provided under the Financial Services Agreements involve the provision of financial assistance by CITIC Bank International and CITIC Finance International to the Group, which shall be on normal commercial terms or better, and no security will be 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 shall be on normal commercial terms or on terms that are no less favourable than those offered by the major domestic banks in Hong Kong. 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.

5. On 17 January 2020, CA Commodity Trading Pty Ltd ("**CACT**"), an indirect wholly-owned subsidiary of the Company, entered into the Agency Fee Agreement with Pacific Resources Trading Pte. Ltd., ("**PRT**") an indirect subsidiary of CITIC Group for the provision of marketing related services for PRT's products. The Agency Fee Agreement is expected to be renewed on an annual basis.

   At the time of entering into the Agency Fee Agreement in 2020, the then applicable percentage ratios were less than 0.1% and the services under the Agency Fee Agreement constituted a de minimis continuing connected transaction for the Company under the Listing Rules and were not subject to announcement, reporting and independent shareholders' approval requirements.

   Based on the information available to the Company and the preliminary assessment of the unaudited management financial statements of CACT, the Board anticipated that the commission fee income for the financial year ended 31 December 2020 would exceed the abovementioned exemption threshold. The Company was therefore required to re-comply with the requirements under Chapter 14A of the Listing Rules.

   On 25 January 2021, CACT had renewed the annual Agency Fee Agreement with PRT for the provision of marketing related services to PRT's products. Save for the refreshment of a term of a calendar year of 2021, all other terms and conditions under the Agency Fee Agreement dated 17 January 2020 as stated in the announcement of the Company dated 15 September 2020 remain the same.

Under the Agency Fee Agreement, the annual caps of commission fee income for the provision of marketing related services for PRT's products for the years ended 31 December 2020 and 31 December 2021 had been originally fixed at HK$5.0 million and the year ending 31 December 2022 had been fixed at HK$5.0 million. On 8 June 2021, due to the increase in production capacities of the end users of PRT and the improvement of market conditions leading to higher demands for PRT products, the annual caps of commission fee income for the year ended 31 December 2021 and the year ending 31 December 2022 had been revised and increased to HK$10.0 million and HK$15.0 million, respectively. The aggregate annual amount of the agency fees paid/payable by PRT to CACT under the Agency Fee Agreement in 2021 was approximately HK$7.308 million, which did not exceed the annual cap for that year. Details of Agency Fee Agreement were disclosed in the announcements of the Company dated 15 September 2020, 21 September 2020, and 8 June 2021.

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. A copy of the auditor's report has been provided by the Company to the Stock Exchange.

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) for transactions involving the provision of goods or services by the Group, nothing has come to auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) 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

(iv) 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.

Save as disclosed above, a summary of significant related party transactions is disclosed in note 39 to the Financial Statements. Certain transactions constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules that are exempted from any disclosure requirement under Chapter 14A of the Listing Rules. 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 note 44 to the Financial Statements and the Company's positive profit alert announcement dated 28 January 2022, 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 2022 and up to the date of this report.

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

Subsequent to the date of the 2021 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
Mr. Look Andrew	Appointed as an independent non-executive director and members of the audit committee, remuneration committee and nomination committee of L.K. Technology Holdings Limited (Stock Code: 558) with effect from 1 April 2022

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 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

Ernst & Young retired as auditor of the Company at the conclusion of the AGM on 18 June 2021 and, on the same date, the proposed appointment of PricewaterhouseCoopers was approved at the AGM as the new auditor of the Company. Details of the change of external auditor from Ernst & Young to PricewaterhouseCoopers were disclosed in the announcements of the Company dated 30 March 2021 and 18 June 2021 and the circular of the Company dated 12 April 2021.

The financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Sun Yufeng
Chairman

Hong Kong, 25 March 2022

pwc

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 55 to 155, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the 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.

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 matter identified in our audit is impairment of oil and gas properties held by the Group and its joint venture.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of oil and gas properties held by the Group and its joint venture	
Refer to Note 2.4, 3, 13 and 21 to the consolidated financial statements. As of 31 December 2021, the net carrying value of the Group's oil and gas properties mainly located in mainland China amounted to approximately HK$3,053,820,000 as disclosed in Note 13 to the consolidated financial statements. The Group also has significant oil and gas properties located in Kazakhstan held by its joint venture. An impairment indication assessment was undertaken on the oil and gas properties by management as at 31 December 2021 to determine if the Group shall estimate the recoverable amount of the oil and gas properties. Management has determined that no impairment indication existed for the oil and gas properties held by the Group and its joint venture as at 31 December 2021.	In evaluating management's impairment indication assessment of oil and gas properties located in mainland China and Kazakhstan, we primarily undertook the following audit procedures: • Obtained an understanding of the management's internal control and processes of impairment indication assessment of oil and gas properties; • Assessed whether management's impairment indication assessment is in accordance with the requirements of accounting standards including consideration of both external and internal sources of information in accordance with HKAS 36 "Impairment of Assets";

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Impairment of oil and gas properties held by the Group and its joint venture (Continued)</td></tr>
<tr><td>In the impairment indication assessment, management has considered external and internal sources of information in accordance with HKAS 36 "Impairment of Assets" as at 31 December 2021, including:

• Decline in recent actual price or forecast future prices;

• Lower actual production compared against budgeted production plan or increase in production costs;

• Decrease in reserve estimates;

• Significant adverse changes in the market, economic or legal environment in which the Group operates; and

• Increase in market interest rate.

As the information used in performing impairment indication assessment involves significant judgements, we regard this as a key audit matter.</td><td>• Compared estimates of future oil prices adopted by the Group against a range of published oil price forecasts;

• Considered budgeted production plan against actual production for the financial year 2021 and compared the future cost profiles against historical costs and relevant budgets of the Group;

• Evaluated the competence, capability and objectivity of the management's experts engaged in the reserve estimates by verifying expert's confirmation and provided certificates. Assessed the methodology for evaluation of the reserves estimates used based on the review of the expert's report and the parameters therein. Assessed key estimations or assumptions used in the reserve estimation, by reference to historical data, management plans and/or relevant external data;

• Evaluated whether there were significant adverse changes in the market, economic or legal environment, such as any newly enacted laws, impacting oil and gas properties; and

• Compared prior year and recent market interest rate.

Based on the procedures we performed, we found the judgements made by management in performing the impairment indication assessment to be consistent with the audit evidences we obtained.</td></tr>
</table>

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.

Other Information (continued)

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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

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

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

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

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

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

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

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

We communicate with 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.

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 Ivan Au.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2022

Year ended 31 December HK$'000

Consolidated Income Statement

	Notes	2021	2020
REVENUE	5	**4,349,406**	2,850,058
Cost of sales		**(3,162,643)**	(2,717,115)
Gross profit		**1,186,763**	132,943
Other income, gains and losses, net	5	**188,531**	402,721
Selling and distribution costs		**—**	(11,406)
General and administrative expenses		**(324,906)**	(268,117)
Other expenses, net		**(52,762)**	(47,689)
Finance costs	9	**(83,822)**	(150,315)
Share of profit/(loss) of:			
Associates		**116,220**	(40,070)
A joint venture		**306,299**	(279,894)
PROFIT/(LOSS) BEFORE TAX	6	**1,336,323**	(261,827)
Income tax expense	10	**(222,176)**	(98,690)
PROFIT/(LOSS) FOR THE YEAR		**1,114,147**	(360,517)
ATTRIBUTABLE TO:			
Shareholders of the Company		**1,103,366**	(363,848)
Non-controlling interests		**10,781**	3,331
		1,114,147	(360,517)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	12		
Basic		**HK14.04 cents**	(HK4.63 cents)
Diluted		**HK14.04 cents**	(HK4.63 cents)

Year ended 31 December HK$'000

Consolidated Statement of Comprehensive Income

	Notes	2021	2020
Profit/(loss) for the year		**1,114,147**	(360,517)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments		**(13,405)**	(328,108)
Income tax effect		**4,022**	98,432
		(9,383)	(229,676)
Exchange differences on translation of foreign operations		**77,158**	185,100
Reclassification adjustments for foreign operations deregistered or disposed of, net		**(3,967)**	(23,091)
Share of other comprehensive (loss)/income of associates		**(65,519)**	22,755
Share of other comprehensive income/(loss) of a joint venture		**1,488**	(1,987)
Reclassification adjustments for an associate disposed of		**—**	1,086
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(223)**	(45,813)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain/(loss) on defined benefit plan:			
Changes in fair value	31	**11,996**	(4,444)
Income tax effect		**(3,599)**	1,333
		8,397	(3,111)
Share of other comprehensive income/(loss) of a joint venture		**8,647**	(7,332)
Share of other comprehensive income/(loss) of an associate		**25,038**	(5,678)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**42,082**	(16,121)
Other comprehensive income/(loss) for the year, net of tax		**41,859**	(61,934)
Total comprehensive income/(loss) for the year		**1,156,006**	(422,451)
Attributable to:			
Shareholders of the Company		**1,136,702**	(442,694)
Non-controlling interests		**19,304**	20,243
		1,156,006	(422,451)

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2021	2020
Non-current assets			
Property, plant and equipment	13	**3,838,772**	3,481,533
Right-of-use assets	14(a)	**83,123**	93,635
Goodwill	15	**24,682**	24,682
Mining assets and stripping costs	16	**112,049**	113,378
Exploration, evaluation and development expenditure	17	**112,627**	146,347
Investment in an associate	20	**2,893,101**	2,954,414
Investment in a joint venture	21	**2,073,765**	1,757,333
Prepayments, deposits and other receivables	22	**38,594**	58,734
Time deposit	26	**88,754**	65,538
Deferred tax assets	32	**187,832**	187,240
Total non-current assets		**9,453,299**	8,882,834
Current assets			
Inventories	23	**431,595**	385,931
Trade receivables	24	**704,889**	412,653
Prepayments, deposits and other receivables	22	**167,372**	166,178
Derivative financial instruments	25	**21,012**	71,712
Pledged deposit	26	**—**	41,706
Cash and deposits	26	**1,925,573**	2,314,285
Total current assets		**3,250,441**	3,392,465
Current liabilities			
Accounts payable	27	**135,803**	113,921
Tax payable		**54,113**	502
Accrued liabilities and other payables	28	**919,545**	839,084
Derivative financial instruments	25	**643**	14,071
Bank and other borrowings	29	**240,669**	141,106
Lease liabilities	14(b)	**26,463**	29,900
Provisions for long-term employee benefits	31	**46,667**	49,741
Provisions	30	**1,163**	1,235
Total current liabilities		**1,425,066**	1,189,560
Net current assets		**1,825,375**	2,202,905
Total assets less current liabilities		**11,278,674**	11,085,739

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2021	2020
Total assets less current liabilities		**11,278,674**	11,085,739
Non-current liabilities			
Bank and other borrowings	29	**3,418,480**	4,673,760
Lease liabilities	14(b)	**41,102**	55,953
Deferred tax liabilities	32	**256,016**	90,919
Provisions for long-term employee benefits	31	**19,919**	26,944
Provisions	30	**619,833**	470,845
Total non-current liabilities		**4,355,350**	5,318,421
Net assets		**6,923,324**	5,767,318
Equity			
Equity attributable to shareholders of the Company			
Issued capital	33	**392,886**	392,886
Reserves	35	**6,551,531**	5,414,829
		6,944,417	5,807,715
Non-controlling interests		**(21,093)**	(40,397)
Total equity		**6,923,324**	5,767,318

Sun Yufeng
Director

Suo Zhengang
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 2020	392,886	6,852	251,218	(38,579)	(27,585)
Profit/(loss) for the year	—	—	—	—	—
Other comprehensive income/(loss) for the year:					
Cash flow hedges, net of tax	—	—	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—	168,188
Reclassification adjustments for foreign operations deregistered or disposed of during the year	—	—	—	—	(23,091)
Share of other comprehensive income/(loss) of associates	—	—	—	—	—
Share of other comprehensive loss of a joint venture	—	—	—	—	—
Share of other comprehensive loss of defined benefit plan of an associate	—	—	—	—	—
Share of other comprehensive loss of defined benefit plan of a joint venture	—	—	—	—	—
Reclassification adjustments for an associate disposed of during the year	—	—	—	—	—
Re-measurement loss on defined benefit plan, net of tax	—	—	—	—	—
Total comprehensive income/(loss) for the year	—	—	—	—	145,097
Reclassification adjustments for an associate disposed of during the year	—	—	—	—	—
Share of other reserve movements of an associate	—	—	—	—	—
At 31 December 2020	392,886	6,852	251,218	(38,579)	117,512
At 1 January 2021	**392,886**	**6,852**	**251,218**	**(38,579)**	**117,512**
Profit for the year	—	—	—	—	—
Other comprehensive income/(loss) for the year:					
Cash flow hedges, net of tax	—	—	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—	**68,635**
Reclassification adjustments for foreign operations deregistered or disposed of during the year	—	—	—	—	**(3,967)**
Share of other comprehensive loss of an associate	—	—	—	—	—
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 income 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	—	—	—	—	**64,668**
At 31 December 2021	**392,886**	**6,852**	**251,218**	**(38,579)**	**182,180**

HK$'000

Attributable to 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
255,367	(1,359,163)	32,417	6,739,976	6,253,389	(60,640)	6,192,749
—	—	—	(363,848)	(363,848)	3,331	(360,517)
(229,676)	—	—	—	(229,676)	—	(229,676)
—	—	—	—	168,188	16,912	185,100
—	—	—	—	(23,091)	—	(23,091)
—	22,755	—	—	22,755	—	22,755
—	(1,987)	—	—	(1,987)	—	(1,987)
—	(5,678)	—	—	(5,678)	—	(5,678)
—	(7,332)	—	—	(7,332)	—	(7,332)
—	1,086	—	—	1,086	—	1,086
—	—	(3,111)	—	(3,111)	—	(3,111)
(229,676)	8,844	(3,111)	(363,848)	(442,694)	20,243	(422,451)
—	(53,528)	—	50,713	(2,815)	—	(2,815)
—	11,215	—	(11,380)	(165)	—	(165)
25,691	(1,392,632)	29,306	6,415,461	5,807,715	(40,397)	5,767,318
25,691	**(1,392,632)**	**29,306**	**6,415,461**	**5,807,715**	**(40,397)**	**5,767,318**
—	**—**	**—**	**1,103,366**	**1,103,366**	**10,781**	**1,114,147**
(9,383)	**—**	**—**	**—**	**(9,383)**	**—**	**(9,383)**
—	**—**	**—**	**—**	**68,635**	**8,523**	**77,158**
—	**—**	**—**	**—**	**(3,967)**	**—**	**(3,967)**
—	**(65,519)**	**—**	**—**	**(65,519)**	**—**	**(65,519)**
—	**1,488**	**—**	**—**	**1,488**	**—**	**1,488**
—	**25,038**	**—**	**—**	**25,038**	**—**	**25,038**
—	**8,647**	**—**	**—**	**8,647**	**—**	**8,647**
—	**—**	**8,397**	**—**	**8,397**	**—**	**8,397**
(9,383)	**(30,346)**	**8,397**	**1,103,366**	**1,136,702**	**19,304**	**1,156,006**
16,308	**(1,422,978)**	**37,703**	**7,518,827**	**6,944,417**	**(21,093)**	**6,923,324**

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2021	2020
Cash flows from operating activities			
Profit/(loss) before tax		**1,336,323**	(261,827)
Adjustments for:			
Interest income	5	**(18,615)**	(16,430)
Depreciation of property, plant and equipment	6	**404,410**	334,662
Depreciation of right-of-use assets	6	**26,114**	30,748
Amortisation of mining assets and stripping costs	6	**1,908**	3,549
Provision for long-term employee benefits	6	**5,628**	3,971
(Gain)/loss on disposal of items of property, plant and equipment, net	6	**(7,752)**	1,690
Written off of property, plant and equipment	6	**1,039**	—
Loss/(gain) on disposal of items of exploration, evaluation and development expenditure, net	6	**124**	(15,112)
Reclassification adjustments for foreign operations deregistered or disposed of, net	6	**(3,967)**	(23,091)
Reversal of write-down of inventories to net realisable value, net	6	**(6,178)**	(6,655)
Provision for impairment of exploration, evaluation and development expenditure	6	**31,902**	1,482
Provision for impairment of trade receivables, net	6	**91**	2,231
Write-off of accrued liabilities		**(3,638)**	(21,881)
The government loan forgiveness	5	**(64,157)**	(67,585)
Fair value loss/(gain) on derivative financial instruments, net	6	**28,704**	(43,512)
Finance costs	9	**83,822**	150,315
Share of (profit)/loss of associates		**(116,220)**	40,070
Share of (profit)/loss of a joint venture		**(306,299)**	279,894
Gain on disposal of an associate	5	**—**	(192,040)
		1,393,239	200,479
Changes in inventories		**(45,211)**	64,014
Changes in trade receivables		**(276,355)**	(41,416)
Changes in prepayments, deposits and other receivables		**(11,787)**	(1,852)
Changes in accounts payable		**19,968**	(33,660)
Changes in accrued liabilities and other payables		**38,528**	(68,925)
Changes in provisions		**(3,197)**	4,703
Cash generated from operations		**1,115,185**	123,343
Income tax paid		**(8,028)**	(8,478)
Net cash flows from operating activities		**1,107,157**	114,865

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2021	2020
Net cash flows from operating activities		**1,107,157**	114,865
Cash flows from investing activities			
Interest received		**18,057**	15,550
Dividend income from associates	20	**137,051**	139,227
Additions to items of property, plant and equipment		**(438,169)**	(378,596)
Additions to mining assets and stripping costs	16	**(579)**	(1,176)
Additions to exploration, evaluation and development costs	17	**(515)**	(1,209)
Proceeds from disposal of items of property, plant and equipment		**8,690**	1,987
Proceeds from disposal of items of exploration, evaluation and development costs		**2,209**	7,819
Proceeds from disposal of an associate		**—**	1,080,613
Proceeds from disposal of a subsidiary		**—**	6,581
Repayment of loan from a joint venture		**—**	123,552
Release of pledged deposit		**41,706**	—
Addition in time deposits with original maturity of more than one year		**(21,094)**	(64,757)
Addition in time deposit with original maturity over three months		**(58,939)**	—
Deposits with a fellow subsidiary		**(559,910)**	—
Net cash flows (used in)/from investing activities		**(871,493)**	929,591
Cash flows from financing activities			
Proceeds from bank borrowings	38(b)	**3,243,101**	1,984,379
Repayment of bank borrowings	38(b)	**(4,372,012)**	(2,232,789)
Receipt of a loan from government	38(b)	**13,775**	75,157
Repayment of a loan from government	38(b)	**(14,242)**	(11,527)
Principal portion of lease payments	38(b)	**(31,012)**	(29,554)
Interest portion of lease liabilities	38(b)	**(2,586)**	(3,451)
Dividend paid to shareholders	38(b)	**—**	(2)
Finance charges paid	38(b)	**(91,486)**	(145,444)
Net cash flows used in financing activities		**(1,254,462)**	(363,231)
Net (decrease)/increase in cash and cash equivalents		**(1,018,798)**	681,225
Cash and cash equivalents at beginning of year		**2,314,285**	1,595,429
Effect of foreign exchange rate changes, net		**11,237**	37,631
Cash and cash equivalents at end of year		**1,306,724**	2,314,285
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**748,355**	464,057
Time deposits		**558,369**	1,850,228
	26	**1,306,724**	2,314,285

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 in Australia;

(b) the operation of coal mines and the sale of coal in Australia;

(c) the export of various commodity products such as aluminium ingots and alumina; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres into Australia;

(d) the exploration, development, production and sale of oil from the Seram Block; and

(e) the exploration, development, production and sale of oil from the Hainan-Yuedong Block.

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

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 Elite Venture Limited	BVI/Hong Kong	US$1	100	Investment holding
Star Choice Venture Limited	BVI/Hong Kong	US$1	100	Financing
Zenith Ease Limited	BVI/Hong Kong	US$1	100	Investment holding
Global Enterprises (HK) Limited	Hong Kong	HK$2	100	Provision of management services
CITIC Resources Australia Pty Limited	State of Victoria, Australia	A$430,298,351	100	Investment holding
Indirectly held				
Wing Lam (International) Timber Limited	Hong Kong	HK$60,000,000	100	Dormant
CITIC Australia (Portland) Pty Limited	State of Victoria, Australia	A$45,675,119	100	Aluminium smelting
CITIC Nominees Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Australia Coal Pty Limited	State of Victoria, Australia	A$220,605,959	100	Investment holding
CITIC Australia Coppabella Pty Limited	State of Victoria, Australia	A$5,000,002	100	Mining and production of coal
CITIC Bowen Basin Pty Limited	State of Victoria, Australia	A$378,353	100	Exploration and development of coal mines
CITIC West Rolleston Pty Limited	State of Victoria, Australia	A$196,390	100	Exploration and development of coal mines

1 Corporate and Group information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Moorvale West Pty Limited	State of Victoria, Australia	A$108,333	100	Exploration and development of coal mines
CA Olive Downs Pty Limited	State of Victoria, Australia	A$99,958	100	Exploration and development of coal mines
CITIC West Walker Pty Limited	State of Victoria, Australia	A$91,812	100	Exploration and development of coal mines
CITIC West/North Burton Pty Limited	State of Victoria, Australia	A$34,238	100	Exploration and development of coal mines
CA Trading Holding Pty Ltd	State of Victoria, Australia	A$4,710,647	100	Investment holding
CA Commodity Trading Pty Limited	State of Victoria, Australia	A$500,002	100	Import and export of commodities and manufactured goods
CA Steel Products Pty Limited	State of Victoria, Australia	A$2	100	Import of steel
北京千泉投資顧問有限公司 (Beijing Qian Quan Investment Consulting Co. Limited)	China	RMB1,243,173	100	Consulting
CITIC Indonesia Energy Limited	BVI/Hong Kong	US$1	100	Investment holding

1 Corporate and Group information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Seram Energy Limited	BVI/Indonesia	US$1	100	Exploration, development and operation of oilfields
CITIC Haiyue Energy Limited	BVI/Hong Kong	US$1	100	Investment holding
Tincy Group Energy Resources Limited	Hong Kong/ China	HK$10,000,000	90	Exploration, development and operation of oilfields
CITIC Oil & Gas Holdings Limited	BVI/Hong Kong	US$100	100	Investment holding
Renowned Nation Limited	BVI/Hong Kong	US$1	100	Investment holding
KBM Energy Limited	BVI/Hong Kong	US$1	100	Investment holding
CITIC Netherlands Energy Coöperatief U.A.	Netherlands/ Hong Kong	EUR100	100	Investment holding
Perfect Vision Investments Limited	BVI/Hong Kong	US$1	100	Investment holding
KAZCITIC Investment LLP	Kazakhstan	KZT682,705,099	100	Property holding
Ample Idea Investments Limited	BVI/Hong Kong	US$1	100	Investment holding
中信石油技術開發(北京)有限公司 (CITIC Petroleum Technology Development (Beijing) Limited)	China	US$100,000	100	Oil technology development
CITIC PNG Investments Limited	BVI/Hong Kong	US$1	100	Investment holding

2.1 Basis of preparation

The significant accounting policies applied in the preparation of the Financial Statements of the Group are set out below. The Financial Statements have been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These Financial Statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These Financial Statements are presented in HK$ and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

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

Basis of consolidation

The Financial Statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and also to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary in the Financial Statements to ensure consistency with the accounting policies adopted by the Group.

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

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs which are effective for the current accounting period beginning on 1 January 2021:

Standard No.	Title
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase II

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

The Interest Rate Benchmark Reform amendments to HKFRSs were issued by HKICPA in two phases. The Phase 1 amendments deal with pre-replacement issues (issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark). The Phase 1 amendments provide temporary exceptions to specific hedge accounting requirements, to avoid entities having to discontinue hedging relationships solely due to the uncertainty arising from the reform of interest rate benchmarks. These amendments apply to annual reporting periods beginning on or after 1 January 2020, and were addressed in Amendments to HKFRS 7, HKFRS 9 and HKAS 39 "Interest Rate Benchmark Reform", which the Group adopted in 2020.

The Phase 2 amendments address issues that might affect financial reporting during the reform of interest rate benchmarks, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Restatement of prior periods is not required.

2.2 Changes in Accounting Policies and Disclosures (continued)

The Interest Rate Benchmark Reform – Phase 2 amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform of interest rate benchmarks, to be treated as changes to a floating rate, equivalent to a movement in a market rate of interest.

- Permit changes required by reform of interest rate benchmarks to be made to hedge designation and hedge documentation without the hedging relationship being discontinued.

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an alternative nearly risk-free interest rate instrument is designated as a hedge of a risk component.

There is no transition to alternative benchmark rates entered by the Group. The Group has certain bank and other borrowings that are interest-bearing at the LIBOR. Details are set out in note 29 to Financial Statements.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The following new standards, amendments and interpretation relevant to the Group which have been issued by the HKICPA as of 31 December 2021 may impact the Group in future years but are not yet effective for the year ended 31 December 2021:

Standard No.	Title
Amendments to HKFRS 16	*Covid-19-Related Rent Concession Beyond 2021*[1]
Amendments to HKFRS 3, HKAS 16 and HKAS 37	*Narrow-scope amendments*[1]
AG 5(revised)	*Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations*[1]
Annual Improvements to HKFRSs	*Annual Improvements to HKFRSs 2018-2020*[1]
HKFRS 17	*Insurance contracts*[2]
Amendments to HKFRS 17	*Insurance contracts*[2, 4]
Amendments to HKAS 1	*Classification of liabilities as current or non-current*[2, 4]
Hong Kong Interpretation 5 (2020)	*Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of accounting policies*[2]
Amendments to HKAS 8	*Definition of accounting estimates*[2]
Amendments to HKAS 12	*Deferred tax related to assets and liabilities arising from a single transaction*[2]
HKFRS 10 and HKAS 28 (Amendments)	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

The Group has not early adopted the new standards, amendments to existing standards and interpretations issued by HKICPA that are not yet effective for the year ended 31 December 2021 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 Significant 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.

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

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.

Interests in joint operations

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

The Group recognises in relation to its interests in joint operations:

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

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

Business combinations and goodwill

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

2.4 Summary of Significant 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.

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

2.4 Summary of Significant 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 Significant 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 2030.

2.4 Summary of Significant 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	5 to 19 years
Furniture and fixtures	4 to 5 years
Buildings and structures	10 to 30 years

Freehold land is not depreciated.

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

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

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

Oil and gas properties

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

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

2.4 Summary of Significant 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. No market-risk premium has been included in the calculation of asset retirement obligation balances since no reliable estimate can be made.

Capital works

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

Exploration, evaluation and development expenditure

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

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

2.4 Summary of significant accounting policies (continued)

Mining assets and stripping costs

Mining assets

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

Stripping costs

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

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

(a) future economic benefits (being improved access to the ore body) are probable;

(b) the component of the ore body to which access will be improved can be accurately identified; and

(c) the costs associated with the improved access can be reliably measured.

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

2.4 Summary of significant accounting policies (continued)

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.

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.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Derecognition of financial assets

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

(a) the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

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.

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 significant 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 significant accounting policies (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

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 significant 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 significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

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

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

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with short maturity of generally within three months and which are not restricted as to use.

2.4 Summary of significant 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 significant accounting policies (continued)

Income tax (continued)

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

(a) when the deferred tax asset relating to the deductible temporary differences arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

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

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

Government grants

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

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

2.4 Summary of significant accounting policies (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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 significant accounting policies (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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 significant accounting policies (continued)

Leases (continued)

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

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

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

Group as a lessor

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

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

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

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

2.4 Summary of significant accounting policies (continued)

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 significant 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.

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

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

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

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

3 Significant accounting judgements and estimates

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

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.

Income tax

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

3 Significant accounting judgements and estimates (continued)

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

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

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

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

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

Provision for ECLs on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 to the Financial Statements.

3 Significant accounting judgements and estimates (continued)

Leases — Estimating the incremental borrowing rate

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

Oil and gas reserves and mining reserves

The most significant estimates in the oil and gas and mining operations pertain to the volumes of oil and gas reserves and mining reserves and the future development, purchase price allocation, provisions for rehabilitation cost and abandonment cost, as well as estimates relating to certain oil and gas and mining revenues and expenses. Actual amounts could differ from those estimates and assumptions. Further details are set out in notes 13 and 30 to the Financial Statements.

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

The Group assesses at the end of each reporting period whether there are any indicators of impairment for all non-financial assets. Management's judgements are required in assessing whether an event has occurred that may indicate that the related asset values may not be recoverable. Internal and external sources of information are reviewed at each balance sheet date for indications.

For the impairment indication assessment undertaken on the oil and gas properties, below external and internal sources of information was considered:

(i) Decline in recent actual price or forecast future prices;

(ii) Lower actual production compared against budgeted production plan or increase in production costs;

(iii) Decrease in reserve estimates;

(iv) Significant adverse changes in the market, economic or legal environment in which the Group operates; and

(v) Increase in market interest rate.

3 Significant accounting judgements and estimates (continued)

Impairment of non-financial assets (other than goodwill) (continued)

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in notes 10 and 32 to the Financial Statements.

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 1.6% (2020: 0.9%) appropriate for Portland 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 AUD into USD at the period end rate of 0.73 (2020: 0.77).

(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 1.6% (2020: 0.9%) appropriate for the coal mines project.

The valuation amount derived was translated from AUD into USD at the period end rate of 0.73 (2020: 0.77).

4 Operating segment information

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

(a) the aluminium smelting segment comprises the operation of the PAS which sources alumina and produces aluminium ingots in Australia;

(b) the coal segment comprises the operation of coal mines and the sale of coal in Australia;

(c) the import and export of commodities segment comprises the export of various commodity products such as aluminium ingots and alumina; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres into Australia; and

(d) the crude oil segment comprises the operation of oilfields and the sale of oil in Indonesia and China.

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

Segment assets exclude investment in an associate, investment in a joint venture, deferred tax assets, pledged deposit, 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.

Year ended 31 December 2021 HK$'000

4 Operating segment information (continued)

2021	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers (note 5)	1,257,121	740,707	1,003,404	1,348,174	4,349,406
Other income	76,430	11,770	7,715	13,622	109,537
	1,333,551	752,477	1,011,119	1,361,796	4,458,943
Segment results	364,912	141,420	28,607	646,872	1,181,811
Reconciliation:					
Interest income and unallocated gains					78,994
Unallocated expenses					(263,179)
Unallocated finance costs					(83,822)
Share of profit of:					
An associate					116,220
A joint venture					306,299
Profit before tax					1,336,323
Segment assets	554,361	602,759	622,664	3,759,396	5,539,180
Reconciliation:					
Investment in an associate					2,893,101
Investment in a joint venture					2,073,765
Unallocated assets					2,197,694
Total assets					12,703,740
Segment liabilities	436,538	258,612	66,916	803,860	1,565,926
Reconciliation:					
Unallocated liabilities					4,214,490
Total liabilities					5,780,416
Other segment information:					
Depreciation and amortisation	26,814	32,395	—	355,021	414,230
Unallocated amounts					18,202
					432,432

Year ended 31 December 2021 HK$'000

4 Operating segment information (continued)

2021	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
(Reversal of impairment)/Impairment in the consolidated income statement					
Reversal of write-down of inventories to net realisable value, net	—	—	(1,510)	(4,668)	(6,178)
Provision for impairment of exploration, evaluation and development expenditure	—	31,902	—	—	31,902
Written off of property, plant and equipment	—	—	—	1,039	1,039
Provision for impairment of trade receivables, net	91	—	—	—	91
Capital expenditure[1]	140,752	5,329	—	516,206	662,287
Unallocated amounts					4,697
					666,984
Additions to right-of-use assets	3,549	10,399	—	10,000	23,948

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

Year ended 31 December 2021 HK$'000

4 Operating segment information (continued)

2020	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers (note 5)	836,431	400,401	805,755	807,471	2,850,058
Other income	119,942	35,650	40,096	11,221	206,909
	956,373	436,051	845,851	818,692	3,056,967
Segment results	(31,594)	(67,459)	53,321	166,067	120,335
Reconciliation:					
Interest income and unallocated gains					195,812
Unallocated expenses					(107,695)
Unallocated finance costs					(150,315)
Share of loss of:					
Associates					(40,070)
A joint venture					(279,894)
Loss before tax					(261,827)
Segment assets	400,318	666,396	385,107	3,433,465	4,885,286
Reconciliation:					
Investment in an associate					2,954,414
Investment in a joint venture					1,757,333
Unallocated assets					2,678,266
Total assets					12,275,299
Segment liabilities	406,577	216,946	64,206	665,987	1,353,716
Reconciliation:					
Unallocated liabilities					5,154,265
Total liabilities					6,507,981
Other segment information:					
Depreciation and amortisation	12,966	45,502	2,352	289,846	350,666
Unallocated amounts					18,293
					368,959

Year ended 31 December 2021 HK$'000

4 Operating segment information (continued)

2020	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
(Reversal of impairment)/Impairment in the consolidated income statement					
Reversal of write-down of inventories to net realisable value, net	—	—	(6,245)	(410)	(6,655)
Provision for impairment of exploration, evaluation and development expenditure	—	1,482	—	—	1,482
Provision for impairment of trade receivables, net	(378)	147	2,462	—	2,231
Capital expenditure[1]	16,117	31,975	—	576,637	624,729
Unallocated amounts					2,562
					627,291
Additions to right-of-use assets	1,663	23,746	—	—	25,409

[1] Capital expenditure consists of additions to property, plant and equipment, mining assets and stripping costs, exploration, evaluation and development expenditure.

Year ended 31 December 2021 HK$'000

4 Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2021	2020
China	**1,247,524**	726,371
Australia	**978,617**	719,915
Europe	**520,924**	348,485
Other Asian countries	**1,214,270**	1,021,724
Others	**388,071**	33,563
	4,349,406	2,850,058

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

(b) Non-current assets

	2021	2020
Hong Kong	**38,217**	56,611
China	**3,464,537**	3,211,761
Australia	**3,625,394**	3,627,457
Kazakhstan	**2,073,991**	1,757,477
Other Asian countries	**63,328**	42,288
	9,265,467	8,695,594

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

Information about major customers

During the year, revenue of HK$1,247,524,000 (2020: HK$701,413,000) 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$532,381,000 and HK$503,228,000 (2020: HK$337,094,000 and HK$309,310,000) was derived from sales to two customers of the aluminium smelting segment respectively. Each of these two customers amounted to more than 10% of the Group's revenue for the year.

Year ended 31 December HK$'000

5 Revenue, other income, gains and losses, net

Revenue from contracts with customers

(a) Disaggregated revenue information

2021	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Geographical markets					
China	—	—	—	1,247,524	1,247,524
Australia	—	—	978,617	—	978,617
Europe	433,121	87,803	—	—	520,924
Other Asian countries	702,628	410,777	215	100,650	1,214,270
Others	121,372	242,127	24,572	—	388,071
Revenue from contracts with customers	1,257,121	740,707	1,003,404	1,348,174	4,349,406

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

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.

Year ended 31 December HK$'000

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:

	Note	2021	2020
Interest income		**18,615**	16,430
Handling service fees		**7,308**	4,673
Sale of scrap		**4,382**	2,167
Reversal of provision for abandonment cost		**—**	2,830
Gain on disposal of investment in an associate		**—**	192,040
Reclassification adjustments for foreign operations deregistered or disposed of, net		**3,967**	23,091
Reversal of provision for inventories		**—**	410
Gain on disposal of items of exploration, evaluation and development expenditure		**—**	15,112
Gain/(loss) on disposal of items of property, plant and equipment, net		**7,752**	(1,690)
Government subsidies		**2,691**	4,086
Fair value gain on derivative financial instruments		**7,698**	50,167
Compensation for inventories held at Qingdao Port		**—**	19,143
The government loan forgiveness	28	**64,157**	67,585
Exchange gains/(losses), net		**54,656**	(36,825)
Others		**17,305**	43,502
		188,531	402,721

Year ended 31 December HK$'000

6 Profit/(loss) before tax

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

	Notes	2021	2020
Cost of inventories sold*		**3,162,643**	2,717,115
Depreciation of property, plant and equipment		**404,410**	334,662
Depreciation of right-of-use assets		**26,114**	30,748
Amortisation of mining assets and stripping costs	16	**1,908**	3,549
Lease payments not included in the measurement of lease liabilities	14(c)	**9,018**	12,454
Auditor's remuneration		**7,900**	10,520
Employee benefit expenses (including directors' remuneration (note 7)):			
Wages and salaries		**391,404**	349,436
Pension scheme contributions***		**9,444**	7,436
Pension cost – defined benefit plan	31	**2,192**	2,434
Provision for long-term employee benefits	31	**5,628**	3,971
		408,668	363,277
Reclassification adjustments for foreign operations deregistered or disposed of, net		**(3,967)**	(23,091)
(Gain)/loss on disposal of items of property, plant and equipment, net		**(7,752)**	1,690
Loss/(gain) on disposal of items of exploration, evaluation and development expenditure, net		**124**	(15,112)
Written off of items of property, plant and equipment		**1,039**	—
Fair value loss/(gain) on derivative financial instruments, net		**28,704**	(43,512)
Exchange (gains)/losses, net		**(54,656)**	36,825
Reversal of write-down of inventories to net realisable value, net**		**(6,178)**	(6,655)
Provision for impairment of trade receivables, net	24	**91**	2,231
Compensation payable**		**—**	21,583
Provision for impairment of exploration, evaluation and development expenditure**	17	**31,902**	1,482

* Cost of inventories sold for the year included an aggregate amount of HK$588,727,000 (2020: HK$520,199,000) which comprised employee benefit expenses of HK$184,922,000 (2020: 182,394,000), reversal of write-down of inventories to net realisable value of HK$6,178,000 (2020: HK$6,655,000), depreciation and amortisation of HK$409,983,000 (2020: HK$344,460,000).

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

*** As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2020: Nil).

Year ended 31 December HK$'000

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:

	2021	2020
Fan Ren Da, Anthony	**570**	570
Gao Pei Ji	**570**	570
Look Andrew	**540**	540
	1,680	1,680

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

(b) Executive directors and non-executive directors

	Fees	Salaries	Housing allowances	Bonuses	Pension scheme contributions	Total remuneration
2021						
Executive directors:						
Sun Yufeng	290	5,400	852	4,500	700	11,742
Suo Zhengang	290	4,586	736	3,822	754	10,188
Sun Yang (note)	288	4,088	601	1,704	60	6,741
	868	14,074	2,189	10,026	1,514	28,671
Non-executive director:						
Chan Kin	290	—	—	—	—	290
	1,158	14,074	2,189	10,026	1,514	28,961

Note: resigned with effect from 30 December 2021.

Year ended 31 December HK$'000

7 Directors' remuneration (continued)

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration in 2021 (2020: same).

8 Five highest paid employees

The five highest paid employees during the year included three (2020: three) directors and two (2020: two) senior management personnel. Details of the remuneration of these directors are set out in note 7 to the Financial Statements while details of the remuneration of the senior management personnel are set out below and in note 39(c) to the Financial Statements:

	2021	2020
Salaries	**4,705**	4,667
Bonuses	**2,853**	2,850
Pension scheme contributions	**120**	201
	7,678	7,718

9 Finance costs

An analysis of finance costs is as follows:

	Notes	2021	2020
Interest expense on bank and other borrowings	38(b)	**78,439**	132,875
Interest expense on lease liabilities	14(b)	**2,586**	3,451
		81,025	136,326
Other finance charges:			
Increase in discounted amounts of provisions arising from the passage of time	30	**684**	13,872
Others		**2,113**	117
		83,822	150,315

Year ended 31 December HK$'000

10 Income tax expense

	2021	2020
Current — Hong Kong	—	—
Current — Elsewhere		
Charge for the year	**61,670**	8,854
Overprovision in prior years	**(19)**	—
Deferred (note 32)	**160,525**	89,836
Total tax expense for the year	**222,176**	98,690

Hong Kong profits tax is calculated at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year (2020: 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% (2020: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 25% (2020: 22%). 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% (2020: 15.6%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2020: 25%).

Kazakhstan: The Group's subsidiary incorporated in Kazakhstan was subject to corporate income tax at a rate of 20% (2020: 20%).

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

	2021	2020
Profit/(loss) before tax	**1,336,323**	(261,827)
(Profits)/losses attributable to associates and a joint venture	**(422,519)**	319,964
	913,804	58,137
Tax at the Hong Kong statutory tax rate of 16.5% (2020: 16.5%)	**150,778**	9,593
Effect of different taxation rates in other jurisdictions	**129,327**	38,759
Over provision in prior years	**(19)**	—
Effect of non-taxable income	**(2,993)**	(47,062)
Effect of non-deductible expenses	**84,466**	3,146
Tax losses not recognised	**3,439**	4,790
Temporary differences not recognised	**8,962**	89,464
Utilisation of tax losses not recognised in prior year	**(151,784)**	—
Income tax expense	**222,176**	98,690

The Group has unrecognised deferred tax assets from tax losses arising in Australia of HK$122,022,000 (2020: HK$273,806,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The amounts do not have expiry date under current tax legislation. 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.

HK$'000

11 Dividend

	2021	2020
Proposed final dividend of HK4.50 cents (2020:Nil) per ordinary share	353,598	—

The proposed final dividend for the year is subject to the approval of shareholders at the forthcoming annual general meeting of the Company (2020: Nil).

12 Earnings/(loss) per share attributable to ordinary shareholders of the Company

The calculation of the basic earnings per share (2020: loss per share) amount was based on the profit for the year attributable to ordinary shareholders of the Company of HK$1,103,366,000 (2020: loss of HK$363,848,000) and the weighted average number of ordinary shares in issue during the year, which was 7,857,727,149 (2020: 7,857,727,149) shares.

The Group had no potentially dilutive ordinary shares in issue during the year and for the year ended 31 December 2020.

13 Property, plant and equipment

2021	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 2021	9,817,496	9,372	10,041	1,763,994	22,812	784,885	139,255	421,798	12,969,653
Change in provision for rehabilitation cost	—	—	1,300	133,013	—	(15)	—	—	134,298
Change in provision for abandonment cost	24,090	—	—	—	—	—	—	—	24,090
Additions	28,181	—	63	8,468	3,096	3,790	—	463,904	507,502
Disposals/write-off	—	(3)	—	(5,526)	—	(13)	(56,959)	(1,039)	(63,540)
Transfers	439,740	—	—	10,946	—	—	(10,315)	(440,371)	—
Exchange realignment	216,133	—	43	631	—	(224)	—	12,234	228,817
At 31 December 2021	10,525,640	9,369	11,447	1,911,526	25,908	788,423	71,981	456,526	13,800,820
Accumulated depreciation and impairment:									
At 1 January 2021	6,993,893	—	4,243	1,650,464	19,582	624,103	98,539	97,296	9,488,120
Depreciation provided during the year	348,321	—	1,777	42,692	1,585	8,673	—	—	403,048
Disposals/write-off	—	—	—	(5,111)	—	(8)	(56,959)	—	(62,078)
Exchange realignment	129,606	—	43	563	—	(218)	—	2,964	132,958
At 31 December 2021	7,471,820	—	6,063	1,688,608	21,167	632,550	41,580	100,260	9,962,048
Net carrying amount:									
At 31 December 2021	3,053,820	9,369	5,384	222,918	4,741	155,873	30,401	356,266	3,838,772

HK$'000

13 Property, plant and equipment (continued)

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

HK$'000

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 two short-term leases for office premises.

(a) Right-of-use assets

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

	Leasehold land	Buildings	Plant and machinery	Total
As at 1 January 2020	14,138	80,251	7,659	102,048
Additions	—	13,378	12,031	25,409
Disposal of a subsidiary	—	(3,609)	—	(3,609)
Depreciation charge	(1,163)	(25,754)	(3,831)	(30,748)
Exchange realignment	838	(303)	—	535
As at 31 December 2020 and 1 January 2021	**13,813**	**63,963**	**15,859**	**93,635**
Additions	—	**10,000**	**13,948**	**23,948**
Remeasurement	—	**(8,878)**	—	**(8,878)**
Modification	—	**69**	—	**69**
Depreciation charge	**(1,250)**	**(20,652)**	**(4,202)**	**(26,104)**
Exchange realignment	**396**	**175**	**(118)**	**453**
As at 31 December 2021	**12,959**	**44,677**	**25,487**	**83,123**

HK$'000

14 Leases (continued)

(b) Lease liabilities

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

	2021	2020
Carrying amount at 1 January	**85,853**	91,135
New leases	**23,948**	25,409
Remeasurement	**(8,878)**	—
Modification	**(989)**	—
Accretion of interest recognised during the year	**2,586**	3,451
Total cash outflow	**(33,598)**	(33,005)
Disposal of a subsidiary	**—**	(3,522)
Exchange realignment	**(1,357)**	2,385
Carrying amount at 31 December	**67,565**	85,853
Analysed into:		
Current portion	**26,463**	29,900
Non-current portion	**41,102**	55,953

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:

	2021	2020
Interest on lease liabilities	**2,586**	3,451
Depreciation of right-of-use assets	**26,114**	30,748
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in general and administrative expenses)	**9,018**	12,454

HK$'000

15 Goodwill

	2021	2020
Cost:		
At 1 January and 31 December	**341,512**	341,512
Accumulated impairment:		
At 1 January and 31 December	**316,830**	316,830
Net carrying amount:		
At 31 December	**24,682**	24,682

Impairment testing of goodwill

As at 31 December 2021 and 2020, the net carrying amount of the Group's goodwill was related to its import and export of commodities cash-generating unit which is a reportable segment.

The recoverable amount of the Group's import and export of commodities cash-generating unit was determined based on a value in use calculation, using cash flow projection based on financial budgets covering a 5-year period approved by management. The cash flows beyond the 5-year period were extrapolated using a growth rate of 2% (2020: 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% (2020: 17.02%).

16 Mining assets and stripping costs

	2021	2020
Cost:		
At 1 January	**827,521**	826,345
Additions	**579**	1,176
At 31 December	**828,100**	827,521
Accumulated amortisation and impairment:		
At 1 January	**714,143**	710,594
Amortisation provided during the year	**1,908**	3,549
At 31 December	**716,051**	714,143
Net carrying amount:		
At 31 December	**112,049**	113,378

HK$'000

17 Exploration, evaluation and development expenditure

	2021	2020
Cost:		
At 1 January	**177,210**	177,873
Additions	**515**	1,209
Disposals	**(3,815)**	(1,872)
At 31 December	**173,910**	177,210
Accumulated amortisation and impairment:		
At 1 January	**30,863**	29,381
Impairment during the year	**31,902**	1,482
Disposals	**(1,482)**	—
At 31 December	**61,283**	30,863
Net carrying amount:		
At 31 December	**112,627**	146,347

In 2021, management have recorded an impairment charge of HK$31,902,000 (2020: HK$$1,482,000) in relation to certain mining tenement in its exploration coal projects in which these mines have been dormant.

18 Investments in joint operations

As at 31 December 2021 and 2020, the Group had interests in the following joint operations:

(a) 41% participating interest in the PSC for 20 years from 1 November 2019; and

(b) the petroleum contract (as supplemented) for the exploration, development and production of petroleum from the Hainan-Yuedong Block.

19 Interests in other contractual arrangements

As at 31 December 2021 and 2020, the Group had interests in the following contractual arrangements:

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

HK$'000

19 Interests in other contractual arrangements (continued)

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

The contractual arrangements stated in (h) has been deregistered during the year ended 31 December 2021.

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:

	2021	2020
Non-current assets	**2,543,915**	2,400,754
Current assets	**172,786**	122,499
Current liabilities	**(127,834)**	(128,776)
Non-current liabilities	**(279,334)**	(176,081)

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:

	2021	2020
Non-current assets	**852,563**	897,637
Current assets	**85,075**	122,129
Current liabilities	**(95,963)**	(69,984)
Non-current liabilities	**(124,878)**	(138,667)
Proportionate share of combined net assets employed in the remaining contractual arrangements	**716,797**	811,115

The Group is committed to a total of HK$3,377,000 (2020: HK$920,000) in plant and equipment and exploration projects within one year.

HK$'000

20 Investment in an associate

	2021	2020
Share of net assets	**2,893,101**	2,954,414

Particulars of the Group's associate as at 31 December 2021 and 2020 were as follows:

Name	Place of incorporation/operation	Issued ordinary share capital	Percentage of equity interest attributable to the Group 2021	Percentage of equity interest attributable to the Group 2020	Principal activity
AWC	**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.

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:

	2021	2020
Current assets	**82,680**	95,160
Non-current assets	**30,556,085**	31,126,909
Current liabilities	**(11,700)**	(10,920)
Other non-current liabilities	**(527,280)**	(473,460)
Net assets	**30,099,785**	30,737,689
Reconciliation to the Group's investment in an associate:		
Proportion of ownership	**9.6117%**	9.6117%
Proportionate share of net assets and carrying amount	**2,893,101**	2,954,414
Fair value of the Group's investment	**2,943,876**	3,072,456

	2021	2020
Revenue	**—**	780
Profit for the year	**1,463,280**	1,143,480
Other comprehensive loss for the year	**(421,200)**	(262,860)
Dividend received by the Group	**137,051**	139,227

HK$'000

20 Investment in an associate (continued)

Notes:

The ATO has undertaken a transfer pricing examination in respect of certain historical third-party alumina sales made by AOA (who holds 60% ownership of Alcoa World Alumina & Chemical) over a 20-year period. As a result of that examination, the ATO had issued a SOAP to AoA. The SOAP was the subject of an internal review process within the ATO. The ATO completed that process, and on 7 July 2020 issued AoA with Notices in respect of this matter. The Notices assert claims for additional income tax payable by AoA of approximately A$214 million. The Notices also include claims for compounded interest on the primary tax amount totalling approximately A$707 million. In accordance with the ATO's dispute resolution practices, on 30 July 2020, 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. On 17 September 2020, the ATO issued a position paper with its preliminary view on the imposition of administrative penalties related to the tax assessment issued to AoA. This paper proposed penalties of approximately A$128 million. AoA disagreed with the Notices and with the ATO's proposed position on penalties. In September 2020, AoA lodged formal objections to the Notices. In the fourth quarter of 2020, AoA provided a submission on the ATO's imposition of interest, and also submitted a response to the ATO's position paper on penalties. AoA submissions propose that the interest amount should be remitted (i.e. should not be fully payable) and no penalties should be payable. After the ATO completes its review of AoA's response to the penalties position paper, the ATO could issue a penalty assessment. To date, AoA has not received a determination from the objections team on the Notices, nor has it received a response to its position paper on interest or its response to the ATO's position paper on penalties. On 1 February 2022, AoA submitted statutory notices to the ATO requiring the ATO to make decisions on AoA's objections within a 60-day period. 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. AWC's exposure to any additional taxes, interest and penalties are carried through its 40% ownership of AWAC.

21 Investment in a joint venture

	2021	2020
Share of net assets	**2,073,765**	1,757,333

Particulars of the Group's joint venture as at 31 December 2021 and 2020 were as follows:

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

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

On 28 April 2021, CITIC Canada Petroleum Limited, a wholly-owned subsidiary of CCEL, entered into the sale and purchase agreements in respect of the acquisition of the entire participating interests in Caspi Bitum JV LLP and Support Service Vehicles and Well Servicing Division LLP. The transaction was completed on 31 August 2021 and a goodwill of HK$959,981,000 was recognised from the acqusition accordingly.

31 December HK$'000

21 Investment in a joint venture (continued)

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

	2021	2020
Cash and cash equivalents	**324,842**	386,168
Other current assets	**778,732**	872,347
Current assets	**1,103,574**	1,258,515
Goodwill	**959,981**	—
Other non-current assets	**6,812,387**	6,843,559
Non-current assets	**7,772,368**	6,843,559
Financial liabilities, excluding accounts payable and other payables	**(910,973)**	(1,638,895)
Other current liabilities	**(409,839)**	(493,924)
Current liabilities	**(1,320,812)**	(2,132,819)
Non-current financial liabilities, excluding accounts payable, other payables and provisions	**(1,726,582)**	(552,371)
Other non-current liabilities	**(1,456,675)**	(1,680,223)
Non-current liabilities	**(3,183,257)**	(2,232,594)
Net assets	**4,371,873**	3,736,661
Non-controlling interests	**(224,342)**	(221,995)
	4,147,531	3,514,666
Reconciliation to the Group's investment in a joint venture:		
Proportion of ownership	**50%**	50%
Proportionate share of net assets and carrying amount	**2,073,765**	1,757,333

At 31 December 2021, CCEL's current liabilities exceeded its current assets. CITIC Netherlands Energy Coöperatief U.A. and the joint venture partner provide continuing financial support to CCEL so as to enable CCEL to meet its liabilities as and when they fall due and to enable CCEL to carry on its business without any significant curtailment of operations.

31 December HK$'000

21 Investment in a joint venture (continued)

	Year ended 31 December 2021	2020
Revenue	**6,180,255**	3,746,026
Interest income	**6,438**	3,417
Depreciation and amortisation	**(715,942)**	(728,672)
Interest expense	**(63,554)**	(60,441)
Income tax (expense)/credit	**(329,816)**	118,416
Profit/(loss) for the year attributable to:		
Shareholders of CCEL	**612,598**	(559,788)
Non-controlling interests of CCEL	**31,402**	(25,359)
Other comprehensive profit/(loss) attributable to:		
Shareholders of CCEL	**20,267**	(18,638)
Non-controlling interests of CCEL	**72**	(3,331)

22 Prepayments, deposits and other receivables

	2021	2020
Prepayments	**22,367**	58,670
Deposits and other receivables	**208,446**	202,735
	230,813	261,405
Impairment allowance	**(24,847)**	(36,493)
	205,966	224,912
Portion classified as current assets	**(167,372)**	(166,178)
Non-current portion	**38,594**	58,734

Included in the Group's other receivables was an amount due from CCEL of HK$35,826,000 (2020: HK$35,826,000), which was interest free and repayable on demand and the other receivables from Decheng compensation of HK$39,225,000 (2020: HK$38,285,000).

At 31 December 2021, other receivables of HK$24,847,000 (2020: HK$36,493,000) were impaired and fully provided. The amount of HK$11,646,000 was written off during the year ended 31 December 2021.

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

The carrying amount of the Group's deposits and other receivables are mainly denominated in Australian dollars and Renminbi which accounted for 34% (2020: 41%) and 33% (2020: 41%) respectively.

31 December HK$'000

23 Inventories

	2021	2020
Raw materials	**170,022**	136,257
Work in progress	**22,411**	20,972
Finished goods	**239,162**	228,702
	431,595	385,931

24 Trade receivables

	2021	2020
Trade receivables	**712,720**	420,957
Impairment	**(7,831)**	(8,304)
	704,889	412,653

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
Within one month	**331,680**	192,336
One to two months	**216,475**	68,921
Two to three months	**82,314**	69,319
Over three months	**74,420**	82,077
	704,889	412,653

The carrying amounts of trade receivables approximate their fair values.

The carrying amount of the Group's trade receivables are mainly denominated in Australian dollars which accounted for 73% (2020: 60%).

31 December HK$'000

24 Trade receivables (continued)

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

	2021	2020
At 1 January	**8,304**	6,080
Provision for impairment	**91**	2,231
Amount written off as uncollectible	**(83)**	—
Exchange realignment	**(481)**	(7)
At 31 December	**7,831**	8,304

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

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

	31 December 2021		
	Expected credit loss rate	Gross carrying amount	Expected credit loss
Current	**0.00%**	**703,364**	**—**
Less than 3 months past due	**0.00%**	**157**	**—**
Over 3 months past due	**85.13%**	**9,199**	**7,831**
	1.10%	**712,720**	**7,831**

	31 December 2020		
	Expected credit loss rate	Gross carrying amount	Expected credit loss
Current	0.00%	395,427	—
Less than 3 months past due	0.00%	15,420	—
Over 3 months past due	82.14%	10,110	8,304
	1.97%	420,957	8,304

HK$'000

25 Derivative financial instruments

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	6,000	—	—	11,765
Forward commodity contracts	—	643	—	2,306
Embedded derivatives	8,145	—	40,544	—
EHA2	—	—	31,168	—
EHA3	6,867	—	—	—
	21,012	643	71,712	14,071

The Group entered into derivative financial instruments in the normal course of business in order to hedge its exposure to fluctuations in foreign exchange rates, commodity prices and electricity price.

Fair value measurement

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

There were no reclassifications from the cash flow hedge reserve to profit or loss during the year in relation to the foreign currency forwards.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the change in fair value of the hedged items attributable to the hedge risks.

Hedge ineffectiveness arose from:

(a) differences in the timing of the cash flows of the forecast sales and the hedging instruments;

(b) the counterparties' credit risks differently impacting the fair value movements of the hedging instruments and the hedged items; or

(c) changes to the forecast amounts of cash flows of the hedged items and the hedging instruments.

31 December HK$'000

26 Cash and deposits

	Note	2021	2020
Cash and bank balances		**748,355**	505,763
Time deposits		**706,062**	1,915,766
		1,454,417	2,421,529
Less: Time deposit with original maturity over three months		**(58,939)**	—
Time deposits with original maturity more than one year (note a)		**(88,754)**	(65,538)
Pledged deposit for a litigation	36(a)	**—**	(41,706)
Cash and cash equivalents		**1,306,724**	2,314,285
Deposits with a fellow subsidiary (note b)		**559,910**	—
Time deposit with original maturity over three months		**58,939**	—
Cash and deposits		**1,925,573**	2,314,285

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 0.55% to 2.83% and for balance of HK$74,895,000, HK$161,435,000 and HK$323,580,000 which is withdrawable in February 2022, March 2022 and June 2022 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$313,592,000 and HK$54,000 (2020: HK$415,381,000 and HK$56,000), 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.

27 Accounts payable

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

	2021	2020
Within one month	**135,719**	113,839
One to three months	**61**	—
Over three months	**23**	82
	135,803	113,921

31 December HK$'000

27 Accounts payable (continued)

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 amount of the Group's trade payables are mainly denominated in Australian dollars which accounted for 48% (2020: 43%) and 47% are denominated in Renminbi (2020: 45%).

28 Accrued liabilities and other payables

	Notes	2021	2020
Other payables	(a)	**288,617**	213,494
Accrued liabilities	(b)	**630,928**	625,590
		919,545	839,084

Notes:

(a) In 2020, included in other payables was a loan of HK$67,585,000 from the State Government of Victoria to assist in funding the restart and restoration of the PAS's production capacity and ongoing operations, which is interest-free and repayable when the PAS reaches a certain level of free cash flows. These conditions had expired at 30 June 2021. Management considers that the conditions have been met and no repayment of the government funding received is required to be paid and hence an amount of HK$64,157,000 (2020: HK$67,585,000) from the government funding received to-date was recorded as "other income, gains and losses, net" in the consolidated income statement. A new agreement effective on 1 July 2021 had not been drawn down.

In 2021, included in other payables was a litigation compensation, reimbursement and interest payable to KEER of totalling HK$22,509,000 (2020: HK$21,844,000) and the construction expenses of HK$83,564,000 (2020: HK$2,844,000).

(b) Included in the balance of accrued liabilities was the construction cost of HK$235,124,000 (2020: HK$240,488,000), accrued bonus of HK$131,797,000 (2020: HK$79,278,000) and accrued production cost of HK$34,575,000 (2020: HK$21,018,000).

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.

31 December HK$'000

28 Accrued liabilities and other payables (continued)

The carrying amount of the Group's other payables are mainly denominated in Renminbi which accounted for 58% (2020: 51%).

29 Bank and other borrowings

	Notes	2021	2020
Bank borrowings — unsecured	(a)	**2,489,149**	914,866
Other borrowing — unsecured	(b)	**1,170,000**	3,900,000
		3,659,149	4,814,866

Notes:

(a) As at 31 December 2021, the bank borrowings included:

(i) trade finance totalling A$28,804,000 (HK$168,909,000), which is interest-bearing at the Bank Bill Swap Bid Rate (or cost of funds) plus margin.

(ii) bank loans totalling US$100,000,000 (HK$775,840,000), which are interest-bearing at LIBOR plus margin per annum.

(iii) a bank loan of US$198,000,000 (HK$1,544,400,000) obtained from a subsidiary of the Company's ultimate holding company, which is interest-bearing at LIBOR plus margin per annum.

(b) The other borrowing is a loan obtained from a subsidiary of the Company's ultimate holding company, which is interest-bearing at 3-month LIBOR plus margin per annum.

	2021	2020
Bank loans repayable:		
Within one year or on demand	**240,669**	141,106
In the second year	**925,600**	—
In the third to fifth years, inclusive	**1,322,880**	773,760
	2,489,149	914,866
Other borrowing repayable:		
In the second year	**—**	3,900,000
In the third to fifth years, inclusive	**1,170,000**	—
Total bank and other borrowings	**3,659,149**	4,814,866
Portion classified as current liabilities	**(240,669)**	(141,106)
Non-current portion	**3,418,480**	4,673,760

At 31 December 2021, 95% (2020: 97%) of the Group's bank and other borrowings are denominated in US dollars and 5% (2020: 3%) are denominated in Australian dollars.

HK$'000

30 Provisions

	Provision for rehabilitation cost	Provision for abandonment cost	Total
At 1 January 2021	**288,373**	**183,707**	**472,080**
Provisions	**4,811**	**3,988**	**8,799**
Charge to property, plant and equipment	**134,298**	**24,090**	**158,388**
(Decrease)/increase in discounted amounts of provisions arising from the passage of time	**(10,522)**	**11,206**	**684**
Exchange realignment	**(24,076)**	**5,121**	**(18,955)**
At 31 December 2021	**392,884**	**228,112**	**620,996**
Portion classified as current liabilities	**(1,163)**	**—**	**(1,163)**
Non-current portion	**391,721**	**228,112**	**619,833**

	Provision for rehabilitation cost	Provision for abandonment cost	Total
At 1 January 2020	246,239	167,124	413,363
Provisions/(reversals)	11,077	(1,241)	9,836
Increase in discounted amounts of provisions arising from the passage of time	5,731	8,141	13,872
Exchange realignment	25,326	9,683	35,009
At 31 December 2020	288,373	183,707	472,080
Portion classified as current liabilities	(1,235)	—	(1,235)
Non-current portion	287,138	183,707	470,845

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

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

HK$'000

31 Provisions for long-term employee benefits

	2021	2020
At 1 January	**76,685**	62,780
Provisions	**5,628**	3,971
Re-measurement (gain)/loss on defined benefit plan (note (a))	**(11,996)**	4,444
Exchange realignment	**(3,731)**	5,490
At 31 December	**66,586**	76,685
Portion classified as current liabilities	**(46,667)**	(49,741)
Non-current portion	**19,919**	26,944

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.

HK$'000

31 Provisions for long-term employee benefits (continued)

Included in the provision for long-term employee benefits was defined benefit (assets)/liabilities as follows:

	2021			2020		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
As at 1 January	**74,857**	**(74,723)**	**134**	70,247	(74,841)	(4,594)
Current service cost	**2,301**	**—**	**2,301**	2,574	—	2,574
Interest expense/(income)	**796**	**(905)**	**(109)**	1,217	(1,357)	(140)
Total amount recognised in consolidated income statement	**3,097**	**(905)**	**2,192**	3,791	(1,357)	2,434
Remeasurements						
Return on plan assets, excluding amounts included in interest/(income)	**—**	**(3,783)**	**(3,783)**	—	523	523
(Gain)/loss from change in financial assumptions	**(6,232)**	**—**	**(6,232)**	3,476	—	3,476
Actuarial (gains)/losses arising from liability experience	**(1,981)**	**—**	**(1,981)**	445	—	445
Total amount recognised in other comprehensive income	**(8,213)**	**(3,783)**	**(11,996)**	3,921	523	4,444
Exchange differences	**(3,916)**	**4,266**	**350**	5,540	(6,653)	(1,113)
Contributions:						
Employers	**—**	**(351)**	**(351)**	—	(1,037)	(1,037)
Plan participants	**741**	**(741)**	**—**	757	(757)	—
Payments from plan:						
Benefit payments	**(7,036)**	**7,036**	**—**	(8,915)	8,915	—
Taxes, premiums & expenses paid	**(406)**	**406**	**—**	(484)	484	—
As at 31 December	**59,124**	**(68,795)**	**(9,671)**	74,857	(74,723)	134

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.

31 December HK$'000

31 Provisions for long-term employee benefits (continued)

The total (asset)/liability disclosed above relates to funded plans as follows:

	2021	2020
Present value of funded obligations	**59,124**	74,857
Fair value of plan assets	**(68,795)**	(74,723)
Total (surplus)/deficit in defined benefit pension plans	**(9,671)**	134

The significant actuarial assumptions were as follows:

	2021	2020
Discount rate	**2%**	2%
Salary growth rate	**3%**	3%

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		
			2021	2020		2021	2020
Discount rate	0.50%	Decrease by	**1,700**	3,097	Increase by	**2,161**	2,691
Salary growth rate	0.50%	Increase by	**1,771**	2,496	Decrease by	**1,700**	2,137

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	2021	2020
Cash and cash equivalents	**12,191**	15,725
Equity securities	**19,477**	20,288
Debt securities	**19,282**	18,681
Real estate	**3,214**	2,730
Private equity funds	**1,849**	2,192
Infrastructure	**2,972**	3,869
Structured debt	**9,810**	11,238
Total	**68,795**	74,723

HK$'000

32 Deferred tax

The movements in the Group's deferred tax assets and liabilities during the years ended 31 December 2021 and 2020 were as follows:

2021 Deferred tax assets	Provision for impairment of assets and other provision and accruals	Tax losses available for offsetting against future taxable profits	Total
At 1 January	590,499	233,671	824,170
Deferred tax charged to the consolidated income statement during the year (note 10)	(32,574)	(156,489)	(189,063)
Exchange realignment	9,036	2,448	11,484
At 31 December	566,961	79,630	646,591

2021 Deferred tax liabilities	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments and defined benefit plan	Total
At 1 January	(514,422)	(213,427)	(727,849)
Deferred tax (charged)/credited to the consolidated income statement during the year (note 10)	(99,726)	128,264	28,538
Deferred tax credited to other comprehensive income during the year	—	423	423
Exchange realignment	(15,909)	22	(15,887)
At 31 December	(630,057)	(84,718)	(714,775)

HK$'000

32 Deferred tax (continued)

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

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

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:

	2021	2020
Net deferred tax assets recognised in the consolidated statement of financial position	**187,832**	187,240
Net deferred tax liabilities recognised in the consolidated statement of financial position	**256,016**	90,919

HK$'000

32 Deferred tax (continued)

Pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors by foreign investment enterprises established in China. The requirement, effective 1 January 2008, is applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is an applicable tax treaty between China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding tax on dividends declared by its subsidiaries established in China in respect of earnings generated from 1 January 2008 onwards. As at 31 December 2021, no deferred tax has been recognised for withholding tax (2020: Nil) as the Group's subsidiaries registered in China recorded accumulated losses. There are no income tax consequences attaching to the payment of dividends of the Company to its shareholders.

33 Share capital

Shares

	2021	2020
Authorised: 10,000,000,000 (2020: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid: 7,857,727,149 (2020: 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.

35 Reserves

Movements in the Group's reserves for the year and the prior year are presented in the consolidated statement of changes in equity on pages 59 and 60 of the Financial Statements.

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

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

The cash flow hedge reserve for financial derivatives is used to record gains or losses on the valuation of hedging instruments designated in a cash flow hedge are recognised directly in equity, as described in note 2.4. Amounts are recognised in income statement when the associated hedge transaction affects consolidated income statement.

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

The defined benefit reserve represents the actuarial valuation of the employee defined benefit assets as described in note 2.4. 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 and contingent liabilities

(a) In July 2019, KEER commenced a joint legal claim action with a general contractor of Tincy Group. Pursuant to the Shengli Oilfield Claim B, KEER was seeking a compensation from Tincy Group of RMB30,938,000 (HK$37,989,000) in respect of loss of construction contract and relevant warranty plus interest. Certain bank amount of RMB35,000,000 (HK$42,977,000) had been frozen as a blockade fund by the Dalian Court. The general contractor applied to the Dalian Court to withdraw its legal claim from the Shengli Oilfield Claim B. The general contractor was requested as a third party by the Dalian Court to participate in the litigation.

Pursuant to the civil judgement issued by the Dalian Court in December 2020, Tincy Group had to pay a compensation and reimbursement of RMB17,271,000 (HK$21,207,000) plus interest to KEER.

Based on a legal advice from its legal counsel, Tincy Group has justifiable arguments on determination of the contractual relationships amongst Tincy Group, KEER and the general contractor, any rights and obligations thereunder and judgement on compensation amount, in respect of which, Tincy Group lodged an appeal to the Dalian Court in January 2021. The appeal hearing had been held on 11 June 2021.

In November 2021, the Liaoning High People's Court issued a civil judgement to reject the appeal and its decision on the relevant compensation was final and conclusive, while the compensation amount was not amended. Tincy Group had to pay a compensation and reimbursement of RMB17,271,000 (HK$21,207,000) plus interest and reimburse KEER with the relevant advanced expenses.

HK$'000

36 Litigation and contingent liabilities (continued)

(a) (continued)

The bank amount of RMB35,000,000 (HK$42,977,000) has been unfrozen since December 2021 for the settlement of compensation and reimbursement. The compensation and reimbursement had been settled in January 2022. Tincy Group has discharged its obligations pursuant to the civil judgement issued by the Liaoning High People's Court. The court case was closed.

(b) In April 2020, Weihai commenced three claims in the Shandong High People's Court against, amongst others, CACT. It is alleged that the Claims relate to three letters of credit issued in favour of CACT as payment for the sale by CACT to Decheng of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. CACT refutes the Claims and has engaged local counsel in China to defend the Claims accordingly. The Shandong High People's Court has issued a first instance judgment that CACT is not liable for Weihai's losses as there is no evidence of any intention to commit fraud on the part of CACT.

However, the Shandong High People's Court published a notice on 16 May 2021, which states that Weihai submitted an appeal to the first instance judgement and the appeal hearing is held on 19 October 2021. Up to the date of this report, no judgment has been issued by the Court in respect of the appeal hearing.

37 Commitments

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

	2021	2020
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**415,561**	825,063

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

	2021	2020
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**48,066**	10,260

(b) The Group has two lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for those non-cancellable lease contracts are HK$3,162,000 due within 1 year.

31 December HK$'000

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$23,948,000 (2020: HK$25,409,000) and HK$23,948,000 (2020: HK$25,409,000), respectively, in respect of lease arrangements for buildings and plant and machinery, non-cash reduction to a loan from the government of HK$64,157,000 (2020: HK$67,585,000) due to the loan forgiveness, non-cash additions to property, plant and machinery and provision for rehabilitation cost of HK$134,298,000 (2020: HK$3,544,000), 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$24,090,000 (2020: Nil) in respect of remeasurement of provision for abandonment cost of oil and gas properties.

(b) Changes in liabilities arising from financing activities:

	Bank and other borrowings	Lease liabilities	Dividends payable	Loan from government
At 1 January 2021	4,814,866	85,853	34	67,585
Changes from financing cash flows:				
New bank borrowings	3,243,101	—	—	—
Repayment of bank borrowings	(4,372,012)	—	—	—
Finance charges paid	(91,486)	—	—	—
Principal portion of lease payments	—	(31,012)	—	—
Interest portion of lease liabilities	—	(2,586)	—	—
Receipt of a loan from government	—	—	—	13,775
Repayment of a loan from government	—	—	—	(14,242)
	(1,220,397)	(33,598)	—	(467)
Other changes:				
The government loan forgiveness	—	—	—	(64,157)
New leases	—	23,948	—	—
Modification/remeasurement	—	(9,867)	—	—
Foreign exchange movement	(13,759)	(1,357)	—	(2,961)
Interest expense	78,439	2,586	—	—
At 31 December 2021	3,659,149	67,565	34	—

31 December HK$'000

38 Notes to the consolidated statement of cash flows (continued)

(b) Changes in liabilities arising from financing activities: (continued)

	Bank and other borrowings	Lease liabilities	Dividends payable	Loan from government
At 1 January 2020	5,052,775	91,135	36	61,478
Changes from financing cash flows:				
New bank borrowings	1,984,379	—	—	—
Repayment of bank borrowings	(2,232,789)	—	—	—
Finance charges paid	(145,444)	—	—	—
Principal portion of lease payments	—	(29,554)	—	—
Interest portion of lease liabilities	—	(3,451)	—	—
Dividend paid to shareholders	—	—	(2)	—
Receipt of a loan from government	—	—	—	75,157
Repayment of a loan from government	—	—	—	(11,527)
	(393,854)	(33,005)	(2)	63,630
Other changes:				
The government loan forgiveness	—	—	—	(67,585)
New leases	—	25,409	—	—
Foreign exchange movement	23,070	2,385	—	10,062
Disposal of a subsidiary	—	(3,522)	—	—
Interest expense	132,875	3,451	—	—
At 31 December 2020	4,814,866	85,853	34	67,585

31 December HK$'000

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 ultimate holding company and its subsidiaries

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

	2021	2020
Subsidiaries of the ultimate holding company:		
Interest expense on lease liability	**191**	283
Interest expense on bank and other borrowings	**60,627**	108,297
Interest income on deposits to a fellow subsidiary	**1,242**	—
Agency fees	**7,308**	4,673

The above transactions were made based on mutually agreed terms.

31 December HK$'000

39 Related party transactions (continued)

(b) Transactions with the ultimate holding company and its subsidiaries (continued)

Significant balances with subsidiaries of the ultimate holding company:

	2021	2020
Subsidiaries of the ultimate holding company:		
Cash and deposits	**562,081**	—
Bank borrowing (note 29)	**1,544,400**	—
Other borrowing (note 29)	**1,170,000**	3,900,000
Lease liabilities	**5,414**	10,017

The above other borrowing is an unsecured loan having a tenor of 3 years commencing from March 2021 (2020: five years commencing from June 2017). The loan is interest-bearing at LIBOR plus margin (2020: same).

(c) Details of directors' remuneration are set out in note 7 to the Financial Statements.

Compensation paid to senior management personnel of the Group was as follows:

	Year ended 31 December	
	2021	2020
Salaries	**9,284**	11,753
Housing allowances	**240**	288
Bonuses	**5,379**	5,644
Pension scheme contributions	**275**	834
Other benefits	**1,046**	—
	16,224	18,519

	Year ended 31 December	
	2021	2020
Number of senior management personnel by remuneration bands:		
Nil — HK$1,000,000	—	—
HK$1,000,001 — HK$1,500,000	—	—
HK$1,500,001 — HK$2,000,000	—	—
HK$2,000,001 — HK$2,500,000	**1**	1
HK$2,500,001 — HK$3,000,000	—	2
HK$3,000,001 — HK$3,500,000	**2**	1
HK$3,500,001 — HK$4,000,000	**1***	1*
HK$4,000,001 — HK$4,500,000	**1***	1*
	5	6

* included in the five highest paid employees as set out in note 8 to the Financial Statements

31 December HK$'000

39 Related party transactions (continued)

(d) In October 2016, the Group entered into a 7-year lease agreement with CITIC House Pty Limited, a subsidiary of the Company's ultimate holding company, for the leasing of office premises. On 30 June 2021, the Group revised the above lease term into 2 years and 3 months.

On 22 December 2021, the Group entered into two 1-year lease agreements with the Company's ultimate holding company for the leasing of office premises, totalling of HK$3,162,000.

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

	2021	2020
Within one year	**6,290**	6,731
In the second to fifth years, inclusive	**2,403**	7,129
	8,693	13,860

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:

	2021	2020
Financial assets at amortised cost		
— Financial assets included in deposits and other receivables	**183,599**	129,836
— Time deposit	**88,754**	65,538
— Trade receivables	**704,889**	412,653
— Pledged deposit	**—**	41,706
— Cash and deposits	**1,925,573**	2,314,285
	2,902,815	2,964,018
Financial assets at fair value through profit or loss-designated as such upon initial recognition		
— Derivative financial instruments	**15,012**	40,544
Financial assets at fair value through other comprehensive income-designated and effective hedging instruments		
— Derivative financial instruments	**6,000**	31,168

31 December HK$'000

40 Financial instruments by category (continued)

	2021	2020
Financial liabilities at amortised cost		
— Accounts payable	**135,803**	113,921
— Financial liabilities included in accrued liabilities and other payables	**288,617**	424,451
— Bank and other borrowings	**3,659,149**	4,814,866
— Lease liabilities	**67,565**	85,853
	4,151,134	5,439,091
Financial liabilities at fair value through profit or loss-designated as such upon initial recognition		
— Derivative financial instruments	**643**	2,306
Financial liabilities at fair value through other comprehensive income – designated and effective hedging instruments		
— Deivative financial instruments	**—**	11,765

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, time deposit and pledged deposit. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and accounts payable, which arise directly from its operations.

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

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.

31 December HK$'000

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.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of the hedged item to maximise the effectiveness of the hedge.

At balance date, the details of outstanding contracts are:

	2021		2020	
	Weighted average exchange rate	Contractual amount	Weighted average exchange rate	Contractual amount
Forward currency contracts:				
(a) Sell A$/Buy US$				
Within three months	**0.7171**	**67,121**	0.7255	187,744
(b) Buy A$/Sell US$				
Within three months	**0.7339**	**355,697**	—	—
Three to twelve months	**0.7311**	**245,308**	—	—

Amount disclosed above represent currency measured at the contracted rate.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the hedged transactions occur, the Group adjusts the initial measurement of the component recognised in the statement of financial position by the related amount deferred in equity.

31 December HK$'000

41 Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit/loss before tax and equity in response to changes in exchange rates to which the Group had significant exposure (with all other variables held constant).

	Increase/ (decrease) in US$ rate %	(Decrease)/ increase in profit before tax	(Decrease)/ increase in equity
2021			
If US$ strengthens against A$	**6**	**(19,477)**	**(11,497)**
If US$ weakens against A$	**(6)**	**19,477**	**12,737**

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in loss before tax	(Decrease)/ increase in equity
2020			
If US$ strengthens against A$	10	11,864	(16,177)
If US$ weakens against A$	(10)	(11,864)	19,968

Price risk

The Group commits to various commodities hedge contracts in order to protect itself from adverse movements in aluminium prices.

31 December HK$'000

41 Financial risk management objectives and policies (continued)

Price risk (continued)

Aluminium

The aluminium ingot is a globally traded base metal. It has a spot and futures market that is traded on the LME. The Group enters into sales and supply contracts with its customers where the prices are negotiated by referencing and linking to the LME aluminium ingot price index. The Group is therefore exposed to price risk influenced by the changing market conditions. The Group mitigates such risk by entering into commodity derivatives to hedge against future adverse price changes. These financial instruments may be designated at fair value through profit or loss or treated as a cash flow hedge and are accounted for in accordance with the accounting policy in note 2.4.

The Group's management actively reviews market conditions and trends with references to experts' views and forecasts. At management's discretion and judgement, derivatives are entered to lock-in favourable prices to hedge portions of its futures sales to mitigate adverse price risks.

The Group has entered into sales pricing arrangement over its aluminium ingots with certain customers whereby its aluminium ingot sale agreements provide for provisional pricing of sales at the time or month of shipment, with final pricing to be based generally on the average LME aluminium price for specified future periods at the Group's discretion.

All commodities hedges are normally settled other than by physical delivery of the underlying commodity and hence are classified as financial instruments. On maturity, the contracted price is compared to the spot price and differential is applied to the contracted quantity. A net amount is paid or received by the Group.

At balance date, the Group's outstanding commodity derivatives are:

	2021			2020		
	Quantity hedged tonnes	Average price per tonne	Contractual amount	Quantity hedged tonnes	Average price per tonne	Contractual amount
Aluminium forward contracts (sold):						
Within three months	**4,000**	**21,793**	**87,172**	13,900	15,258	212,088

These contracts are fair valued by comparing the contract rate to the market rates for contracts with the same length of maturity at year end.

31 December HK$'000

41 Financial risk management objectives and policies (continued)

Price risk (continued)

Aluminium (continued)

Under the accounting standards, the gains or losses from the marking-to-market of open sales are recognised through adjustments in the consolidated income statement and to financial derivative assets/ liabilities on the consolidated statement of financial position. The Group determines the mark-to-market prices using forward prices at each period end. As at 31 December 2021, there are 4,000 (2020: 24,326) tonnes of aluminium ingots which have been shipped and remained open as to price. The embedded derivative arising from these open sales is a net asset of HK$8,145,000 (2020: net asset of HK$40,544,000) as at year-end.

The Group also enters into aluminium forward contracts to swap the floating selling price of its aluminium ingots sold under the provisional pricing arrangement (described above) to a fixed selling price. For hedges that are entered into prior to the physical shipment of the aluminium ingots, the hedges are treated as cash flow hedges from the date of entering into the contract until the shipment date. Thereafter, any gains or losses from the hedge (if not settled in the month of shipment) will be recognised in the income statement. For hedges that are entered into after the physical shipment of the aluminium ingots, any gains or losses from the hedge is recognised directly in the income statement. There are 4,000 (2020: 13,900) tonnes of aluminium forward contracts entered into as at 31 December 2021.

The following table demonstrates the sensitivity of the Group's profit/loss before tax and equity in response to changes in market prices of aluminium (with all other variables held constant).

	Increase/ (decrease) in LME aluminium price %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
2021			
Forward commodity contracts	**10**	**87,172**	**87,172**
Forward commodity contracts	**(10)**	**(87,172)**	**(87,172)**

	Increase/ (decrease) in LME aluminium price %	(Decrease)/ increase in loss before tax	Increase/ (decrease) in equity
2020			
Forward commodity contracts	10	(212,088)	212,088
Forward commodity contracts	(10)	212,088	(212,088)

31 December HK$'000

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. These hedge agreements are treated as cash flow hedges as described in the Group's significant accounting policy note 2.4.

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
2021			
EHA3	81	103,794	103,794
EHA3	(81)	(103,794)	(103,794)

	Increase/ (decrease) in electricity price %	(Decrease)/ increase in loss before tax	Increase/ (decrease) in equity
2020			
EHA2	32	—	61,573
EHA2	(32)	—	(61,573)

The EHA2 which was entered into in January 2017 had ended in July 2021. Under the EHA2, the Group has a commitment to consume electricity from August 2017 at a fixed price for a period of four years. During the current year, the EHA2 has been accounted for as a cash flow hedge.

Subsequent to the end of the EHA2 in July 2021, the EHA3, which has been accounted for as a financial instrument at fair value though profit or loss, was entered for the period from August 2021 to June 2026. The fair value of the EHA3 related derivative asset is HK$6,867,000 as at the reporting date (2020: HK$31,168,000). The fair valuation of the EHA3 is based on the expected future cash flows of the hedge for the next 3 to 6 months and revalued against the several market factors. The 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 valuation of the EHA3 is recognised under in the consolidated income statement.

31 December HK$'000

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/loss before tax and equity in response to changes in interest rates of the Group's floating rate US$ debts (with all other variables held constant).

	Increase/ (decrease) in interest rate basis points	(Decrease)/ increase in profit before tax	(Decrease)/ increase in equity
2021			
US$ debts	**100**	**(35,880)**	**(35,880)**
US$ debts	**(100)**	**35,880**	**35,880**

	Increase/ (decrease) in interest rate basis points	Increase/ (decrease) in loss before tax	(Decrease)/ increase in equity
2020			
US$ debts	100	46,800	(46,800)
US$ debts	(100)	(46,800)	46,800

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 120 days past due and there is no reasonable expectation of recovery.	Asset is written off

31 December HK$'000

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. For listed debt investments, the Group also monitored them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
2021					
Trade receivables*	**—**	**—**	**—**	**712,720**	**712,720**
Financial assets included in prepayments, deposits and other receivables					
— Normal**	**169,837**	**—**	**—**	**—**	**169,837**
— Doubtful**	**—**	**—**	**38,610**	**—**	**38,610**
Time deposit	**88,754**	**—**	**—**	**—**	**88,754**
Cash and deposits	**1,925,573**	**—**	**—**	**—**	**1,925,573**
	2,184,164	**—**	**38,610**	**712,720**	**2,935,494**

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
2020					
Trade receivables*	—	—	—	420,957	420,957
Financial assets included in prepayments, deposits and other receivables					
— Normal**	113,511	—	—	—	113,511
— Doubtful**	—	—	52,818	—	52,818
Time deposit	65,538	—	—	—	65,538
Pledged deposit	41,706	—	—	—	41,706
Cash and cash equivalents	2,314,285	—	—	—	2,314,285
	2,535,040	—	52,818	420,957	3,008,815

* 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".

31 December HK$'000

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:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
2021					
Accounts payable	—	135,803	—	—	135,803
Financial liabilities included in accrued liabilities and other payables	—	—	288,617	—	288,617
Derivative financial instruments	—	643	—	—	643
Bank and other borrowings	—	3,966	320,942	3,432,000	3,756,908
Lease liabilities	—	8,398	20,911	47,125	76,434

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
2020					
Accounts payable	—	62,607	51,314	—	113,921
Financial liabilities included in accrued liabilities and other payables	—	—	424,451	—	424,451
Derivative financial instruments	—	14,071	—	—	14,071
Bank and other borrowings	—	—	157,179	4,680,000	4,837,179
Lease liabilities	—	7,977	23,931	59,063	90,971

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 deposit and bank and other borrowings were calculated by discounting the expected future cash flows using rates currently available for instruments which had similar terms, credit risk and remaining maturities. The Group's own non-performance risk for time deposit and bank and other borrowings as at the end of the year was assessed to be insignificant.

(b) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including forward currency contracts, forward commodity contracts, and embedded derivative in provisional pricing arrangements, and the EHA2 and 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 forward currency contracts, forward commodity contracts, embedded derivative in provisional pricing arrangements, and the EHA2 and EHA3 were the same as their carrying amounts.

    (i) The fair values of forward currency contracts, forward commodity contracts and embedded derivative in provisional pricing arrangements were based on valuation techniques using significant observable market inputs and insignificant unobservable market inputs.

    (ii) The fair values of the EHA2 and EHA3 were based on valuation techniques using market data that is observable, which are significant to the overall valuation of the derivative.

31 December HK$'000

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 as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

(i) Financial instruments carried at fair value

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	—	**21,012**	—	**21,012**
Liabilities				
Derivative financial instruments	—	**643**	—	**643**

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	—	71,712	—	71,712
Liabilities				
Derivative financial instruments	—	14,071	—	14,071

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 (2020: Nil).

31 December HK$'000

41 Financial risk management objectives and policies (continued)

Fair value estimation (continued)

(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 2021 (2020: Same).

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 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:

	2021	2020
Bank and other borrowings	**3,659,149**	4,814,866
Lease liabilities	**67,565**	85,853
Less: cash and deposits	**(1,925,573)**	(2,314,285)
Net debt	**1,801,141**	2,586,434
Equity attributable to shareholders of the Company	**6,944,417**	5,807,715
Add: net debt	**1,801,141**	2,586,434
Net total capital	**8,745,558**	8,394,149
Net debt to net total capital	**20.6%**	30.8%

31 December HK$'000

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:

	2021	2020
Non-current assets		
Property, plant and equipment	**21**	—
Prepayments, deposits and other receivables	**1,907**	3,987
Investments in subsidiaries	**4,174,361**	—
Due from subsidiaries	**4,330,309**	8,399,844
Total non-current assets	**8,506,598**	8,403,831
Current assets		
Prepayments, deposits and other receivables	**6,316**	6,405
Cash and cash equivalents	**943,232**	1,590,748
Total current assets	**949,548**	1,597,153
Current liability		
Accrued liabilities and other payables	**1,578**	1,464
Total current liability	**1,578**	1,464
Net current assets	**947,970**	1,595,689
Total assets less current liabilities	**9,454,568**	9,999,520
Non-current liabilities		
Due to subsidiaries	**994,150**	5,367,028
Bank borrowings	**1,945,840**	773,760
Total non-current liabilities	**2,939,990**	6,140,788
Net assets	**6,514,578**	3,858,732
Equity		
Issued capital	**392,886**	392,886
Reserves	**6,121,692**	3,465,846
Total equity	**6,514,578**	3,858,732

31 December HK$'000

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 2020	6,852	358,625	827	1,346,820	1,713,124
Profit for the year	—	—	—	1,752,603	1,752,603
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	—	—	119	—	119
Total comprehensive income for the year	—	—	119	1,752,603	1,752,722
At 31 December 2020	6,852	358,625	946	3,099,423	3,465,846

	Share premium account	Contributed surplus	Exchange fluctuation reserve	Retained profits	Total
At 1 January 2021	**6,852**	**358,625**	**946**	**3,099,423**	**3,465,846**
Profit for the year	**—**	**—**	**—**	**2,661,182**	**2,661,182**
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	**—**	**—**	**(5,336)**	**—**	**(5,336)**
Total comprehensive income for the year	**—**	**—**	**(5,336)**	**2,661,182**	**2,655,846**
At 31 December 2021	**6,852**	**358,625**	**(4,390)**	**5,760,605**	**6,121,692**

44 Events after the reporting period

State of emergency in Kazakhstan

On 5 January 2022 the state of emergency in Kazakhstan was declared until 19 January 2022, and restrictions were imposed on communication and transportation of both people and vehicles, including railway and airline carriage.

Currently, the situation in all regions of the country has stabilised and the state of emergency was cancelled. Utilities and life support systems have been fully restored, and restrictions on communication and transportation of both people and vehicles have been relieved.

The events have not had a material impact on the Kazakhstan oilfield's operations; however, the tensions remain in the country, and further development of the events and their impact on Kazakhstan oilfield's operations is not possible to predict.

44 Events after the reporting period (continued)

Russia-Ukraine war

In 2021, ongoing political tensions in the region have intensified as a result of further developments in the situation with Ukraine, which affected commodity and financial markets and increased volatility, especially in exchange rates. Since February 2022, the situation has continued to deteriorate and remains highly volatile. There is increased volatility in the financial and commodity markets. Additional sanctions and restrictions on the business activity of organisations operating in Russia are imposed.

The scale and duration of such circumstances remain uncertain. If such circumstances persist, these might affect the Group's earnings, cash flow and financial position. Those situations have been closely monitored by the management.

45 Approval of the financial statements

The financial statements were approved and authorised for issue by the Board on 25 March 2022.

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				
	2021	2020	2019	2018	2017
Revenue	**4,349,406**	2,850,058	3,425,510	4,427,317	3,602,947
Profit/(loss) before tax	**1,336,323**	(261,827)	631,340	950,765	608,180
Income tax expense	**(222,176)**	(98,690)	(236)	(465)	(123,603)
Profit/(loss) for the year	**1,114,147**	(360,517)	631,104	950,300	484,577
Attributable to:					
Shareholders of the Company	**1,103,366**	(363,848)	600,293	905,253	518,315
Non-controlling interests	**10,781**	3,331	30,811	45,047	(33,738)
	1,114,147	(360,517)	631,104	950,300	484,577

Assets, Liabilities and Non-controlling Interests

HK$'000

	31 December				
	2021	2020	2019	2018	2017
Non-current assets	**9,453,299**	8,882,834	9,692,552	9,510,875	9,963,374
Current assets	**3,250,441**	3,392,465	2,975,458	4,168,872	4,169,542
Total assets	**12,703,740**	12,275,299	12,668,010	13,679,747	14,132,916
Current liabilities	**1,425,066**	1,189,560	2,074,900	3,013,672	1,223,189
Non-current liabilities	**4,355,350**	5,318,421	4,400,361	4,612,057	6,962,777
Total liabilities	**5,780,416**	6,507,981	6,475,261	7,625,729	8,185,966
Non-controlling interests	**(21,093)**	(40,397)	(60,640)	(87,465)	(117,223)
Equity attributable to shareholders of the Company	**6,944,417**	5,807,715	6,253,389	6,141,483	6,064,173

Reserve Quantities Information

Proved Oil Reserves Estimate (unaudited)

million barrels

2021	Indonesia (41%)	China (100%)	Kazakhstan (50%)	Total
At 1 January	**1.4**	**30.3**	**83.8**	**115.5**
Revision	**—**	**2.3**	**1.3**	**3.6**
Production	**(0.2)**	**(3.1)**	**(7.0)**	**(10.3)**
At 31 December	**1.2**	**29.5**	**78.1**	**108.8**

Glossary of Terms

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

A$	Australian dollar, the lawful currency of Australia
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
Board	Board of directors
BVI	British Virgin Islands
Bye-laws	Bye-laws of the Company
CACT	CA Commodity Trading Pty Ltd
CATL	CA Trading Holding Pty Limited
CCEL	CITIC Canada Energy Limited
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
CITIC Group	中國中信集團有限公司 (CITIC Group Corporation)
CITIC Haiyue	CITIC Haiyue Energy Limited
CITIC Seram	CITIC Seram Energy Limited
Claims	Three claims commenced by Weihai in the Shandong High People's Court in China against, among others, CACT
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

Glossary of Terms

Company	CITIC Resources Holdings Limited
COVID-19	Coronavirus disease 2019
Dalian Court	Dalian Maritime Court
Decheng	Qingdao Decheng Minerals Co., Ltd. (青島德誠礦業有限公司)
Diversity Policy	Nomination and diversity policy which sets out the criteria and procedures to be used for the selection, appointment and re-election of candidates to achieve diversity on the Board
ECL	Expected credit loss
EHA2	Hedging agreement with several subsidiaries of AGL Energy Limited, an integrated renewable energy company listed on the ASX (Stock Code: AGL), in relation to the supply of electricity to the PAS from 1 August 2017 to 31 July 2021
EHA3	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)
Financial Statements	Consolidated financial statements
Group	CITIC Resources Holdings Limited and its subsidiaries
GST	Goods and services tax on most goods and services and other items sold or consumed in Melbourne, Australia
Hainan-Yuedong Block	Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, China
HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standard
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
IBR	Incremental borrowing rate
Karazhanbas oilfield	Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan
KBM	JSC Karazhanbasmunai
KEER	勝利油田科爾工程建設有限公司 (Shengli Oilfield KEER Engineering and Construction Co., Ltd.)
KUFPEC	Kuwait Foreign Petroleum Exploration Company

Glossary of Terms

KZT	Tenge, the lawful currency of Kazakhstan
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
LIBOR	London interbank offered rates
MET	Mineral extraction tax
MPF Scheme	Defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
New Scheme	New share option scheme adopted by the Company on 27 June 2014
Nomination Committee	Nomination committee of the Company
Notices	Notices of assessment
PAS	Portland Aluminium Smelter
PAS JV	Portland Aluminium Smelter joint venture in Australia
PRC	the People's Republic of China
PRMS	Petroleum Resources Management System
PRT	Pacific Resources Trading Pte. Ltd., an indirect subsidiary of CITIC Group
PSC	Production sharing contract which grants the right to explore, develop and produce petroleum from the Seram Block
Public Notice	Notice in the People's Court Daily (人民法院報)
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)

Shengli Oilfield Claim B	Joint legal claim action of KEER and a general contractor of Tincy Group in the Dalian Court against Tincy Group
Short-term leases	Leases with a lease term of 12 months or less
SOAP	Statement of audit position
SPPI	Solely payments of principal and interest
Stock Exchange	The Stock Exchange of Hong Kong Limited
TianEnlu	TianEnlu (Dalian) Shipping Co., Ltd (天恩璐(大連)航運有限公司)
Tincy Group	Tincy Group Energy Resources Limited
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

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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