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

OUR GROWTH is there for the heat

ANNUAL REPORT 2012 年報

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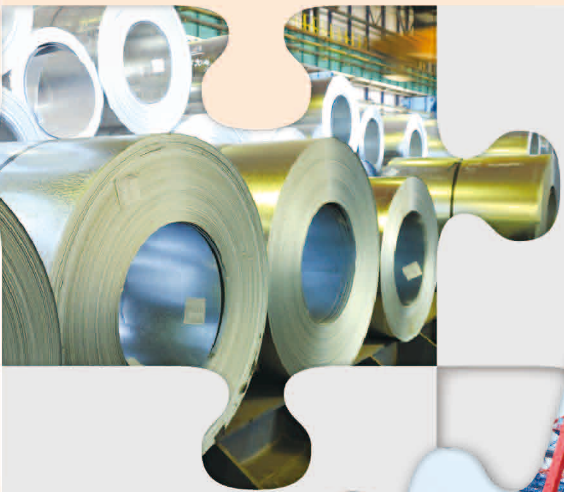
Aluminium A 22.5% interest in the Portland Aluminium Smelter joint venture, one of the largest and most efficient aluminium smelting operations in the world, producing high-quality primary aluminium ingot.



Oil Our major income driver with steady production and development in oilfields located in Kazakhstan, the PRC and Indonesia.

Import & Export of Commodities Our import and export of commodities business, based on strong experience and sales network, has a focus on international trade.

Coal A 7% participating interest in the Coppabella and Moorvale coal mines joint venture, a major supplier of low volatile PCI coal in the international seaborne market, and interests in a number of coal exploration joint ventures with significant resource potential.

Manganese We remain the single largest shareholder of CITIC Dameng Holdings Limited (SEHK : 1091) which has interests in Daxin, Tiandeng and Waifu mines in Guangxi, the PRC; Changgou mine in Guizhou, the PRC; and Bembélé mine in Gabon. CDH is one of the largest vertically integrated manganese producers in the world.

Corporate Information

Board of Directors

Chairman (Non-executive Director)

Mr. Ju Weimin

Vice Chairman (Executive Director)

Mr. Zeng Chen *(Chief Executive Officer)*

Executive Directors

Mr. Guo Tinghu
Ms. Li So Mui

Non-executive Directors

Mr. Qiu Yiyong
Mr. Tian Yuchuan
Mr. Wong Kim Yin
Mr. Zhang Jijing

Independent Non-executive Directors

Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Hu Weiping
Mr. Ngai Man

Audit Committee

Mr. Fan Ren Da, Anthony *(Chairman)*
Mr. Gao Pei Ji
Mr. Ngai Man

Remuneration Committee

Mr. Gao Pei Ji *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Ngai Man
Mr. Zhang Jijing

Nomination Committee

Mr. Ngai Man *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Ju Weimin
Mr. Zhang Jijing

Company Secretary

Ms. Li So Mui

Registered Office

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Share Registrar and Transfer Office

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28 Queen's Road East, Wanchai, Hong Kong

Stock Code : 1205

Auditors

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

Principal Bankers

China Development Bank
China CITIC Bank International Limited
Mizuho Corporate Bank, Ltd.

Chairman's Statement

2012 was again another challenging year. As the unresolved Euro zone sovereign debt crisis continued to adversely affect the global economy leading to deceleration of growth in most major markets, economic gloom and lack of market confidence also cast a pall over the operating environment of a number of major industry sectors. Nevertheless, by implementing a focused diversification strategy, the Group has endeavoured to mitigate the prevailing market difficulties and to withstand the current tough macroeconomic environment. To ensure the Group has the financial flexibility to perform optimally, the Group successfully concluded US$820 million of term loan facilities during the year. The Group will continue with its endeavors to enhance its execution ability, fortify its risk management systems and maximize synergistic opportunities across its diversified business portfolio.

Financial Results

In 2012, the Group's revenue increased by 25.8% to HK$48,434.0 million. Adjusted profit attributable to shareholders was HK$235.9 million after excluding the effect of one-off gains from assets disposal and impairment on assets, representing a year-on-year increase of 107.4%. As of 31 December 2012, the Group's total assets amounted to HK$30,169.9 million and equity attributable to shareholders was HK$13,334.8 million.

Business Review

The Group continues to position itself as an integrated provider of strategic natural resources and key commodities with businesses across energy, metals and import and export of commodities sectors.

Crude Oil

Oil exploration and production continued to be the largest business segment of the Group based on profit contribution. During the year, the Group made a conscious effort to improve the productivity of its existing oil assets and implement cost efficiency measures to enhance the overall investment returns from its oil business.

The Karazhanbas oilfield in the Republic of Kazakhstan remained the major driver of the Group's crude oil business with total production over 2 million tonnes (100% project basis). Riding on higher crude oil realised prices and an increase in production volumes, the Karazhanbas oilfield delivered a satisfactory performance with a 6.6% revenue growth compared to 2011. The Group is formulating medium term research and development plans and will continue to improve production efficiency with suitable oil recovery production techniques.

Progressive developments have taken place at the Yuedong oilfield in Liaoning Province, the People's Republic of China (the "PRC") with the second artificial island, the subsea pipelines and the onshore oil/water processing plant approaching operational stage. The Group expects the remaining construction and installation works to complete by stages to allow for full scale production by 2015. Upon full production, the project is expected to add significant value to the Group's oil portfolio.

In the Republic of Indonesia, production from existing wells in the Seram Block remained stable whilst exploration activities for reserves prospects in the Lofin area continued. Further exploration and developments works will be undertaken to enhance production efficiency from the Seram Block.

Coal

Following the disposal of the Group's entire interest in Macarthur Coal Limited in late 2011, the Group's coal asset investments currently comprise a 7% direct interest in the Coppabella and Moorvale coal mines joint venture (the "CMJV"), and also certain interests in a number of coal exploration joint ventures in Australia where the Group works together with a subsidiary of Peabody Energy Corporation.

The business growth and profitability of the Group's coal segment were affected by cyclical softer commodity market conditions brought about by the global economic slowdown as well as a strong Australian currency against the United States dollar. However, the Group is optimistic about the long term outlook for its coal business and investment value uplift prospects in view of the sustained demand for quality low volatile pulverized coal injection coal in particular from markets such as the PRC. In January 2013, the Group exercised its pre-emption right to increase its interest in the CMJV up to a maximum of 14%.

Metals

The Group's strategic metal investments are currently made up of its 22.5% interest in the Portland Aluminium Smelter joint venture, and a 38.98% interest in its listed associate, CITIC Dameng Holdings Limited ("CDH"), which is engaged in manganese mining and production.

During the year, the aluminium sector was affected by a softening in aluminium selling prices due to a difficult macroeconomic environment which affected returns from the Group's aluminium investments despite the continued implementation of cost saving measures by the Group. To enhance its strategic foothold in the aluminium industry, the Group subscribed in February 2013 for a 7.826% equity interest in Alumina Limited, one of Australia's leading companies with significant global interests in bauxite mining, alumina refining and selected aluminium smelting operations. The investment is in line with the Company's strategy of investing in upstream resources assets.

Regarding the Group's investment in CDH, a share of loss in the consolidated net loss incurred by CDH was recorded by the Group. CDH's performance was affected by, among other things, lower average product selling prices. As a result of this and with reference to CDH's recent market share price, the Group prudently provided for a non-cash asset impairment loss in respect of its shareholding interest in CDH. The Group still holds a positive long term view on its manganese investment and believes the performance of CDH will turn around once the current volatile market subsides.

Import and export of commodities

Benefitting from its strong expertise and established marketing network, the Group's import and export of commodities business managed the challenges presented by uncertain economic and market conditions. Attributable mainly to higher sales volume, strong growth in both segment revenue and result was achieved, demonstrating the benefits of the Group's business diversification strategy.

Financial Management

The Group has been proactively managing its overall financial structure with a view to strengthening liquidity for business development while managing the liability and capital structure. The Company successfully concluded a US$380 million term loan facility with a consortium of 10 leading international banks in June and a US$400 million term loan facility with a syndicate of 17 financial institutions in November, with the latter being funded primarily by banks from Taiwan. Both facilities received overwhelming responses demonstrating the Group's strong funding capacity and the banks' confidence in the Group's future growth. The Taiwan focused facility has in particular armed the Group with a new lending base and diversified funding channels.

A cash tender offer in respect of the Group's US$1,000,000,000 6.75% senior notes due 2014 (the "Notes") was launched in early 2013 with a view to lowering the finance costs and managing the refinancing needs of the Group in respect of the Notes. A total of US$201.08 million in principal amount of the Notes was repurchased.

Outlook

Looking ahead, the global economy remains weak and recovery continues to be slow. The Group expects that the energy and commodity sectors will inevitably continue to undergo significant volatility in the coming year. The Group will continue to focus and heighten its attention on risk management to withstand the changing external environment while proactively capitalising on any potential business opportunities to maximize shareholder value.

The Group will continue with its endeavours to bring about full production at the Yuedong oilfield as early as practicable. Apart from organic growth, the Group will also seek potential acquisition projects with a view to enhancing the Group's investment portfolio.

Board Member Changes

In August 2012, Mr. Sun Xinguo resigned from the posts of vice chairman and executive director of the Company. On behalf of the Board, I would like to thank Mr. Sun for his invaluable contribution to the Group during his stewardship.

In addition, Mr. Hu Weiping was appointed as an independent non-executive director of the Company with effect from 31 December 2012.

Appreciation

I, on behalf of the Board, would like to express my deep thanks to all of our staff across the continents for their dedicated efforts and hard work. I would also like to extend my sincere thanks to our shareholders, customers, suppliers, bankers and business associates for their continued support.

Ju Weimin
Chairman

Hong Kong, 22 February 2013

Management's Discussion and Analysis

The board of directors (the "**Board**") of CITIC Resources Holdings Limited (the "**Company**") presents the 2012 annual results of the Company and its subsidiaries (collectively the "**Group**").

Financial Review

Group's financial results: HK$'000

Operating results and ratios

	Year ended 31 December 2012	2011	Increase/ (decrease)
Revenue	**48,433,964**	38,496,434	25.8%
Underlying EBIT [1]	**1,646,073**	1,866,374	(11.8%)
EBITDA [2]	**2,845,354**	2,993,442	(4.9%)
Adjusted profit attributable to shareholders [3]	**235,941**	113,744	107.4%
Adjusted earnings per share (Basic) [4]	**HK 3.00 cents**	HK 1.60 cents	87.5%
Adjusted items [5]	**1,523,289**	(3,100,364)	
Net tax effect of adjusted items	**(6,387)**	1,011,236	
Gross profit margin [6]	**8.1%**	10.2%	
EBITDA coverage ratio [7]	**3.4 times**	3.6 times	

Financial position and ratios

	31 December 2012	2011	Increase/ (decrease)
Cash and cash equivalents	**8,520,350**	10,779,067	(21.0%)
Total assets	**30,169,882**	33,882,470	(11.0%)
Total debt [8]	**11,076,662**	12,322,213	(10.1%)
Net debt [9]	**2,556,312**	1,543,146	65.7%
Equity attributable to shareholders	**13,334,781**	14,389,925	(7.3%)
Current ratio [10]	**3.9 times**	2.5 times	
Net debt to net total capital [11]	**16.1%**	9.7%	
Net asset value per share [12]	**HK$1.70**	HK$1.83	

1 profit/(loss) before tax + finance costs + adjusted items
2 underlying EBIT + depreciation + amortisation
3 profit/(loss) attributable to shareholders + adjusted items + net tax effect of adjusted items
4 adjusted profit attributable to shareholders / weighted average number of ordinary shares in issue during the year
5 asset impairment losses – gain on disposal of investment in an associate – gain on disposal of partial investment in the Codrilla project
6 gross profit / revenue x 100%
7 EBITDA / finance costs
8 bank and other borrowings + finance lease payables + bond obligations
9 total debt – cash and cash equivalents
10 current assets / current liabilities
11 net debt / (net debt + equity attributable to shareholders) x 100%
12 equity attributable to shareholders / number of ordinary shares in issue at end of year

Management's Discussion and Analysis

The focused diversification strategy of the Group has enabled it to remain resilient in 2012 in which the global economy was gloomy with softening energy and commodities prices.

The Group's revenue grew in the year by 25.8% to reach HK$48,434.0 million lifted by good performances from the import and export of commodities as well as crude oil segments, but was still affected by (a) the absence of share of profit from Macarthur Coal Limited ("**Macarthur Coal**") as an associate and (b) impact from the manganese segment that contributed to a drop in the Group's underlying EBIT by 11.8% to HK$1,646.1 million in 2012.

After excluding one-off items, including gains from the partial disposal of the Group's interest in the Codrilla project and the disposal of the Group's entire interest in Macarthur Coal in 2011 and the non-cash asset impairment losses, the Group's profit attributable to shareholders actually increased year-on-year by 107.4% to HK$235.9 million in 2012.

The following is a description of the Group's operating activities in each of the business segments in 2012, with a comparison of their results against those in 2011.

Aluminium smelting

Revenue	HK$1,221.8 million	▼ 9%
Segment results	HK$ 70.5 million	▼ 22%

  The Group holds a 22.5% participating interest in the Portland Aluminium Smelter joint venture (the "**PAS JV**").

  As the average exchange rate between the Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) during the year remained almost the same as that in 2011, revenue and segment results were not materially impacted by the difference in the exchange rates for the two years.

- The decrease in revenue was mainly due to lower aluminium selling prices during the year while sales volume was similar to 2011 level. Amid the difficult macroeconomic environment, the average selling price in United States dollars decreased by 13% when compared to 2011.

  The curtailment program introduced in 3Q 2009 to reduce both production and production costs by 15% is still in force but may be lifted in 2H 2013 should the industry be seen to further stabilize.

- Overall production costs decreased during the year, in particular for alumina and power, attributable to the effectiveness of ongoing cost saving measures. However, these benefits were offset by a softening in selling prices which led to a lower gross profit margin.

  The Group's aluminium smelting business is a net United States dollar denominated asset. Fluctuations between the Australian dollar and the United States dollar throughout the year caused a net exchange loss of HK$0.2 million (2011: HK$11.1 million).

- Included in "Other income and gains" in the consolidated income statement was a gain of HK$53.9 million (2011: HK$51.5 million) arising from the revaluation of an embedded derivative.

  The pricing mechanism used in an electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia (the "**ESA**") includes a component that is subject to the price of aluminium. In accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the component is considered as an embedded derivative. The embedded derivative is revalued at the end of each reporting period based on future aluminium prices with its fair value gain or loss recognised in the consolidated income statement. On 31 December 2012, the aluminium forward price had decreased as compared to that on 31 December 2011 and the revaluation of the embedded derivative resulted in an unrealised gain.

  The revaluation of the embedded derivative has no cash flow consequences for operations but introduces volatility into the consolidated income statement.

- In 2011, in anticipation of the introduction of carbon tax in Australia in July 2012, an aggregate impairment loss of HK$956.5 million was provided and charged to the consolidated income statement.

- As the ESA expires in 2016, a new base load electricity contract (the "**EHA**") was signed on 1 March 2010 with Loy Yang Power to secure a stable supply of electricity to the Portland Aluminium Smelter from 2016 through 2036. The pricing mechanism used in the EHA includes a component that is subject to certain escalation factors which, in turn, are affected by the consumer price index, producer price index and labour costs.

- In February 2013, to enhance its strategic foothold in the aluminium industry, the Group subscribed for 219,617,657 ordinary shares of Alumina Limited (the "**Subscription Shares**") for an aggregate subscription price of A$271.2 million (HK$2,196.9 million). The Subscription Shares represent 7.826% of all ordinary shares of Alumina Limited in issue.

  Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (the "**ASX**") and the New York Stock Exchange (the "**NYSE**"). It 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. The investment is in line with the Company's strategy of investing in upstream resources assets.

  Details of the transaction are set out in the announcement of the Company dated 14 February 2013.

Coal

Revenue	HK$475.9 million	▼ 10%
Segment results	HK$ 11.6 million	▼ 91%

  Share of profit of an associate — Nil (2011: HK$144.8 million)

  As at 31 December 2012, the Group held a 7% participating interest in the Coppabella and Moorvale coal mines joint venture (the "**CMJV**") and certain interests in a number of coal exploration joint ventures in Australia where the Group works together with Peabody Energy Australia (as defined below).

  As the average exchange rate between the Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) during the year remained almost the same as that in 2011, revenue and segment results were not materially impacted by the difference in the exchange rates for the two years.

Management's Discussion and Analysis

Following completion of the disposal of the Group's entire interest in Macarthur Coal in October 2011, Macarthur Coal ceased to be an associate of the Group and the Group no longer accounted for any share of profit from it. Macarthur Coal was delisted from the ASX on 21 December 2011 and is currently known as Peabody Energy Australia PCI Pty Limited ("**Peabody Energy Australia**").

- The decrease in revenue was due to a drop in coal selling prices during the year despite a rise of 17% in sales volume. Due to the cyclical softening commodity market conditions brought about by the global economic slowdown, the average selling price in Australian dollars decreased by 24% when compared to 2011.

  Demand for low volatile pulverized coal injection coal ("**LV PCI coal**") remained strong during the year. Spot sales to non-traditional customers such as customers in the People's Republic of China (the "**PRC**") continued to increase as the PRC imported coal from Australia to satisfy shortfall.

- Nevertheless, production costs such as overburden costs; mine management costs; rail and port charges; and coal preparation and re-handling costs increased significantly as compared to 2011. Gross profit margin was thus substantially affected by these increases.

  The Group's coal business is a net United States dollar denominated asset. Fluctuations between the Australian dollar and the United States dollar throughout the year caused a net exchange loss of HK$0.4 million (2011: HK$22.1 million).

- There were no asset disposals made during the year in contrast to the partial disposal of the Group's interest in the Codrilla project (as described below) and the disposal of the Group's entire interest in Macarthur Coal which resulted in the pre-tax gains of HK$271.0 million and HK$3,785.8 million in 2011 respectively. The relevant tax of A$150.5 million (HK$1,218.7 million) arising from the gain on the disposal of the Group's interest in Macarthur Coal was paid during the year. Details of the disposals are set out in the 2011 annual report of the Company.

  During the year, there was an asset impairment loss of HK$21.3 million recorded in respect of certain property, plant and equipment in a couple of coal tenements which were considered no more in use.

- The Codrilla project is a greenfield prospect in the Bowen Basin, Queensland, Australia with an Australia Joint Ore Reserves Committee (JORC) resource estimate of 79.5 million tonnes of coal suited for the preparation of LV PCI coal. The Codrilla project is proposed for development as a conventional open cut coal mine.

  The Group holds a 7% interest in the Codrilla project through its 7% interest in the CMJV. The development of the Codrilla project is able to be expedited through the use of the existing operating infrastructure employed by the CMJV, and the combination of the Codrilla project with the CMJV enhances the blending of the coal opportunities available. The Group holds the right to market the coal produced by the CMJV to customers in the PRC.

  Due to current market conditions, the development of the Codrilla project was temporarily suspended in late 2012 and shall be reviewed after a year.

- In January 2013, the Group exercised its pre-emption right to acquire up to an additional 7% interest in the CMJV for an aggregate purchase price of A$112.9 million (HK$913.4 million), subject to adjustment in respect of cash calls and receipts (excluding income from coal sales prior to 30 June 2012 (the "**Effective Date**")) between the Effective Date and the date of completion of the transaction, expected to be on or before 28 March 2013. Subject to completion, the Group's interest in the CMJV (including the Codrilla project) will increase up to 14%.

  Details of the transaction are set out in the announcement of the Company dated 25 January 2013.

Import and export of commodities

Revenue	HK$40,545.2 million ▲ 32%
Segment results	HK$ 558.6 million ▲ 60%

  CITIC Australia Trading Pty Limited ("**CATL**") conducts the Group's import and export of commodities business. Benefitting from its strong expertise and established marketing network, CATL well managed the challenges presented by uncertain economic and market conditions during the year. Attributable mainly to higher sales volume, remarkable growth was achieved both in revenue and segment results despite cyclical market volatility.

  As the average exchange rate between the Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) during the year remained almost the same as that in 2011, revenue and segment results were not materially impacted by the difference in the exchange rates for the two years.

- Exported products include aluminium ingots, coal, iron ore, alumina and copper sourced from Australia and other countries to the PRC.

  Despite the softening average selling prices, revenue from exports increased substantially during the year as a result of significant growth in sales volume of most products, which increased by more than 58% on average when compared to 2011.

  Both aluminium ingot and coal exports recorded a significant increase in sales volume as compared to 2011. However, iron ore exports (sourced from Australia, India and South Africa) experienced a decrease in both selling prices and sales volume.

- Imported products include steel, vehicle and industrial batteries and tyres from the PRC and other countries and regions into Australia.

  Revenue of the imports division for the year remained largely unchanged from 2011 as selling prices and sales volume were almost the same as in 2011. Nevertheless, the segment results have managed to show an improvement due to higher gross profit margin.

- The Group's import and export of commodities business is a net United States dollar denominated asset. Fluctuations between the Australian dollar and the United States dollar throughout the year caused a net exchange gain of HK$1.7 million (2011: loss of HK$7.6 million).

Manganese

- Share of loss of an associate HK$181.9 million (2011: profit of HK$136.1 million)

  The Group has an interest in manganese mining and production through its 38.98% equity interest in CITIC Dameng Holdings Limited ("**CDH**"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 1091). CDH is an associate of the Group and the Group remains the single largest shareholder of CDH.

  CDH owns a 100% interest in the Daxin manganese mine, the Tiandeng manganese mine and the Waifu manganese mine in Guangxi Province, the PRC; a 64% interest in the Changgou manganese mine in Guizhou Province, the PRC; and a 51% interest in the Bembélé manganese mine in Gabon, West Africa. CDH is one of the largest vertically integrated manganese producers in the world, engaged in the production and sale of manganese products at various stages of the production chain.

- The Group recorded a share of loss in the consolidated net loss incurred by CDH and its subsidiaries (the "**CDH Group**") for the year. The CDH Group's performance was affected by lower average selling prices of manganese products resulting from sluggish demand for steel products as well as upward pressure on raw materials prices and labour costs as compared to 2011.

  In 2011, the CDH Group recorded a one-off gain of HK$262.8 million on bargain purchase of 貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company) which became its subsidiary following the acquisition.

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

- As a result of the CDH Group's performance and with reference to CDH's recent market share price, a non-cash asset impairment loss of HK$1,502.0 million was provided by the Group in respect of its shareholding interest in CDH. The impairment loss was charged to the consolidated income statement.

- In November 2010, as part of the listing of CDH, the Group entered into a deed of tax indemnity (the "**Deed of Tax Indemnity**") in favour of the CDH Group in respect of certain tax liabilities of the CDH Group occurring prior to the completion of the listing of CDH. During the year, no amount (2011: HK$4.1 million) was paid by the Group under the Deed of Tax Indemnity.

  Details of the Deed of Tax Indemnity are set out in the announcement of the Company dated 11 October 2010 and the circular of the Company dated 12 October 2010.

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

- CITIC Seram Energy Limited ("**CITIC Seram**"), an indirect wholly-owned subsidiary of the Company, owns a 51% participating interest in the production sharing contract which grants the right to explore, develop and produce petroleum from the Seram Island Non-Bula Block, the Republic of Indonesia ("**Indonesia**") (the "**Seram Block**") until 2019. CITIC Seram is the operator of the Seram Block.

  As at 31 December 2012, the Seram Block had estimated proved oil reserves of 6.5 million barrels (2011: 7.5 million barrels) as determined in accordance with the standards of the Petroleum Resources Management System (the "**PRMS**").

- For the year, the segment results of CITIC Seram recorded a profit of HK$7.7 million (2011: HK$131.8 million), representing a decrease of 94%. The following table shows a comparison of the performance of the Seram Block:

		2012 (51%)	2011 (51%)	Change
Average benchmark Mean of Platts Singapore (MOPS): Platts HSFO 180 CST Singapore	(US$ per barrel)	**103.2**	99.9	▲ 3%
Average crude oil realised price	(US$ per barrel)	**99.8**	97.6	▲ 2%
Sales volume	(barrels)	**422,000**	429,000	▼ 2%
Revenue	(HK$ million)	**328.1**	326.9	▲ 0%
Total production	(barrels)	**430,000**	423,000	▲ 2%
Daily production	(barrels)	**1,180**	1,160	▲ 2%

  Revenue was similar to 2011 level as the slight increase in oil price was offset by a mild decrease in sales volume. Successful workover during the year slightly improved the total production.

- Operating costs per barrel were higher as compared to 2011 due to an increase in the number of wells in operation and new activities in the Lofin area. Controls over costs have been imposed to counter increases in operating costs driven by higher economic growth and inflation in Indonesia.

  Included in "Other expenses, net" in the consolidated income statement was a write-off of items of property, plant and equipment of HK$67.3 million (2011: Nil). The amount represents the write-off of the net book value of exploration wells which were determined not to have any further production in the near future. If the write-off amount is excluded, the segment results of CITIC Seram would have been a profit of HK$75.0 million, representing a decrease of 43%.

- During the year, the Group carried out exploration activities in the Lofin area with the objective of increasing both oil reserves and production volume.

  Drilling of the first exploration well in the Lofin area commenced in early 2012 and testing has confirmed the existence of oil and gas. Data collected during the drilling is being processed and interpreted to formulate a plan for the next stage of exploration work in the area.

The two new exploration wells, drilled in the area of Oseil Selatan and Nief Utara B respectively in 2011, have been tested during the year. Approval for the well in Oseil Selatan to be put in production was obtained in 2H 2012. A water shut-off program has been performed on the well in Nief Utara B to test and increase the oil extraction probabilities. The result of the test indicated that the oil discovery is not commercial but gas was discovered. Gas produced from this well is utilized to generate power for operations in the Oseil area to partially save production costs.

Development drilling in the Oseil area will be further undertaken to increase production.

Crude oil (the Hainan-Yuedong Block, the PRC)

- CITIC Haiyue Energy Limited, an indirect wholly-owned subsidiary of the Company, owns a 90% interest in Tincy Group Energy Resources Limited ("**Tincy Group**").

  Pursuant to a petroleum contract entered into with China National Petroleum Corporation ("**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 in the Bohai Bay Basin in Liaoning Province, the PRC (the "**Hainan-Yuedong Block**") until 2034. Tincy Group is the operator of the Hainan-Yuedong Block in cooperation with CNPC.

  As at 31 December 2012, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 18.6 million barrels (2011: 18.8 million barrels) as determined in accordance with the standards of the PRMS.

- For the year, the segment results of Tincy Group recorded a loss of HK$176.5 million (2011: HK$152.9 million), representing an increase in loss of 15%. The following table shows a comparison of the performance of the Yuedong oilfield:

		(Tincy Group's share) 2012	2011	Change
Average benchmark end-market quotes:				
Dated Brent crude oil	(US$ per barrel)	**112.5**	112.1	▲ 0%
Average crude oil realised price	(US$ per barrel)	**99.3**	93.8	▲ 6%
Sales volume	(barrels)	**230,000**	189,000	▲ 22%
Revenue	(HK$ million)	**176.4**	136.3	▲ 29%
Total production	(barrels)	**136,000**	241,000	▼ 44%
Daily production	(barrels)	**370**	660	▼ 44%

The maiden shipment of oil sales from Platform A, the first artificial island at the Yuedong oilfield, took place in August 2011.

In 1Q and 4Q 2012, oil production at Platform A was greatly affected as the hauling activities were constrained by weather and sea conditions.

- During the year, the Group continued to make progress on the construction of the remaining artificial islands and production facilities amid the challenges and unfavourable working conditions.

  Construction of Platform B, the second artificial island, completed in 4Q 2012. Production facilities on Platform B, the subsea pipelines and onshore oil/water processing plant are approaching operational stage.

  Construction of Platform C and Platform D, the remaining two artificial islands, and the related production facilities are ongoing.

  With the progressive completion of these construction and installation works, overall production should gradually increase with full scale production expected to begin in 2015.

- Capital expenditure will continue to be required in respect of the outstanding construction and net cash flow contribution to the Group is expected to come after full production has begun in the Yuedong oilfield.

Crude oil (the Karazhanbas oilfield, Kazakhstan)

- CITIC Oil & Gas Holdings Limited ("**CITIC Oil & Gas**"), an indirect wholly-owned subsidiary of the Company, owns the **Kazakhstan Interests** which mainly comprise 50% of the issued voting shares of JSC Karazhanbasmunai ("**KBM**") (which represents 47.3% of the total issued shares of KBM). JSC KazMunaiGas Exploration Production ("**KMG EP**") holds an identical interest in KBM. The Group and KMG EP manage and operate KBM jointly.

  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 Oil and Gas Field in Mangistau Oblast, the Republic of Kazakhstan ("**Kazakhstan**") (the "**Karazhanbas oilfield**") until 2020.

  As at 31 December 2012, the Karazhanbas oilfield had estimated proved oil reserves of 270.6 million barrels (2011: 285.9 million barrels) as determined in accordance with the standards of the PRMS.

- For the year, the segment results of CITIC Oil & Gas recorded a profit of HK$1,039.6 million (2011: 1,017.1 million), representing an increase of 2%. The following table shows a comparison of the performance of the Karazhanbas oilfield:

		2012 (50%)	2011 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**110.7**	109.6	▲ 1%
Dated Brent crude oil	(US$ per barrel)	**112.5**	112.1	▲ 0%
Average crude oil realised price	(US$ per barrel)	**99.5**	97.6	▲ 2%
Sales volume	(barrels)	**7,366,000**	7,023,000	▲ 5%
Revenue	(HK$ million)	**5,686.6**	5,336.0	▲ 7%
Total production	(barrels)	**6,805,000**	6,616,000	▲ 3%
Daily production	(barrels)	**18,600**	18,100	▲ 3%

Revenue increased as compared to 2011, attributable to increases in both oil realised prices and sales volume. Total oil production increased by 3% in the year.

The Group is formulating medium term research and development plans and will continue to improve production efficiency with suitable oil recovery production techniques.

- Mineral extraction tax ("**MET**") is charged at progressive rates based on production volume and classified as cost of sales. Rent tax is charged on export revenue while export duty is charged at US$40 per tonne of oil exported, and both are classified as selling costs.

  Overall cost of sales increased by 13% when compared to 2011, caused by an increase in MET by 17% (as a result of higher oil prices and a higher applicable MET rate) as well as other rising cost factors such as salaries and wages; repairs and maintenance; material and supplies; depreciation, depletion and amortisation; and electricity, gas and water supplies.

  Transportation costs also increased by 35% in the year while rent tax increased by 2% as a result of higher export revenue. In 2011, the Customs Duty Claim (as described below), together with rent tax and export duty, elevated the selling costs significantly. After excluding the Customs Duty Claim, the selling costs during the year would have increased by 10% when compared to 2011.

  Average lifting costs increased to US$17.4 (2011: US$15.2) per barrel, representing a 14% increase when compared to 2011. The increase was mainly caused by rising salaries and wages; repairs and maintenance; material and supplies; and electricity, gas and water supplies.

- In 2009, the customs authority of Kazakhstan conducted a customs audit on KBM and issued a claim against KBM (the "**Customs Duty Claim**"). Despite several appeals to the courts, KBM was held liable for the Customs Duty Claim. The amount settled by KBM in 2010 was treated as a current asset as at 31 December 2010.

  Final judgment in respect of the Customs Duty Claim handed down in 2011 held that the payment made by KBM would not be refunded nor would there be any further payment to be made by KBM. Therefore, the paid customs duty and related penalties totalling HK$151.0 million were respectively charged to selling costs and administrative expenses in 2011, resulting in an impact of HK$127.9 million (net of tax credit of HK$23.1 million) to the Group's profit. Further details of the Customs Duty Claim are set out in note 39 to the financial statements in the 2011 annual report of the Company.

- The consolidated results of CITIC Canada Energy Limited ("**CCEL**"), a jointly-controlled entity owned between CITIC Oil & Gas and KMG EP, have so far been accounted for by the Group using the proportionate consolidation method. Upon the adoption of HKFRS 11 Joint Arrangements effective for annual periods beginning on or after 1 January 2013, the Group is required to retrospectively account for the consolidated results of CCEL using the equity method.

  This change is expected to affect most line items in the Group's consolidated financial statements and will result in decreases in, including but not limited to, revenue, underlying EBIT, EBITDA, total assets and liabilities.

Liquidity, Financial Resources and Capital Structure

Cash

As at 31 December 2012, the Group had cash and cash equivalents of HK$8,520.4 million.

During the year, the Group paid the relevant tax of A$150.5 million (HK$1,218.7 million) arising from the gain on the disposal of its entire interest in Macarthur Coal in 2011. In addition, the Company repaid US$70 million (HK$546 million) of scheduled repayments under the Facility (as defined below) from its internal cash resources.

Borrowings

As at 31 December 2012, the Group had total debt of HK$11,076.7 million, which comprised:

- secured bank loan of HK$358.8 million;
- unsecured bank loans of HK$2,764.8 million;
- secured other loans of HK$1.4 million;
- unsecured other loan of HK$288.6 million;
- finance lease payables of HK$43.4 million; and
- bond obligations of HK$7,619.7 million.

The secured bank loan was secured by the Group's 22.5% participating interest in the PAS JV.

Most transactions of CATL are debt funded which means CATL is highly geared. However, in contrast to term loans, CATL's borrowings are self liquidating, transaction specific and of short durations, matching the term of the underlying trade. When sale proceeds are received at the completion of a transaction, the related borrowings are repaid accordingly.

In January 2008, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured 5-year term loan facility of US$280 million (HK$2,184 million) (the "**Facility**"). The Facility was fully repaid in December 2012.

In June 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured 3-year term loan facility of US$380 million (HK$2,964 million) (the "**A Loan**"). In December 2012, US$140 million (HK$1,092 million) was drawn under the A Loan to refinance the final principal repayment instalment of the Facility. The remaining proceeds of the A Loan will be applied to finance the general corporate funding requirements of the Company. The outstanding balance of the A Loan as at 31 December 2012 was US$140 million.

In September 2012, the Company, as borrower, entered into a facility agreement with a bank as lender in respect of an unsecured 5-year term loan facility of US$40 million (HK$312 million) (the "**B Loan**"). Proceeds of the B Loan will be applied to finance the general corporate funding requirements of the Company. There was no outstanding balance under the B Loan as at 31 December 2012.

In November 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured term loan facility of US$400 million (HK$3,120 million) (the "**C Loan**"). The C Loan has a tenor of 5 years commencing from the date of first utilisation, subject to a put option requiring repayment on the date falling 3 years from the date of first utilisation. Proceeds of the C Loan will be applied to finance the general corporate funding requirements of the Company. There was no outstanding balance under the C Loan as at 31 December 2012.

Further details of the bank and other borrowings are set out in note 31 to the financial statements.

The Group leases certain of its plant and machinery for its coal mine operation. The leases are classified as finance leases. Further details of the finance lease payables are set out in note 32 to the financial statements.

The bond obligations represent the issue of US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**") by CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company. The obligations of CR Finance under the Notes are guaranteed by the Company. The net proceeds of the Notes were used by the Group to facilitate the acquisition of the Kazakhstan Interests and for general working capital requirements. Further details of the bond obligations are set out in note 33 to the financial statements.

As at 31 December 2012, the Group's net debt to net total capital was 16.1% (2011: 9.7%). Of the total debt, HK$1,116.4 million was repayable within one year, the majority of which being trade finance related and of a periodic renewal nature.

A cash tender offer to repurchase the Notes (the "**Offer**") was launched in early 2013 with a view to lowering the finance costs and managing the refinancing needs of the Group in respect of the Notes. In February 2013, the Offer was completed and a total of US$201.08 million (HK$1,568.4 million) in the principal amount of the Notes was repurchased. Details of the Offer are set out in the announcements of the Company dated 4 January, 18 January, 4 February and 7 February 2013.

Share capital

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

Financial risk management

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

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

Further details of the financial risk management objectives and policies are set out in note 46 to the financial statements.

New investment

There was no new investment concluded during the year.

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 2012, the Group had around 4,700 full time employees, including management and administrative staff. Most of the Group's employees are employed in Kazakhstan, the PRC and Indonesia while the others are employed in Australia and Hong Kong.

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 Kazakhstan and Indonesia.

The employees of the Group's subsidiaries which operate in the PRC 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 Pension Provisioning Law in Kazakhstan for those employees in Kazakhstan who are eligible to participate;

(b) a defined scheme under the Government Law No. 11/1992 of the Indonesian government for those employees in Indonesia who are eligible to participate;

(c) a defined scheme under the superannuation legislation of the Australian government for those employees in Australia who are eligible to participate; and

(d) 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 participants who contribute to the success of the Group's operations.

Board of Directors and Senior Management

Directors

Mr. Ju Weimin	*Chairman and Non-executive Director*
Mr. Zeng Chen	*Vice Chairman, Executive Director and Chief Executive Officer*
Mr. Guo Tinghu	*Executive Director*
Ms. Li So Mui	*Executive Director*
Mr. Qiu Yiyong	*Non-executive Director*
Mr. Tian Yuchuan	*Non-executive Director*
Mr. Wong Kim Yin	*Non-executive Director*
Mr. Zhang Jijing	*Non-executive Director*
Mr. Fan Ren Da, Anthony	*Independent Non-executive Director*
Mr. Gao Pei Ji	*Independent Non-executive Director*
Mr. Hu Weiping	*Independent Non-executive Director*
Mr. Ngai Man	*Independent Non-executive Director*

Directors – Biographies

Mr. Ju Weimin, aged 49, was appointed the Chairman, a non-executive director and a member of the nomination committee of the Company in March 2012. He is responsible for the strategic planning of the Group. Mr. Ju holds a Master's Degree in Economics from Renmin University of China. He is a vice president of 中國中信股份有限公司 (CITIC Limited) ("**CITIC Limited**") and a director of Keentech Group Limited ("**Keentech**"). He is the chairman and a non-executive director of Asia Satellite Telecommunications Holdings Limited (Stock Code: 1135) and a non-executive director of CITIC Pacific Limited ("**CITIC Pacific**") (Stock Code: 267) (both listed on the Main Board of the Stock Exchange), a non-executive director of China CITIC Bank Corporation Limited ("**China CITIC Bank**") (Stock Code: 998) and CITIC Securities Company Limited ("**CITIC Securities**") (Stock Code: 6030) (both listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange). Mr. Ju has over 25 years' experience in accounting, finance, investments and corporate management.

Mr. Zeng Chen, aged 49, is the Vice Chairman of the Company. He has been an executive director and the Chief Executive Officer of the Company since 2004 and 2010 respectively. He was the President of the Company between 2010 and 2011. 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. Zeng holds a Master's Degree in International Finance from Shanghai University of Finance and Economics. He is the chairman of CITIC Australia Pty Limited ("**CA**") and a non-executive director of CDH (Stock code: 1091) listed on the Main Board of the Stock Exchange, Marathon Resources Limited listed on the ASX, and Alumina Limited listed on the ASX and the NYSE. In October 2011, Mr. Zeng ceased to act as a non-executive director of Macarthur Coal which was delisted from the ASX in December 2011. Mr. Zeng has over 24 years' experience in business operations and development, project investment, asset restructuring and the natural resources industry.

Mr. Guo Tinghu, aged 51, joined in 2011 as an executive director of the Company. He is also a director of several subsidiaries of the Company. He is responsible for the business development and operations of the Group. Mr. Guo holds a Bachelor of Engineering Degree from Northeastern University in Shenyang and a Master's Degree in Engineering from Central Iron and Steel Research Institute in Beijing. He is the managing director of CA. Mr. Guo has over 24 years' experience in business operations and trading in various commodities.

Ms. Li So Mui, aged 58, joined in 2000 as an executive director and the Company Secretary of the Company. She is also a director of several subsidiaries of the Company. She is responsible for the financial management and general administration of the Group. Ms. Li holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Association of International Accountants. Ms. Li has over 35 years' experience in the accounting and banking field.

Board of Directors and Senior Management

Mr. Qiu Yiyong, aged 56, is a non-executive director of the Company. He was an executive director of the Company between 2002 and 2010, and was re-designated as a non-executive director of the Company in 2010. Mr. Qiu holds a Bachelor of Economics Degree from Xiamen University. He is a director of Keentech, and the chairman and an executive director of CDH. Prior to joining 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**") in 2000, Mr. Qiu was a director of two companies listed on the Main Board of the Stock Exchange. Mr. Qiu has over 31 years' experience in investment management and the natural resources industry.

Mr. Tian Yuchuan, aged 48, is a non-executive director of the Company. He was an executive director of the Company between 2001 and 2004, and rejoined the Company as an executive vice president in 2008. He was an executive director of the Company between 2009 and 2010, and was re-designated as a non-executive director of the Company in 2010. Mr. Tian holds a Bachelor of Arts Degree from Beijing Foreign Studies University. He is an executive director and the chief executive officer of CDH. Mr. Tian held senior positions in several subsidiaries of CITIC Group between 1986 and 2004. He held high-level positions in several companies listed on the Stock Exchange and the Shenzhen Stock Exchange between 2004 and 2007. Mr. Tian has over 27 years' experience in multi-national businesses, corporate management, international equity investments and corporate finance.

Mr. Wong Kim Yin, aged 42, joined in 2008 as a non-executive director of the Company. Mr. Wong holds an Executive Master's Degree in Business Administration from the University of Chicago Graduate School of Business. He is a director and the group chief executive officer of Singapore Power Limited. Prior to joining Singapore Power Limited in 2012, Mr. Wong was a senior managing director of Temasek Holdings (Private) Limited and was responsible for investment portfolios in transportation, industrials and energy industries between 2004 and 2011. He worked for The AES Corporation, a power company listed on the NYSE, between 1995 and 2002 and was responsible for investments across Asia Pacific.

Mr. Zhang Jijing, aged 57, is a non-executive director of the Company. He was an executive director of the Company between 2002 and 2009, and was re-designated as a non-executive director of the Company in 2009. He is also a member of the remuneration committee and nomination committee of the Company, and a director of several subsidiaries of the Company. Mr. Zhang holds a Bachelor of Engineering Degree from Hefei Polytechnic University in Anhui Province and a Master's Degree in Economics from the Graduate School of Chinese Academy of Social Sciences in Beijing. He is a vice president of CITIC Limited, a director of Keentech, an executive director and the president of CITIC Pacific. Mr. Zhang ceased to act as a non-executive director of China CITIC Bank and CITIC Securities in November 2011 and June 2012 respectively. Mr. Zhang has over 28 years' experience in corporate management, industrial investment, business finance and the aluminium industry.

Mr. Fan Ren Da, Anthony, aged 52, joined in 2000 as an independent non-executive director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. He is also an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Raymond Industrial Limited (Stock Code: 229), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), China Development Bank International Investment Limited (Stock Code: 1062), Technovator International Limited (Stock Code: 1206), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), Renhe Commercial Holdings Company Limited (Stock Code: 1387), Hong Kong Resources Holdings Company Limited (Stock Code: 2882) and Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), all listed on the Main Board of the Stock Exchange. Mr. Fan ceased to act as an independent non-executive director of Chinney Alliance Group Limited (Stock Code: 385) listed on the Main Board of the Stock Exchange and Shenzhen World Union Properties Consultancy Co., Ltd. listed on the Shenzhen Stock Exchange in June 2011 and July 2012 respectively. Mr. Fan held senior positions with various international financial institutions.

Board of Directors and Senior Management

Mr. Gao Pei Ji, aged 66, joined in 2011 as an independent non-executive director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Gao holds a LL.M. Degree from the Law School of University of California, Berkeley. He has been admitted to practise law in the PRC since 1984. He is a foreign legal consultant to Clifford Chance, Hong Kong office, providing advisory services to the firm on issues in relation to the PRC. 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. Hu Weiping, aged 62, was appointed an independent non-executive director of the Company in December 2012. Mr. Hu holds a Bachelor of Chemical Engineering Degree from Zhengzhou University. He is an independent director of GD Power Development Co., Ltd. listed on the Shanghai Stock Exchange. Mr. Hu held senior positions with several departments of the National Development and Reform Commission of the PRC (the "**NDRC**") since 1991 and was a deputy director general of the Department of Oil & Natural Gas (National Oil Reserve Office), National Energy Administration of the NDRC between 2008 and 2011. Mr. Hu has over 34 years' experience in chemical engineering and the natural resources industry.

Mr. Ngai Man, aged 67, joined in 2006 as an independent non-executive director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Ngai has been a senior adviser to the chairmen of Charoen Pokphand Group and Chia Tai Group since 1988. He is also a director of Longtime Company Limited and Orient Telecom & Technology Holdings Limited. Mr. Ngai has over 40 years' experience in various industries in South-east Asia including telecommunications, trading, hotels and leisure, petrochemicals, real estate and agriculture. In 1995, he was recognised as an "honorary citizen" by the Shenzhen Municipal Government.

Senior Management – Biographies

Mr. Cha Johnathan Jen Wah, aged 48, joined in 2005 as the General Counsel of the Company. He is a solicitor admitted in Hong Kong and in England and Wales. Mr. Cha has over 22 years' experience in mergers and acquisitions, corporate finance, regulatory and general commercial work.

Mr. Chung Ka Fai, Alan, aged 45, joined in 1997 as the Chief Accountant of the Company. He is a certified practising accountant of CPA Australia. Prior to joining the Company, Mr. Chung worked for various multi-national companies. Mr. Chung has over 22 years' experience in the accounting field.

Mr. Luk Kar Yan, aged 45, joined in 2005 as a vice president of the Company. He is responsible for the financial management of the Group. Mr. Luk holds a Bachelor of Social Sciences Degree from the University of Hong Kong and a Master's Degree in Business Administration from the Hong Kong University of Science and Technology. He is an associate member of the HKICPA. Mr. Luk has over 23 years' experience in banking and corporate finance.

Mr. Yang Zaiyan, aged 54, joined in 2009 as a vice president of the Company. He is responsible for the management, planning and development of the Group's oil investments and portfolio. Mr. Yang holds a Bachelor of Engineering Degree from Huadong Petroleum Institute and is a senior geologist. Prior to joining the Company, Mr. Yang was engaged in CNPC and Sinochem Group organisations. Mr. Yang has over 30 years' experience in the 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 the management of the Company 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 2012, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices on and before 31 March 2012 and the Corporate Governance Code (the "**CG Code**") since 1 April 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for code provision A.6.7 of the CG Code because a non-executive director of the Company was unable to attend the annual general meeting of the Company held on 29 June 2012 due to other important business engagements.

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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules (or on terms no less exacting than the Model Code).

All directors 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

The Board currently comprises a total of 12 members, with three executive directors, five non-executive directors and four independent non-executive directors:

Executive Directors:

Mr. Sun Xinguo	(Vice Chairman)	(resigned on 1 September 2012)
Mr. Zeng Chen	(Vice Chairman and Chief Executive Officer)	
Mr. Guo Tinghu		
Ms. Li So Mui		

Non-executive Directors:

Mr. Mi Zengxin	(Chairman)	(resigned on 1 March 2012)
Mr. Ju Weimin	(Chairman)	(appointed on 1 March 2012)
Mr. Qiu Yiyong		
Mr. Tian Yuchuan		
Mr. Wong Kim Yin		
Mr. Zhang Jijing		

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Hu Weiping (appointed on 31 December 2012)
Mr. Ngai Man

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, including oil, aluminium, coal and manganese, and the accounting and banking field. 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 management on the Group's corporate goals and objectives, activities and business, strategic plans and financial situations. The new director is also provided with a package of orientation materials in respect of the directors' duties and responsibilities under the Listing Rules, the bye-laws of the Company (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 annual general meeting of the Company (the "**AGM**"), whichever shall be the earlier, next following his/her appointment and such director shall be eligible for 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, 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 management. It delegates appropriate aspects of its management and administrative functions to management. It also gives clear directions as to the powers of the management, in particular, with respect to the circumstances where 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 internal controls assessment, 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 the senior management team.

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. They 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 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 executive directors present.

Directors' Continuous Professional Development

During the year, to develop and refresh their knowledge and skills, all 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. Zeng Chen		✓	✓
Mr. Guo Tinghu		✓	✓
Ms. Li So Mui		✓	✓
Non-executive Directors:			
Mr. Ju Weimin		✓	✓
Mr. Qiu Yiyong		✓	✓
Mr. Tian Yuchuan		✓	✓
Mr. Wong Kim Yin		–	✓
Mr. Zhang Jijing		✓	✓
Independent Non-executive Directors:			
Mr. Fan Ren Da, Anthony		✓	✓
Mr. Gao Pei Ji		✓	✓
Mr. Hu Weiping	(appointed on 31 December 2012)	N/A	N/A
Mr. Ngai Man		–	✓

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. 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 four board meetings were held in 2012.

All directors are invited to include matters in the agenda for regular board meetings.

If a substantial shareholder or a director has a conflict of interest in a material matter, a board meeting will be held. 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 a remuneration committee, a nomination committee and an audit 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 Board 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. Ngai Man	(Independent Non-executive Director)	
Mr. Zhang Jijing	(Non-executive Director)	

Two meetings were held in the year. During the year, the committee approved the director's fee payable to the chairman of the Board and an independent non-executive director.

Nomination Committee

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

The committee is responsible for reviewing the structure, size and composition (including skills, knowledge and 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. The committee is also responsible for 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 vice chairman and the chief executive officer of the Company.

The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

Members of the committee are:

Mr. Ngai Man	(Independent Non-executive Director)	(Chairman)	
Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)		
Mr. Gao Pei Ji	(Independent Non-executive Director)		
Mr. Mi Zengxin	(Non-executive Director)		(resigned on 1 March 2012)
Mr. Ju Weimin	(Non-executive Director)		(appointed on 1 March 2012)
Mr. Zhang Jijing	(Non-executive Director)		

Two meetings were held in the year. During the year, the committee resolved to recommend to the Board the appointment of the chairman of the Board and an independent non-executive director.

Audit Committee

The purpose of the committee is to establish formal and transparent arrangements to consider how the Board applies financial reporting and internal control principles and maintain an appropriate relationship with the Company's external auditors and internal auditors.

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

The committee reports to the Board any suspected fraud and irregularities, failures of internal control or 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. Ngai Man	(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 auditors.

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 auditors, the financial statements for the year ended 31 December 2011 and the financial statements for the six months ended 30 June 2012, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, internal control systems and 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, Ernst & Young be re-appointed as the Company's external auditors for 2013.

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

		Number of meetings held during the year Attended / Eligible to attend				
		Board	Remuneration committee	Nomination committee	Audit committee	AGM held on 29 June 2012
Executive Directors:						
Mr. Sun Xinguo	(resigned on 1 September 2012)	3/3				1/1
Mr. Zeng Chen		4/4				1/1
Mr. Guo Tinghu		4/4				1/1
Ms. Li So Mui		4/4				1/1
Non-executive Directors:						
Mr. Mi Zengxin	(resigned on 1 March 2012)	0/0		0/0		0/0
Mr. Ju Weimin	(appointed on 1 March 2012)	4/4		1/1		1/1
Mr. Qiu Yiyong		3/4				1/1
Mr. Tian Yuchuan		4/4				1/1
Mr. Wong Kim Yin		4/4				1/1
Mr. Zhang Jijing		2/4	1/2	1/2		0/1
Independent Non-executive Directors:						
Mr. Fan Ren Da, Anthony		4/4	2/2	2/2	2/2	1/1
Mr. Gao Pei Ji		4/4	2/2	2/2	2/2	1/1
Mr. Hu Weiping	(appointed on 31 December 2012)	0/0				0/0
Mr. Ngai Man		4/4	2/2	2/2	2/2	1/1

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 the 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. Management provides such 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.

Internal Controls

The Board has overall responsibility for maintaining a sound and effective internal control system and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

The internal audit team assesses and reports on the adequacy and effectiveness of the internal control system by performing necessary reviews and testing.

The chief financial officer reports to the audit committee once a year on key findings regarding internal controls. The audit committee, in turn, communicates any material issues to the Board.

During the year, the audit committee conducted a review of the effectiveness of the internal control system of the Group. The internal audit team reported that no serious deficiencies were identified. The Board therefore considered the internal control system of the Group effective and complied with the code provisions of the CG Code.

Auditors' Remuneration

Ernst & Young were re-appointed by shareholders at the AGM held on 29 June 2012 as the Company's external auditors 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 2012.

For the year, Ernst & Young charged the Group HK$11,018,000 for the provision of audit services, and other certified public accountant firms charged HK$12,000 for the provision of audit services to the Company's subsidiaries located in the PRC. Also, Ernst & Young charged the Group HK$5,143,000 for the provision of non-audit services, and other certified public accountant firms charged HK$153,000 for the provision of non-audit services to the Company's subsidiaries located in Kazakhstan. The non-audit services provided by Ernst & Young included financial and tax due diligence and tax structure in respect of a potential acquisition transaction (the fee being HK$3,120,000) and preparation of tax returns.

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 of the Company, shall at all times have the right, by written requisition to the Board or the company secretary, to require a general meeting (the "**SGM**") 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, sign and deposit the requisition at the principal place of business of the Company for the attention of the company secretary.

The SGM shall be held within two months from the deposit of the requisition. If the Board fails to proceed to convene the SGM 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 SGM by themselves in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended), but any SGM 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 the general meeting 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".

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 the AGMs and other general meetings. Shareholders are encouraged to participate in these meetings.

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

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 Board, the chairman or member of each of the board committees and external auditors 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 at http://www.hkexnews.hk and the Company at http://www.irasia.com/listco/hk/citicresources .

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 holds press conferences with the media and briefings with investment analysts from time to time including following the announcement of financial results. Management also 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 valuable 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".

Report of the Directors

The directors present their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in notes 1 and 17 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 contribution to results by principal operating activities and the Group's revenue and non-current assets by geographical area of operations for the year ended 31 December 2012 is set out in note 4 to the financial statements.

Results and Dividends

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 41 to 141.

The directors do not recommend the payment of any dividend in respect of the year.

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 and restated/reclassified as appropriate, is set out on page 142. 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 and of the Company during the year are set out in note 13 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 36 and 37 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the bye-laws of the Company (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 Company and of the Group during the year are set out in note 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2012, the Company had no reserves available for cash distribution. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution or payment of dividends to shareholders provided that the Company is able to pay off its debts as and when they fall due. The Company's share premium account, with a balance of HK$9,718,600,000 as at 31 December 2012, may be distributed in the form of fully paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK$780,000 (2011: HK$10,000).

Major Customers and Major Suppliers

In the year under review, sales to the Group's five largest customers accounted for 45.6% of the total sales for the year and sales to the largest customer included therein amounted to 11.9%. Purchases from the Group's five largest suppliers accounted for 71.4% of the total purchases for the year and purchases from the largest supplier included therein amounted to 57.8%.

CITIC Metal Company Limited ("**CITIC Metal**"), a wholly-owned subsidiary of 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**"), is one of the Group's five largest customers. Details of the transactions are set out in the section headed "Continuing Connected Transactions" below.

Save as aforesaid, none of the directors or any of their associates or any shareholders (which, to the best of the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Directors

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

Executive Directors:

Mr. Sun Xinguo	(resigned on 1 September 2012)
Mr. Zeng Chen	
Mr. Guo Tinghu	
Ms. Li So Mui	

Non-executive Directors:

Mr. Mi Zengxin	(resigned on 1 March 2012)
Mr. Ju Weimin	(appointed on 1 March 2012)
Mr. Qiu Yiyong	
Mr. Tian Yuchuan	
Mr. Wong Kim Yin	
Mr. Zhang Jijing	

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony	
Mr. Gao Pei Ji	
Mr. Hu Weiping	(appointed on 31 December 2012)
Mr. Ngai Man	

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-law 86(2), Mr. Hu will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting (the "**AGM**").

In accordance with Bye-laws 87(1) and 87(2), Mr. Zeng, Mr. Qiu, Mr. Wong and Mr. Zhang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and, as at the date of this report, still considers them to be independent.

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

Directors' Interests in Contracts

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

Save as disclosed herein and so far as is known to the directors, as at 31 December 2012, none of the directors or their respective associates was materially interested in any subsisting contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

Directors' Competing Interests

Mr. Zhang Jijing is an executive director and the president and Mr. Ju Weimin is a non-executive director of CITIC Pacific Limited ("**CITIC Pacific**") (Stock Code: 267) listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). CITIC Pacific is engaged in a diversified range of businesses, including, but not limited to, the manufacturing of special steel, iron ore mining, property development in the People's Republic of China (the "**PRC**"), energy and civil infrastructure. It also holds controlling interests in CITIC Telecom International Holdings Limited (Stock Code: 1883) and Dah Chong Hong Holdings Limited (Stock Code: 1828), both listed on the Main Board of the Stock Exchange. Further details of the nature, scope and size of the businesses of CITIC Pacific as well as its management can be found in the latest annual report of CITIC Pacific. In the event that there are transactions between CITIC Pacific and the Company, both Mr. Zhang and Mr. Ju will abstain from voting. Save as disclosed above, Mr. Zhang and Mr. Ju are not directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

Save as disclosed herein and so far as is known to the directors, as at 31 December 2012, none of the directors or their respective associates had any interest in a business apart from the businesses of the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

As at 31 December 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and which have been 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	Number of underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Zeng Chen	Directly beneficially owned	—	10,598,532	0.13
Ms. Li So Mui	Directly beneficially owned	224,000	2,165,524	0.03
Mr. Zhang Jijing	Directly beneficially owned	—	10,594,315	0.13

Long positions in share options of the Company

Name of director	Number of options directly beneficially owned
Mr. Zeng Chen	10,598,532
Ms. Li So Mui	2,165,524
Mr. Zhang Jijing	10,594,315
	23,358,371

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
Ms. Li So Mui	CITIC Dameng Holdings Limited	Ordinary shares	3,154	Directly beneficially owned	—
Mr. Qiu Yiyong	CITIC Dameng Holdings Limited	Share options	15,000,000	Directly beneficially owned	0.50
Mr. Tian Yuchuan	CITIC Dameng Holdings Limited	Share options	12,000,000	Directly beneficially owned	0.40
Mr. Zhang Jijing	CITIC Pacific	Share options	500,000	Directly beneficially owned	0.01
Mr. Gao Pei Ji	CITIC Pacific	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" below, and so far as is known to the directors, as at 31 December 2012:

(a) none of the directors or 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.

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the share option scheme are disclosed in note 37 to the financial statements.

The following table discloses movements in the Company's share options during the year:

Name and category of participant	Number of share options			Date of grant (3)	Exercise period	Exercise price per share HK$
	At 1 January 2012	Reclassification during the year (1)	At 31 December 2012 (2)			
Directors						
Mr. Mi Zengxin	10,594,315	(10,594,315)	—			
Mr. Zeng Chen	5,297,158	—	5,297,158	02-06-2005	02-06-2006 to 01-06-2013	1.018
Mr. Zeng Chen	5,301,374	—	5,301,374	28-12-2005	28-12-2006 to 27-12-2013	1.000
Ms. Li So Mui	2,165,524	—	2,165,524	02-06-2005	02-06-2006 to 01-06-2013	1.018
Mr. Zhang Jijing	10,594,315	—	10,594,315	02-06-2005	02-06-2006 to 01-06-2013	1.018
	33,952,686	(10,594,315)	**23,358,371**			
Eligible participants	—	10,594,315	10,594,315	02-06-2005	02-06-2006 to 01-06-2013	1.018
	1,106,093	—	1,106,093	02-06-2005	02-06-2006 to 01-06-2013	1.018
	1,106,093	10,594,315	**11,700,408**			
	35,058,779	—	**35,058,779**			

Notes:

(1) The share options granted to Mr. Mi have been reclassified to "Eligible participants" on 1 March 2012 when he ceased to be a director of the Company.

(2) No share option lapsed or was granted, exercised or cancelled during the year.

(3) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

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

As at 31 December 2012, 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, are 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
CITIC Group	Corporate	4,674,547,697 (1)	59.43
中國中信股份有限公司	Corporate	3,924,133,904 (2)	49.89
CITIC Projects Management (HK) Limited	Corporate	3,895,083,904 (3)	49.52
Keentech Group Limited	Corporate	3,895,083,904 (4)	49.52
CITIC Australia Pty Limited	Corporate	750,413,793 (5)	9.54
Temasek Holdings (Private) Limited	Corporate	901,909,243 (6)	11.47
Temasek Capital (Private) Limited	Corporate	576,247,750 (7)	7.33
Seletar Investments Pte. Ltd.	Corporate	576,247,750 (8)	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	576,247,750 (9)	7.33

Notes:

(1) The figure represents an attributable interest of CITIC Group through its interest in 中國中信股份有限公司 (CITIC Limited) ("**CITIC Limited**") and CITIC Australia Pty Limited ("**CA**"). CITIC Group is a company established in the PRC.

(2) The figure represents an attributable interest of CITIC Limited through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**") and Extra Yield International Ltd. ("**Extra Yield**") which holds 29,050,000 shares representing 0.37% of the total issued share capital of the Company. CITIC Limited, a company established in the PRC, is a wholly-owned subsidiary of CITIC Group. Extra Yield, a company incorporated in the British Virgin Islands (the "**BVI**"), is an indirect wholly-owned subsidiary of CITIC Limited. Mr. Ju Weimin and Mr. Zhang Jijing are vice presidents of CITIC Limited.

(3) 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 Limited. Mr. Ju Weimin and Mr. Qiu Yiyong are directors of CITIC Projects.

(4) Keentech, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Projects. Mr. Ju Weimin, Mr. Qiu Yiyong and Mr. Zhang Jijing are directors of Keentech.

(5) CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Group. Mr. Zeng Chen is the chairman and Mr. Guo Tinghu is the managing director of CA.

(6) The figure represents an attributable interest of Temasek Holdings (Private) Limited ("**Temasek Holdings**") through its interest in Temasek Capital (Private) Limited ("**Temasek Capital**") and Ellington Investments Pte. Ltd. ("**Ellington**") which holds 325,661,493 shares representing 4.14% of the total issued share capital of the Company. Temasek Holdings is a company incorporated in Singapore. Ellington, a company incorporated in Singapore, is an indirect wholly-owned subsidiary of Temasek Holdings.

(7) The figure represents an attributable interest of Temasek Capital through its interest in Seletar Investments Pte. Ltd. ("**Seletar**"). Temasek Capital, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Holdings.

(8) The figure represents an attributable interest of Seletar through its interest in Baytree Investments (Mauritius) Pte. Ltd. ("**Baytree**"). Seletar, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Capital.

(9) Baytree, a company incorporated in Mauritius, is a direct wholly-owned subsidiary of Seletar.

Save as disclosed herein and so far as is known to the directors, as at 31 December 2012, 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.

Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 8 November 2010, CITIC Australia Commodity Trading Pty Limited ("**CACT**") entered into a new cooperation agreement (the "**2011 Cooperation Agreement**") with CITIC Metal, which provides a framework to enable CACT to continue with the sale of iron ore and to engage in the sale of coal to CITIC Metal during the three years ending 31 December 2013, and in each case in accordance with the terms of the 2011 Cooperation Agreement and subject to their respective annual caps. The prices paid by CITIC Metal in respect of its purchase of iron ore and coal from CACT are determined on an arm's length basis and with reference to prevailing market prices.

CACT is an indirect wholly-owned subsidiary of the Company. CITIC Metal is a wholly-owned subsidiary of CITIC Group, and is a connected person of the Company. The transactions under the 2011 Cooperation Agreement constitute continuing connected transactions of the Company. Details of the 2011 Cooperation Agreement, transactions and annual caps for the three years ending 31 December 2013 are set out in the announcement of the Company dated 8 November 2010 and the circular of the Company dated 29 November 2010.

During the year, the total sales of iron ore and coal by CACT to CITIC Metal did not exceed their respective approved annual caps of US$480,000,000 (HK$3,744,000,000) and US$112,000,000 (HK$873,600,000).

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant contract on terms that are fair and reasonable and in the interests of shareholders as a whole.

The Board has received a letter from the auditors of the Company confirming that nothing has come to their attention that the above continuing connected transactions:

(a) have not received the approval of the Board;
(b) are not, in all material respects, in accordance with the pricing policies of the Group;
(c) have not been entered into, in all material respects, in accordance with their respective contracts; and
(d) have exceeded their respective approved annual caps as disclosed above for the year.

The Company has complied with the applicable requirements under the Listing Rules in respect of continuing connected transactions engaged in by the Group.

Specific Performance Obligations on Controlling Shareholder of the Company

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

In June 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured 3-year term loan facility of US$380,000,000 (HK$2,964,000,000) (the "**A Loan**").

In September 2012, the Company, as borrower, entered into a facility agreement with a bank as lender in respect of an unsecured 5-year term loan facility of US$40,000,000 (HK$312,000,000) (the "**B Loan**").

In November 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured term loan facility of US$400,000,000 (HK$3,120,000,000) (the "**C Loan**"). The C Loan has a tenor of 5 years commencing from the date of first utilisation, subject to a put option requiring repayment on the date falling 3 years from the date of first utilisation.

Pursuant to the provisions of each of the above facility agreements, if CITIC Group ceases to remain (directly or indirectly) the single largest shareholder of the Company or ceases to beneficially (directly or indirectly) own at least 35% of the entire issued share capital of the Company, (a) in respect of the A Loan, the lenders holding 66-2/3% or more of the A Loan then outstanding may require mandatory prepayment of the A Loan together with all other sums due; (b) in respect of the B Loan, the lender may require mandatory prepayment of the B Loan together with all other sums due; and (c) in respect of the C Loan, the lenders holding 66-2/3% or more of the C Loan then outstanding may require mandatory prepayment of the C Loan together with all other sums due.

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 issued share capital is held by the public as at the date of this report.

Audit Committee

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

The audit committee has reviewed the financial statements with the management of the Company.

Auditors

Ernst & Young shall retire, and a resolution for their reappointment as auditors of the Company will be proposed, at the forthcoming AGM.

On behalf of the Board
Ju Weimin
Chairman

Hong Kong, 22 February 2013

Independent Auditors' Report

ERNST & YOUNG
安 永

To shareholders of CITIC Resources Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CITIC Resources Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 41 to 141, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

22 February 2013

Year ended 31 December HK$'000

Consolidated Income Statement

	Notes	2012	2011
REVENUE	5	**48,433,964**	38,496,434
Cost of sales		**(44,494,211)**	(34,573,679)
Gross profit		**3,939,753**	3,922,755
Other income and gains	5	**587,378**	558,694
Selling and distribution costs		**(2,013,078)**	(1,942,661)
General and administrative expenses		**(588,798)**	(571,128)
Other expenses, net		**(97,289)**	(111,197)
Finance costs	9	**(844,856)**	(828,855)
Share of profit/(loss) of associates		**(181,893)**	280,935
		801,217	1,308,543
Impairment of investment in an associate		**(1,502,000)**	—
Gain on disposal of investment in an associate		**—**	3,785,847
Provision for impairment of items of property, plant and equipment		**(21,289)**	(492,551)
Provision for impairment of other asset		**—**	(147,126)
Impairment of goodwill		**—**	(316,830)
PROFIT/(LOSS) BEFORE TAX	6	**(722,072)**	4,137,883
Income tax	10	**(539,875)**	(1,927,770)
PROFIT/(LOSS) FOR THE YEAR		**(1,261,947)**	2,210,113
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**(1,280,961)**	2,202,872
Non-controlling interests		**19,014**	7,241
		(1,261,947)	2,210,113
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	12	**HK cents**	HK cents
Basic		**(16.29)**	30.92
Diluted		**(16.29)**	30.89

Year ended 31 December HK$'000

Consolidated Statement of Comprehensive Income

	Notes	2012	2011
PROFIT/(LOSS) FOR THE YEAR		**(1,261,947)**	2,210,113
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value	22	**(6,900)**	(33,622)
Income tax effect		**2,070**	10,087
		(4,830)	(23,535)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	27	**83,567**	16,944
Reclassification adjustments for gains included in the consolidated income statement	27	**(19,511)**	(24,343)
Income tax effect	27	**(17,856)**	3,291
		46,200	(4,108)
Share of other comprehensive income of an associate		**—**	(3,709)
		46,200	(7,817)
Exchange differences on translation of foreign operations		**170,844**	68,733
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**212,214**	37,381
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(1,049,733)**	2,247,494
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**(1,069,892)**	2,218,784
Non-controlling interests		**20,159**	28,710
		(1,049,733)	2,247,494

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2012	2011
NON-CURRENT ASSETS			
Property, plant and equipment	13	**14,192,523**	13,843,288
Prepaid land lease payments	14	**22,874**	—
Goodwill	15	**24,682**	24,682
Other assets	16	**198,385**	244,915
Investment in an associate	21	**1,825,041**	3,496,690
Available-for-sale investments	22	**26,047**	32,584
Prepayments, deposits and other receivables	23	**454,883**	664,681
Derivative financial instruments	27	**114,801**	23,272
Deferred tax assets	35	**122,146**	94,587
Total non-current assets		**16,981,382**	18,424,699
CURRENT ASSETS			
Inventories	24	**1,286,287**	1,951,756
Trade receivables	25	**2,316,182**	2,061,357
Prepayments, deposits and other receivables	23	**769,875**	611,318
Equity investments at fair value through profit or loss	26	**3,029**	2,963
Derivative financial instruments	27	**489**	38,795
Other assets	16	**194,970**	—
Tax recoverable		**97,318**	12,515
Cash and cash equivalents	28	**8,520,350**	10,779,067
Total current assets		**13,188,500**	15,457,771
CURRENT LIABILITIES			
Accounts payable	29	**963,790**	1,162,127
Tax payable		**169,102**	1,718,493
Accrued liabilities and other payables	30	**1,081,803**	976,822
Derivative financial instruments	27	**3,042**	8,410
Bank and other borrowings	31	**1,106,757**	2,345,070
Finance lease payables	32	**9,623**	7,964
Provisions	34	**87,299**	60,578
Total current liabilities		**3,421,416**	6,279,464
NET CURRENT ASSETS		**9,767,084**	9,178,307
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,748,466**	27,603,006

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2012	2011
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,748,466**	27,603,006
NON-CURRENT LIABILITIES			
Bank and other borrowings	31	**2,306,836**	2,260,461
Finance lease payables	32	**33,760**	42,446
Bond obligations	33	**7,619,686**	7,666,272
Deferred tax liabilities	35	**1,692,831**	1,728,235
Derivative financial instruments	27	**195,907**	240,574
Provisions	34	**1,105,366**	735,330
Other payable		**53,460**	104,610
Total non-current liabilities		**13,007,846**	12,777,928
NET ASSETS		**13,740,620**	14,825,078
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	36	**393,287**	393,287
Reserves	38(a)	**12,941,494**	13,996,638
		13,334,781	14,389,925
Non-controlling interests		**405,839**	435,153
TOTAL EQUITY		**13,740,620**	14,825,078

Zeng Chen
Director

Li So Mui
Director

Consolidated Statement of Changes in Equity

	Notes	Issued capital	Share premium account	Contributed surplus (note 38(a))	Capital reserve (note 38(a))
At 1 January 2011		302,528	7,319,707	65,527	(38,579)
Profit for the year		—	—	—	—
Other comprehensive income for the year:					
Changes in fair value of available-for-sale investments, net of tax		—	—	—	—
Cash flow hedges, net of tax		—	—	—	—
Exchange differences on translation of foreign operations		—	—	—	—
Total comprehensive income/(loss) for the year		—	—	—	—
Dividends paid to non-controlling shareholders		—	—	—	—
Equity-settled share option arrangements	38(b)	—	—	—	—
Issue of shares under rights issue	36	90,759	2,398,893	—	—
Release upon disposal of investment in an associate		—	—	—	—
Transfer of share option reserve upon the lapse or expiry of share options		—	—	—	—
Share of other reserve movements of an associate		—	—	7,161	—
At 31 December 2011		393,287	9,718,600 *	72,688 *	(38,579) *
At 1 January 2012		**393,287**	**9,718,600**	**72,688**	**(38,579)**
Loss for the year		**—**	**—**	**—**	**—**
Other comprehensive income for the year:					
Changes in fair value of available-for-sale investments, net of tax		**—**	**—**	**—**	**—**
Cash flow hedges, net of tax		**—**	**—**	**—**	**—**
Exchange differences on translation of foreign operations		**—**	**—**	**—**	**—**
Total comprehensive income/(loss) for the year		**—**	**—**	**—**	**—**
Dividends paid to non-controlling shareholders		**—**	**—**	**—**	**—**
Share of other reserve movements of an associate		**—**	**—**	**—**	**—**
At 31 December 2012		**393,287**	**9,718,600 ***	**72,688 ***	**(38,579) ***

* These reserve accounts comprise the consolidated reserves of HK$12,941,494,000 (2011: HK$13,996,638,000) in the consolidated statement of financial position.

HK$'000

Attributable to shareholders of the Company								
Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 38(a))	Retained profits	Sub-total	Non-controlling interests	Total equity
316,231	31,836	253,664	33,496	—	1,893,236	10,177,646	488,762	10,666,408
—	—	—	—	—	2,202,872	2,202,872	7,241	2,210,113
—	(23,535)	—	—	—	—	(23,535)	—	(23,535)
—	—	(7,817)	—	—	—	(7,817)	—	(7,817)
47,264	—	—	—	—	—	47,264	21,469	68,733
47,264	(23,535)	(7,817)	—	—	2,202,872	2,218,784	28,710	2,247,494
—	—	—	—	—	—	—	(82,319)	(82,319)
—	—	—	5,570	—	—	5,570	—	5,570
—	—	—	—	—	—	2,489,652	—	2,489,652
(593,761)	—	3,709	—	—	—	(590,052)	—	(590,052)
—	—	—	(15,240)	—	15,240	—	—	—
57,001	—	—	24,163	11,892	(11,892)	88,325	—	88,325
(173,265) *	8,301 *	249,556 *	47,989 *	11,892 *	4,099,456 *	14,389,925	435,153	14,825,078
(173,265)	**8,301**	**249,556**	**47,989**	**11,892**	**4,099,456**	**14,389,925**	**435,153**	**14,825,078**
—	**—**	**—**	**—**	**—**	**(1,280,961)**	**(1,280,961)**	**19,014**	**(1,261,947)**
—	**(4,830)**	**—**	**—**	**—**	**—**	**(4,830)**	**—**	**(4,830)**
—	**—**	**46,200**	**—**	**—**	**—**	**46,200**	**—**	**46,200**
169,699	**—**	**—**	**—**	**—**	**—**	**169,699**	**1,145**	**170,844**
169,699	**(4,830)**	**46,200**	**—**	**—**	**(1,280,961)**	**(1,069,892)**	**20,159**	**(1,049,733)**
—	**—**	**—**	**—**	**—**	**—**	**—**	**(49,473)**	**(49,473)**
—	**—**	**—**	**14,741**	**6,931**	**(6,924)**	**14,748**	**—**	**14,748**
(3,566) *	**3,471 ***	**295,756 ***	**62,730 ***	**18,823 ***	**2,811,571 ***	**13,334,781**	**405,839**	**13,740,620**

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(722,072)**	4,137,883
Adjustments for:			
Interest income	5	**(275,992)**	(100,292)
Gain on disposal of available-for-sale investments	5	**—**	(6,524)
Equity-settled share option expense	6	**—**	5,570
Depreciation	6	**1,146,738**	1,045,411
Amortisation of other asset	6	**51,925**	81,657
Amortisation of prepaid land lease payments	6	**618**	—
Loss on disposal/write-off of items of property, plant and equipment, net	6	**65,700**	39,665
Provision for impairment of items of property, plant and equipment	6	**21,289**	492,551
Provision for impairment of other asset	6	**—**	147,126
Provision for long term employee benefits	6	**92,063**	31,022
Write-back of inventories to net realisable value	6	**(4,414)**	(35)
Impairment of trade receivables recognised/(reversed), net	6	**(9,084)**	1,632
Provision for ecological cost	6	**5,598**	116,236
Fair value gains on derivative financial instruments, net	5	**(213,305)**	(80,914)
Fair value gains on cash flow hedges (transferred from equity)	6	**(19,511)**	(24,343)
Finance costs	9	**844,856**	828,855
Share of loss/(profit) of associates		**181,893**	(280,935)
Gain on disposal of investment in an associate	6	**—**	(3,785,847)
Gain on disposal of partial investment in the Codrilla project	5	**—**	(271,024)
Impairment of available-for-sale investments	6	**—**	1,681
Impairment of goodwill	6	**—**	316,830
Impairment of investment in an associate	6	**1,502,000**	—
Loss on purchase of fixed rate senior notes	6	**2,722**	—
		2,671,024	2,696,205
Decrease/(increase) in inventories		**674,049**	(961,570)
Decrease/(increase) in trade receivables		**(238,278)**	64,158
Increase in prepayments, deposits and other receivables		**(122,614)**	(62,790)
Increase/(decrease) in accounts payable		**(195,124)**	622,845
Increase/(decrease) in accrued liabilities and other payables		**(62,043)**	397,277
Decrease in provisions		**(88,103)**	(33,476)
Cash generated from operations		**2,638,911**	2,722,649
Australian income tax paid		**(1,504,234)**	(102,922)
Kazakhstan income tax paid		**(635,311)**	(287,890)
Net cash flows from operating activities		**499,366**	2,331,837

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2012	2011
Net cash flows from operating activities		**499,366**	2,331,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**237,648**	100,292
Purchases of items of property, plant and equipment		**(1,216,350)**	(2,004,308)
Additions to prepaid land lease payments		**(9,922)**	—
Additions to available-for-sale investments		**—**	(4,068)
Proceeds from disposal of items of property, plant and equipment		**16,025**	1,767
Proceeds from disposal of available-for-sale investments		**—**	8,306
Net proceeds from disposal of investment in an associate		**—**	6,327,161
Net proceeds from disposal of partial investment in the Codrilla project		**83,454**	57,727
Dividend received from an associate		**11,791**	63,247
Proceeds from disposal of derivative financial instruments		**180,838**	—
Net cash flows from/(used in) investing activities		**(696,516)**	4,550,124
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue, net of expenses	36	**—**	2,489,652
Dividends paid to non-controlling shareholders		**(49,473)**	(82,319)
New bank and other borrowings		**16,068,525**	13,357,450
Repayment of bank and other borrowings		**(17,390,408)**	(13,385,505)
Capital element of finance lease payables		**(11,357)**	(19,366)
Interest paid		**(761,458)**	(719,344)
Purchase of fixed rate senior notes		**(75,262)**	—
Finance charges paid		**(3,000)**	(5,033)
Net cash flows from/(used in) financing activities		**(2,222,433)**	1,635,535
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,419,583)**	8,517,496
Cash and cash equivalents at beginning of year		**10,779,067**	2,315,488
Effect of foreign exchange rate changes, net		**160,866**	(53,917)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,520,350**	10,779,067
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**409,047**	846,549
Non-pledged time deposits	28	**8,111,303**	9,932,518
Cash and cash equivalents as stated in the consolidated statement of financial position		**8,520,350**	10,779,067

31 December HK$'000

Statement of Financial Position

	Notes	2012	2011
NON-CURRENT ASSETS			
Property, plant and equipment	13	**877**	1,669
Investments in subsidiaries	17	**7,962,398**	8,437,555
Prepayments, deposits and other receivables	23	**—**	228
Total non-current assets		**7,963,275**	8,439,452
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**102,857**	13,977
Cash and cash equivalents	28	**2,290,324**	2,567,805
Total current assets		**2,393,181**	2,581,782
CURRENT LIABILITIES			
Accrued liabilities and other payables	30	**2,236**	1,410
Bank borrowing	31	**—**	546,000
Total current liabilities		**2,236**	547,410
NET CURRENT ASSETS		**2,390,945**	2,034,372
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,354,220**	10,473,824
NON-CURRENT LIABILITY			
Bank borrowing	31	**1,068,085**	1,092,000
NET ASSETS		**9,286,135**	9,381,824
EQUITY			
Issued capital	36	**393,287**	393,287
Reserves	38(b)	**8,892,848**	8,988,537
TOTAL EQUITY		**9,286,135**	9,381,824

Zeng Chen
Director

Li So Mui
Director

Notes to Financial Statements

1. Corporate 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 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong.

The principal activity of the Company is investment holding.

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

(a) the operation of the Portland Aluminium Smelter (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, coal, iron ore, alumina and copper; and the import of other commodities and manufactured goods such as vehicle and industrial batteries, tyres and various metals such as steel and aluminium extrusion products in Australia;

(d) the exploration, development, production and sale of oil from the Seram Island Non-Bula Block, the Republic of Indonesia ("**Indonesia**") (the "**Seram Block**");

(e) the exploration, development, production and sale of oil from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the People's Republic of China (the "**PRC**") (the "**Hainan-Yuedong Block**"); and

(f) the exploration, development, production and sale of oil from the Karazhanbas Oil and Gas Field in Mangistau Oblast, the Republic of Kazakhstan ("**Kazakhstan**") (the "**Karazhanbas oilfield**").

On 21 October 2011, the Group's entire equity interest in Macarthur Coal Limited ("**Macarthur Coal**"), a then 16.34%-owned associate of the Group, was disposed of to an independent third party for a cash consideration, before tax and expenses, of A$802,035,000 (HK$6,356,100,000). Macarthur Coal is engaged in the operation, exploration, development and mining activities in the Bowen Basin in the State of Queensland, Australia.

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 the PRC.

2.1 Basis of Preparation

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

2.1 Basis of Preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

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

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

The adoption of the revised HKFRSs has had no significant financial effect on the financial statements, and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities [3]
HKFRS 13	Fair Value Measurement [2]
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income [1]
HKAS 19 (2011)	Employee Benefits [2]
HKAS 27 (2011)	Separate Financial Statements [2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [2]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities [3]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]
Annual Improvements 2009 - 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights of set off and netting arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

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

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "**Additions**") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 Consolidated and Separate Financial Statements and HK(SIC) - Int 12 Consolidation – Special Purpose Entities. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC) - Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC) - Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using the proportionate consolidation method. Based on the preliminary analyses performed, HKFRS 11 will affect the accounting for the Group's investments in jointly-controlled entities (further details are set out in note 18 to the financial statements) using the proportionate consolidation method. Upon the adoption of HKFRS 11, the Group is required to retrospectively account for its investments in jointly-controlled entities using the equity method.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 Consolidated and Separate Financial Statements, HKAS 31 Interests in Joint Ventures and HKAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC) - Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

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

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

(a) HKAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates their respective capital contributions, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

2.4 Summary of Significant Accounting Policies (continued)

Joint ventures (continued)

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Contractual arrangement that does not give rise to joint control or control

The Group has interest 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 HKFRSs as appropriate.

Jointly-controlled assets

Jointly-controlled assets are assets in a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly-controlled assets and any liabilities incurred jointly with other venturers are recognised in the consolidated statement of financial position and classified according to their nature. Liabilities and expenses incurred directly in respect of its investments of jointly-controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly-controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 Summary of Significant Accounting Policies (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled 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.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of the associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date 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. 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.

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 derivative in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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 as a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured 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 profit or loss as a gain on bargain purchase.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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.

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 asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

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

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

Freehold land is not depreciated.

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

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

Construction in progress represents building and structure 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. Exploratory wells that discover potential economic reserves in areas where major capital expenditure will be required before production could begin and when the major capital expenditure depends upon successful completion of further exploratory work remain capitalised, and are reviewed periodically for impairment.

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. Oil and gas properties with a useful life less than the licence life is calculated based on a straight-line basis over each asset's estimated useful life that ranges from three to ten years. 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.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Oil and gas properties (continued)

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 from 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 and an accretion expense is recognised using the credit-adjusted risk-free 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 exploration and development expenditure in relation to the Group's mining activities, which are carried forward to the extent that:

(a) such costs are expected to be recouped through successful development and production of the areas or by their sale; or

(b) exploration activities in the area that have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Costs are amortised from the date of commencement of production on a production output basis.

Other assets

Other assets represent the Group's interest in an electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia (the "**ESA**") and the carbon emission units (the "**Emission Units**") received by the Group. The ESA provides steady electricity supply at a fixed tariff to the PAS for a period to 31 October 2016. Other asset is stated at cost less accumulated amortisation, provided on a straight-line basis over the term of the base power contract, and any impairment losses. The accounting policy in respect of the Emission Units is set out in "Government grant" below.

Investments and other financial assets

Initial recognition and measurement

Financial assets of the Group within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded 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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationship as defined by HKAS 39. Derivatives, including separated embedded derivative, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to trade them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement. Reassessment only occurs if there is a change in the terms of the host contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated income statement. The loss arising from impairment is charged to the consolidated income statement as finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised in the consolidated statement of comprehensive income as the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement as other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated income statement as other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to trade them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over its remaining life using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

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 derecognised when:

- the rights to receive cash flows from the asset have expired; or

- 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. 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 assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the original effective interest rate of the financial asset (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is charged to the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is subsequently recovered, the recovery is credited to other expenses in the consolidated income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously charged to the consolidated income statement, is removed from the consolidated statement of comprehensive income and recognised in the consolidated income statement.

In the case of investments in equity instruments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously charged to the consolidated income statement – is removed from the consolidated statement of comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in the consolidated statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 from the same lender 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 amounts 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)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, forward commodity contracts, interest rate swap contracts, an embedded derivative and an electricity hedge agreement 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 remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKAS 39 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.

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 or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting periods for which they are designated.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

- The effective portion of the gain or loss on the hedging instrument is recognised directly in the consolidated statement of comprehensive income as the hedging reserve, while any ineffective portion is recognised immediately in the consolidated income statement as other expenses.

- Amounts recognised in the consolidated statement of comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in the consolidated statement of comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

- If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in the consolidated statement of comprehensive income remain there until the forecast transaction or firm commitment affects profit or loss.

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 (i.e., the underlying contracted cash flows).

- 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 consistent with the classification of the underlying item.

- Embedded derivative that is not closely related to the host contract is classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as effective hedging instruments are classified consistent 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 crude oil and exported goods held for re-sale which are determined on the first-in first-out basis, cost is determined on the weighted average basis. In the case of work in progress and finished goods, cost comprises 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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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

Provisions

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

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

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

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

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

Provision for the ecological cost represents the estimated costs for restoring the Karazhanbas oilfield to its original condition and cleaning all accumulated wastes. The Group has estimated and provided for the expected costs of removal and clean-up on a periodical basis. The liability is discounted using the average long-term risk-free interest rates adjusted for risks specific to the Kazakhstan market.

2.4 Summary of Significant Accounting Policies (continued)

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 for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation 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:

- 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

- 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.

Deferred tax assets are recognised for all deductible temporary differences, 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 profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- 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

- 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 profit will be available against which the temporary differences can be utilised.

The carrying amount of 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 profit 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 profit 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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividend income derived from the Group's subsidiaries and jointly-controlled entities in the PRC and Kazakhstan is subject to withholding tax under the prevailing tax rules and regulations.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial assets;

(c) handling service fee, when the services have been rendered; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance lease, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payments

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

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

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. 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 the PRC 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 defined benefit plan is recognised in the consolidated statement of financial position, and is measured as the present value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligations is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Contributions to defined contribution fund are recognised as an expense as they become payable.

The Group's jointly-controlled entities, with operations domiciled in Kazakhstan, pay certain post retirement insurance, which represents their contribution to the post retirement benefits for their employees.

In accordance with the Law of Kazakhstan "Pension Provisioning in the Republic of Kazakhstan" effective from 1 January 1998, which replaced the state mandated pension system, all employees have the right to receive pension payments from the individual pension accumulation accounts. The accumulating pension funds comprise the compulsory pension contributions of 10% from employees' income subject to a maximum statutory limit.

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

The Group recognised actuarial gains and losses falling outside a 'corridor' of the greater of 10% of the present value of the defined benefit obligations or 10% of the fair value of the plan assets, amortised over the expected average remaining working lives of employees in the plan. The expense in relation to the defined benefit plan is charged to the consolidated income statement so as to match the cost of providing these benefits to the period of service of the employees.

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits (continued)

Paid leave carried forward

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets 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.

Government grant

Government grant is recognised at its fair value where there is a 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 period that the costs, which it is intended to compensate, are expensed.

The Group is a liable entity under the Australian Carbon Pricing Mechanism, which commenced on 1 July 2012. The Group receives the Emission Units from the Australian Government as a result of the Clean Energy Legislation Package. The number of the Emission Units is calculated in accordance with clauses 6.2 and 10.1 of the EHA (as defined in note 27 to the financial statements). The Emission Units take into account the granted carbon units and the purchased carbon units. For the first three years, the price of the Emission Units has been fixed by the Australian Government. Thereafter, the price will be determined by the secondary market. The granted carbon units are received twice annually and in return the Group is required to surrender the Emission Units equal to its actual emission over the compliance period.

The Group has adopted the carrying value method whereby the provision is based on the carrying amount of the Emission Units it already owns to account for the Emission Units. The Emission Units received are classified as intangible assets and carried at cost. The granted carbon units are initially recognised at fair value at their grant date with a corresponding entry of a deferred income. The purchased carbon units are measured at cost upon initial recognition. A provision relating to the Group's obligations to surrender the Emission Units is recognised as emission incurs. The emission costs are included in cost of sales in the consolidated income statement whereas the deferred income is deducted from cost of sales to match against the emission costs incurred. The purchased carbon units are not amortised but impairment testing is required when a triggering event has occurred.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies

The financial statements are presented in Hong Kong dollars which is the Company's functional and presentation 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 recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at 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 determined. 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 (i.e., 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).

The functional currencies of certain overseas subsidiaries, jointly-controlled assets and entities and associates are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars 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, jointly-controlled assets and entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries, jointly-controlled assets and entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit 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.

Employee benefits – share-based payments

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

Fair value of financial instruments

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

Estimation uncertainty

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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.

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, provision for rehabilitation cost and abandonment cost, as well as estimates relating to certain oil and gas reserves and mining revenues and expenses. Actual amounts could differ from those estimates and assumptions. Further details are set out in notes 13 and 34 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets 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 to sell and its value in use. The calculation of the fair value less costs to sell 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 notes 13 and 21 to the financial statements.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Further details are set out in note 25 to the financial statements.

Net realisable value of inventories

The Group performs regular review of the carrying amounts of its inventories with reference to aged analyses of the Group's inventories and projections of expected future saleability of goods, and also based on management's experience and judgement. Based on this review, write-down of inventories is made when the estimated net realisable values of inventories decline below their carrying amounts. Due to changes in the technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.
As at 31 December 2012, impairment losses of HK$42,397,000 (2011: HK$48,758,000) have been recognised for inventories.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit 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 note 35 to the financial statements.

4. Operating Segment Information

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

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

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

(c) the import and export of commodities segment comprises the export of various commodity products such as aluminium ingots, coal, iron ore, alumina and copper; and the import of other commodities and manufactured goods such as vehicle and industrial batteries, tyres and various metals such as steel and aluminium extrusion products in Australia; and

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

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, 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, dividend income, fair value gains or losses from the Group's derivative financial instruments not relating to the operations, one-off gains from assets disposal and impairment on assets as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in an associate, available-for-sale investments, derivative financial instruments, deferred tax assets, equity investments at fair value through profit or loss, tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, derivative financial instruments, bank and other borrowings, finance lease payables, bond obligations, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December HK$'000

Notes to Financial Statements

4. Operating Segment Information (continued)

2012	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,221,804	475,883	40,545,197	6,191,080	48,433,964
Other income	82,924	33,606	39,927	2,764	159,221
	1,304,728	509,489	40,585,124	6,193,844	48,593,185
Segment results	70,464	11,592	558,601	870,819	1,511,476
Reconciliation:					
Interest income and unallocated gains					428,157
Impairment of investment in an associate					(1,502,000)
Provision for impairment of items of property, plant and equipment					(21,289) *
Unallocated expenses					(111,667)
Unallocated finance costs					(844,856)
Share of loss of an associate					(181,893)
Loss before tax					(722,072)
Segment assets	1,429,355	920,006	2,248,289	14,683,697	19,281,347
Reconciliation:					
Investment in an associate					1,825,041
Unallocated assets					9,063,494
Total assets					30,169,882
Segment liabilities	659,996	223,446	590,829	1,716,873	3,191,144
Reconciliation:					
Unallocated liabilities					13,238,118
Total liabilities					16,429,262
Other segment information:					
Depreciation and amortisation	93,233	28,167	792	1,072,741	1,194,933
Unallocated amounts					4,348
					1,199,281
Impairment losses reversed in the consolidated income statement	—	—	(13,498)	—	(13,498)
Capital expenditure	12,514	148,878	1,020	1,104,212	1,266,624
Unallocated amounts					3,205
					1,269,829 **

* Provision for impairment of items of property, plant and equipment related to the coal segment

** Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

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4. Operating Segment Information (continued)

2011	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,338,896	529,011	30,829,332	5,799,195	38,496,434
Other income	75,927	31,449	42,303	8,341	158,020
	1,414,823	560,460	30,871,635	5,807,536	38,654,454
Segment results	90,377	124,804	349,435	996,005	1,560,621
Reconciliation:					
Interest income and unallocated gains					129,650
Gain on disposal of partial investment in the Codrilla project					271,024
Gain on disposal of investment in an associate					3,785,847
Provision for impairment of items of property, plant and equipment					(492,551) *
Provision for impairment of other asset					(147,126) *
Impairment of goodwill					(316,830) *
Unallocated expenses					(104,832)
Unallocated finance costs					(828,855)
Share of profit of associates					280,935
Profit before tax					4,137,883
Segment assets	1,273,822	850,434	2,657,741	14,317,661	19,099,658
Reconciliation:					
Investment in an associate					3,496,690
Unallocated assets					11,286,122
Total assets					33,882,470
Segment liabilities	427,532	188,462	739,111	1,508,588	2,863,693
Reconciliation:					
Unallocated liabilities					16,193,699
Total liabilities					19,057,392
Other segment information:					
Depreciation and amortisation	152,245	20,516	758	948,506	1,122,025
Unallocated amounts					5,043
					1,127,068
Other non-cash expenses	—	43	—	1,554	1,597
Capital expenditure	9,713	56,327	912	1,850,832	1,917,784
Unallocated amounts					2,329
					1,920,113 **

* Provision for impairment of items of property, plant and equipment, other asset and goodwill related to the aluminium smelting segment

** Capital expenditure consists of additions to property, plant and equipment.

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4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	2012	2011
The PRC	**35,644,528**	28,305,600
Australia	**1,743,497**	1,825,219
Europe	**6,846,658**	6,914,549
North America	**72,645**	39,893
Kazakhstan	**182,984**	168,177
Other Asian countries	**3,855,324**	1,190,779
Others	**88,328**	52,217
	48,433,964	38,496,434

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

(b) Non-current assets

	2012	2011
Hong Kong	**81,555**	4,307
The PRC	**6,977,843**	8,194,960
Australia	**1,487,756**	1,497,524
Kazakhstan	**7,256,166**	7,627,907
Other Asian countries	**716,683**	704,643
	16,520,003	18,029,341

The non-current assets information above is based on the location of the assets and excludes other assets, available-for-sale investments, derivative financial instruments and deferred tax assets.

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the Group's revenue, are set out below:

	Operating segment	2012	2011
Customer A	Import and export of commodities	**5,760,111**	4,906,861
Customer B	Crude oil	**5,386,136**	4,795,412

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5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold during the year, after allowances for returns, trade discounts and royalties.

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

	Notes	2012	2011
Revenue			
Sale of goods:			
Aluminium smelting		**1,221,804**	1,338,896
Coal		**475,883**	529,011
Import and export of commodities		**40,545,197**	30,829,332
Crude oil		**6,191,080**	5,799,195
		48,433,964	38,496,434
Other income and gains			
Interest income		**275,992**	100,292
Handling service fees		**39,284**	49,327
Gain on disposal of available-for-sale investments	22	**—**	6,524
Sale of scrap		**6,025**	5,827
Gain on disposal of partial investment in the Codrilla project *		**—**	271,024
Fair value gains on derivative financial instruments, net		**213,305**	80,914
Others		**52,772**	44,786
		587,378	558,694
		49,021,342	39,055,128

* In May 2011, CITIC Bowen Basin Pty Limited, an indirect wholly-owned subsidiary of the Group, entered into sale and purchase agreements with certain independent third parties for the sale of an 8% interest in the Codrilla project for an aggregate cash consideration, before tax and expenses, of A$51,200,000 (HK$405,760,000). In 2011, the Group has received part of the cash consideration, amounting to A$10,240,000 (HK$81,152,000). During the year, the Group has received further cash consideration, amounting to A$20,480,000 (HK$165,888,000), and the remaining amount of A$20,480,000 is to be received by instalments.

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6. Profit/(Loss) before Tax

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

	Notes	2012	2011
Cost of inventories sold *		**44,494,211**	34,573,679
Depreciation	13	**1,146,738**	1,045,411
Amortisation of other asset	16	**51,925**	81,657
Amortisation of prepaid land lease payments	14	**618**	—
Exploration and evaluation costs **		**—**	49,259
Minimum lease payments under operating leases on land and buildings		**28,392**	19,339
Auditors' remuneration		**11,030**	10,912
Employee benefit expenses (including directors' remuneration (note 7)):			
Wages and salaries		**762,709**	729,232
Equity-settled share option expense	37, 38(b)	**—**	5,570
Pension scheme contributions		**2,815**	8,250
Provision for long term employee benefits	34	**92,063**	31,022
		857,587	774,074
Loss on disposal/write-off of items of property, plant and equipment, net **		**65,700**	39,665
Exchange gains, net **		**(6,708)**	(22,808)
Write-back of inventories to net realisable value		**(4,414)**	(35)
Impairment of trade receivables recognised/(reversed), net **	25	**(9,084)**	1,632
Fair value gains on cash flow hedges (transferred from equity)	27	**(19,511)**	(24,343)
Provision for ecological cost	34	**5,598**	116,236
Provision for impairment of items of property, plant and equipment	13	**21,289**	492,551
Provision for impairment of other asset	16	**—**	147,126
Gain on disposal of investment in an associate		**—**	(3,785,847)
Impairment of available-for-sale investments **	22	**—**	1,681
Impairment of goodwill	15	**—**	316,830
Impairment of investment in an associate	21	**1,502,000**	—
Loss on purchase of fixed rate senior notes **	33	**2,722**	—

* Cost of inventories sold for the year included an aggregate amount of HK$1,804,040,000 (2011: HK$1,662,648,000), which comprised an employee benefit expense, provision for inventories, depreciation and amortisation of the ESA. This amount was also included in the respective expense items disclosed above.

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

Year ended 31 December HK$'000

7. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2012	2011
Fees:		
Executive directors and non-executive directors	**808**	700
Independent non-executive directors	**1,075**	1,075
	1,883	1,775
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**11,016**	10,764
Bonuses	**19,201**	25,699
Equity-settled share option expense	**—**	5,403
Pension scheme contributions	**239**	434
	30,456	42,300
	32,339	44,075

In 2010, the maturity dates of the share options granted to certain directors under the share option scheme of the Company were extended for three years. Further details of the share option scheme are disclosed in note 37 to the financial statements. The fair value of such options, which has been charged to the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements was included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2012	2011
Fan Ren Da, Anthony	**375**	375
Gao Pei Ji [2]	**350**	234
Hu Weiping [3]	**—**	—
Ngai Man	**350**	350
Tsang Link Carl, Brian [1]	**—**	116
	1,075	1,075

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

1 Resigned on 1 May 2011
2 Appointed on 1 May 2011
3 Appointed on 31 December 2012

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Notes to Financial Statements

7. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
2012						
Executive directors:						
Sun Xinguo [5]	**—**	**1,620**	**2,160**	**—**	**9**	**3,789**
Zeng Chen	**—**	**4,041**	**10,216**	**—**	**14**	**14,271**
Guo Tinghu	**—**	**2,985**	**4,050**	**—**	**202**	**7,237**
Li So Mui	**—**	**2,370**	**2,775**	**—**	**14**	**5,159**
	—	**11,016**	**19,201**	**—**	**239**	**30,456**
Non-executive directors:						
Mi Zengxin [3]	**—**	**—**	**—**	**—**	**—**	**—**
Ju Weimin [4]	**208**	**—**	**—**	**—**	**—**	**208**
Qiu Yiyong	**150**	**—**	**—**	**—**	**—**	**150**
Tian Yuchuan	**150**	**—**	**—**	**—**	**—**	**150**
Wong Kim Yin	**150**	**—**	**—**	**—**	**—**	**150**
Zhang Jijing	**150**	**—**	**—**	**—**	**—**	**150**
	808	**—**	**—**	**—**	**—**	**808**
	808	**11,016**	**19,201**	**—**	**239**	**31,264**
2011						
Executive directors:						
Sun Xinguo	—	2,418	4,500	—	12	6,930
Zeng Chen	—	3,951	11,519	1,722	10	17,202
Guo Tinghu [2]	100	1,869	6,720	—	400	9,089
Li So Mui	—	2,526	2,960	335	12	5,833
	100	10,764	25,699	2,057	434	39,054
Non-executive directors:						
Kong Dan [1]	—	—	—	—	—	—
Mi Zengxin	—	—	—	1,673	—	1,673
Qiu Yiyong	150	—	—	—	—	150
Tian Yuchuan	150	—	—	—	—	150
Wong Kim Yin	150	—	—	—	—	150
Zhang Jijing	150	—	—	1,673	—	1,823
Yap Chwee Mein [1]	—	—	—	—	—	—
	600	—	—	3,346	—	3,946
	700	10,764	25,699	5,403	434	43,000

Year ended 31 December HK$'000

7. Directors' Remuneration (continued)

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

During the years ended 31 December 2012 and 2011, Mr. Mi Zengxin elected not to receive any fee from the Group. Save as aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

1 Resigned on 1 May 2011
2 Appointed on 1 May 2011
3 Resigned on 1 March 2012
4 Appointed on 1 March 2012
5 Resigned on 1 September 2012

8. Five Highest Paid Employees

The five highest paid employees during the year included four (2011: four) directors and one (2011: one) senior management personnel. Details of the remuneration of these directors are set out in note 7 to the financial statements and details of the remuneration of such senior management personnel are as follows:

	2012	2011
Salaries, allowances and benefits in kind	**1,536**	1,544
Bonuses	**2,375**	4,352
Pension scheme contributions	**67**	—
	3,978	5,896

9. Finance Costs

An analysis of finance costs is as follows:

	Group	
	2012	2011
Interest expense on bank and other borrowings	**252,636**	194,950
Interest expense on fixed rate senior notes, net	**521,802**	524,394
Interest expense on finance leases	**528**	1,257
Total interest expense on financial liabilities not at fair value through profit or loss	**774,966**	720,601
Amortisation of fixed rate senior notes	**23,027**	23,027
	797,993	743,628
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time (note 34)	**43,863**	44,394
Others	**3,000**	40,833
	844,856	828,855

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10. Income Tax

	Group 2012	2011
Current – Hong Kong	—	—
Current – Elsewhere		
Charge for the year	**598,917**	2,114,028
Underprovision/(overprovision) in prior years	**(22,246)**	1,598
Deferred (note 35)	**(36,796)**	(187,856)
Total tax expense for the year	**539,875**	1,927,770

The statutory tax rate of Hong Kong profits tax was 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2011: Nil).

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

Australia
Australian income tax has been provided at the statutory rate of 30% (2011: 30%) on the estimated taxable profits arising in Australia during the year.

Indonesia
The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2011: 30%) during the year.

The Group's subsidiary owning a participating interest in oil and gas properties in Indonesia is subject to branch tax at an effective tax rate of 14% (2011: 14%).

The PRC
The Group's subsidiaries registered in the PRC are subject to corporate income tax at a rate of 25% (2011: 25%). No provision for the PRC corporate income tax has been made as the Group had no taxable profits arising in the PRC during the year.

Kazakhstan
The corporate tax rate applicable to the Group's jointly-controlled entities established and operating in Kazakhstan was 20% in 2012 (2011: 20%). The Group shall also pay excess profit tax ("**EPT**") on its profit after corporate income tax each year. EPT is calculated based on annual profitability at progressive rates ranging from 10% to 60%.

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

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10. Income Tax (continued)

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:

	Group	
	2012	2011
Profit/(loss) before tax	**(722,072)**	4,137,883
Tax at the Hong Kong statutory tax rate of 16.5% (2011: 16.5%)	**(119,142)**	682,751
Higher tax rates on profits arising elsewhere	**173,091**	1,142,509
Adjustments in respect of current tax of previous periods	**(22,246)**	1,598
Loss/(profit) attributable to associates	**30,012**	(46,354)
Income not subject to tax	**(55,166)**	(62,588)
Expenses not deductible for tax	**444,243**	120,888
Effect of withholding tax on the distributable profits of the Group's jointly-controlled entities in Kazakhstan	**46,523**	37,492
Tax losses not recognised	**42,560**	51,474
Tax expense at the Group's effective rate	**539,875**	1,927,770

The share of tax attributable to associates, amounting to HK$21,219,000 (2011: HK$74,057,000), is included in "Share of profit/(loss) of associates" in the consolidated income statement.

The Group has unrecognised deferred tax assets from tax losses arising in Hong Kong and the PRC in an aggregate amount of HK$238,186,000 (2011: HK$198,598,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. In respect of tax losses arising in the PRC, the losses are available for offsetting against future taxable profits for a maximum period of five years. Deferred tax assets have not been recognised in respect of these tax losses because they have arisen in companies that have been loss-making for some years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. Profit/(Loss) attributable to Shareholders of the Company

Of the Group's loss attributable to shareholders of the Company of HK$1,280,961,000 (2011: profit of HK$2,202,872,000), a loss of HK$95,745,000 (2011: HK$152,324,000) has been dealt with in the financial statements of the Company (note 38(b)).

Year ended 31 December HK$'000

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share amounts are based on:

	2012	2011
Earnings/(loss)		
Profit/(loss) attributable to ordinary shareholders of the Company used in the basic earnings/(loss) per share calculation	**(1,280,961)**	2,202,872

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**7,865,737,149**	7,124,302,322
Effect of dilution – weighted average number of ordinary shares: share options	**4,760,505**	7,304,908
	7,870,497,654	7,131,607,230

The calculation of the diluted loss per share amount for the year did not assume the conversion of share options since the exercise of these options would result in a decrease in the loss per share.

HK$'000

13. Property, Plant and Equipment

Group

2012	Notes	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 2012		23,389,731	10,939	6,232	1,884,747	33,918	545,307	222,632	1,352,165	27,445,671
Change in provision for abandonment cost	34	309,177	—	—	—	—	—	—	—	309,177
Change in provision for rehabilitation cost	34	—	—	—	—	—	—	36,154	—	36,154
Additions		133,352	14,068	212	38,124	4,899	16,699	110,294	927,452	1,245,100
Disposals/write-off		(85,699)	—	—	(30,667)	(789)	—	—	—	(117,155)
Transfers		451,029	—	—	—	—	—	—	(451,029)	—
Exchange realignment		(63,071)	115	20	32,334	(370)	10,626	4,076	11,909	(4,361)
At 31 December 2012		24,134,519	25,122	6,464	1,924,538	37,658	572,632	373,156	1,840,497	28,914,586
Accumulated depreciation and impairment:										
At 1 January 2012		12,113,810	—	5,548	1,103,760	15,633	303,474	60,158	—	13,602,383
Depreciation provided during the year	6	1,040,378	—	404	74,714	6,333	21,284	3,625	—	1,146,738
Disposals/write-off		(15,216)	—	—	(19,758)	(456)	—	—	—	(35,430)
Provision for impairment	6	—	—	—	—	—	—	21,289	—	21,289
Exchange realignment		(38,117)	—	14	17,824	(176)	6,467	1,071	—	(12,917)
At 31 December 2012		13,100,855	—	5,966	1,176,540	21,334	331,225	86,143	—	14,722,063
Net carrying amount:										
At 31 December 2012		11,033,664	25,122	498	747,998	16,324	241,407	287,013	1,840,497	14,192,523

As at 31 December 2012, the net carrying amount of the Group's property, plant and equipment included plant and machinery of HK$40,343,000 (2011: HK$48,334,000) held under finance leases.

Freehold land of the Group is located in Australia.

HK$'000

13. Property, Plant and Equipment (continued)

Group

2011	Notes	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 2011		21,804,547	9,754	6,172	1,860,158	31,847	535,223	196,161	935,452	25,379,314
Change in provision for abandonment cost		154,410	—	—	—	—	—	—	—	154,410
Change in provision for rehabilitation cost		—	—	—	—	—	—	436	—	436
Additions		509,688	1,201	—	61,766	2,719	9,561	33,615	1,301,563	1,920,113
Disposals/write-off		(19,397)	—	—	(40,074)	(487)	(511)	(7,253)	—	(67,722)
Transfers		926,711	—	—	—	—	—	—	(926,711)	—
Exchange realignment		13,772	(16)	60	2,897	(161)	1,034	(327)	41,861	59,120
At 31 December 2011		23,389,731	10,939	6,232	1,884,747	33,918	545,307	222,632	1,352,165	27,445,671
Accumulated depreciation and impairment:										
At 1 January 2011		11,229,210	—	5,171	638,132	12,937	171,754	57,196	—	12,114,400
Depreciation provided during the year	6	917,508	—	338	92,715	3,129	28,716	3,005	—	1,045,411
Disposals/write-off		(10,917)	—	—	(14,899)	(389)	(85)	—	—	(26,290)
Provision for impairment	6	—	—	—	389,147	—	103,404	—	—	492,551
Exchange realignment		(21,991)	—	39	(1,335)	(44)	(315)	(43)	—	(23,689)
At 31 December 2011		12,113,810	—	5,548	1,103,760	15,633	303,474	60,158	—	13,602,383
Net carrying amount:										
At 31 December 2011		11,275,921	10,939	684	780,987	18,285	241,833	162,474	1,352,165	13,843,288

As at 31 December 2012, the directors considered that certain property, plant and equipment in the CB Exploration operations and the West / North Burton operations were no more in use and therefore impairment losses of HK$21,289,000 were charged to the consolidated income statement.

As at 31 December 2011, the directors considered that certain property, plant and equipment in the Portland Aluminium Smelter joint venture (the "**PAS JV**") should be impaired and therefore impairment losses of HK$492,551,000 were charged to the consolidated income statement. Further details are set out in note 15 to the financial statements.

HK$'000

13. Property, Plant and Equipment (continued)

In assessing whether impairment is required for the carrying value of a potentially impaired asset, its carrying value is compared with its recoverable amount. Assets are tested for impairment either individually or as part of a cash-generating unit. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment charges described above is value in use.

Company

	Leasehold improvements	Motor vehicles and equipment	Total
2012			
Cost:			
At 1 January 2012	**1,328**	**3,302**	**4,630**
Additions	**11**	**27**	**38**
At 31 December 2012	**1,339**	**3,329**	**4,668**
Accumulated depreciation:			
At 1 January 2012	**743**	**2,218**	**2,961**
Depreciation provided during the year	**274**	**556**	**830**
At 31 December 2012	**1,017**	**2,774**	**3,791**
Net carrying amount at 31 December 2012	**322**	**555**	**877**
2011			
Cost:			
At 1 January 2011	1,267	3,147	4,414
Additions	61	155	216
At 31 December 2011	1,328	3,302	4,630
Accumulated depreciation:			
At 1 January 2011	455	1,493	1,948
Depreciation provided during the year	288	725	1,013
At 31 December 2011	743	2,218	2,961
Net carrying amount at 31 December 2011	585	1,084	1,669

HK$'000

14. Prepaid Land Lease Payments

	Group 2012	2011
Carrying amount at 1 January	—	—
Addition	**24,729**	—
Recognised during the year (note 6)	**(618)**	—
Carrying amount at 31 December	**24,111**	—
Current portion included in prepayments, deposits and other receivables (note 23)	**(1,237)**	—
Non-current portion	**22,874**	—

The leasehold land is situated in Liaoning Province, the PRC and is held under a medium-term lease.

15. Goodwill

	Group 2012	2011
Cost:		
At 1 January and 31 December	**341,512**	341,512
Accumulated impairment:		
At 1 January	**316,830**	—
Impairment during the year (note 6)	**—**	316,830
At 31 December	**316,830**	316,830
Net carrying amount:		
At 31 December	**24,682**	24,682

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- import and export of commodities cash-generating unit; and
- aluminium smelting cash-generating unit.

Import and export of commodities cash-generating unit

The recoverable amount of the import and export of commodities cash-generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets covering a five-year period approved by senior management. The cash flows beyond the five-year period were extrapolated using a growth rate of 2%, which was determined with reference to the long term Customer Price Index of Australia and the nature of the business. The pre-tax discount rate applied to the cash flow projections is 16.2% (2011: 16.2%).

As at 31 December 2012 and 2011, the net carrying amount of the Group's goodwill related to the import and export of commodities cash-generating unit.

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15. Goodwill (continued)

Aluminium smelting cash-generating unit

Due to the continuous appreciation of the Australian dollar and the lower than expected aluminium prices in 2011 as well as the introduction of the Clean Energy Legislation Package in Australia in 2011, the estimated value in use of the aluminium smelting cash-generating unit dropped significantly for the year ended 31 December 2011. The directors, based on the cash flow projections of the aluminium smelting cash-generating unit, considered that goodwill related to this cash-generating unit should be impaired. Accordingly, goodwill of HK$316,830,000 was fully impaired in 2011.

16. Other Assets

Group

	2012	2011
The ESA (classified as non-current asset)		
Cost:		
At 1 January	**1,017,302**	1,017,558
Exchange realignment	**22,475**	(256)
At 31 December	**1,039,777**	1,017,302
Accumulated amortisation and impairment:		
At 1 January	**772,387**	546,142
Amortisation provided during the year (note 6)	**51,925**	81,657
Impairment during the year (note 6)	**—**	147,126
Exchange realignment	**17,080**	(2,538)
At 31 December	**841,392**	772,387
Net carrying amount:		
At 31 December	**198,385**	244,915
The Emission Units (classified as current asset)		
Cost:		
Additions and at 31 December	**194,970**	—

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17. Investments in Subsidiaries

	Company 2012	2011
Unlisted shares, at cost	**173,133**	173,133
Due from subsidiaries	**9,042,643**	9,423,951
Due to subsidiaries	**(78,227)**	(78,227)
	9,137,549	9,518,857
Impairment	**(1,175,151)**	(1,081,302)
	7,962,398	8,437,555

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due from subsidiaries included in the investments in subsidiaries above are considered as quasi-equity loans to the subsidiaries.

Particulars of the subsidiaries of the Company as at 31 December 2012 were as follows:

Name	Place of incorporation / registration and operations	Nominal value of issued share / paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
SEA Wood Investment Holdings Limited	British Virgin Islands ("**BVI**") / Hong Kong	US$10,000	100	Investment holding
Starbest Venture Limited	BVI / Hong Kong	US$1	100	Investment holding
Star Elite Venture Limited	BVI / Hong Kong	US$1	100	Investment holding
CITIC Resources Finance (2007) Limited ("**CR Finance**")	BVI / Hong Kong	US$1	100	Financing
Indirectly held				
Feston Manufacturing Limited	BVI / Hong Kong	US$10,000	100	Dormant
Nusoil Manufacturing Limited	BVI / Hong Kong	US$100	100	Investment holding
Wing Lam (International) Timber Limited	Hong Kong	HK$60,000,000	100	Dormant

17. Investments in Subsidiaries (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued share / paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Global Enterprises (HK) Limited	Hong Kong	HK$2	100	Provision of management services
Maxpower Resources Limited	BVI / Hong Kong	US$1	100	Investment holding
CITIC New Highland Petroleum Limited	BVI / Hong Kong	US$1	100	Investment holding
Toplight Resources Limited	BVI / Hong Kong	US$1	100	Investment holding
CITIC Resources Australia Pty Limited ("**CRA**")	State of Victoria, Australia	A$377,650,000	100	Investment holding
CITIC Portland Holdings Pty Limited	State of Victoria, Australia	A$196,791,454	100	Investment holding
CITIC Australia (Portland) Pty Limited	State of Victoria, Australia	A$45,675,119	100	Aluminium smelting
CITIC Portland Surety Pty Limited	State of Victoria, Australia	A$1	100	Investment holding
CITIC Nominees Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Portland Finance 1 Pty Limited ("**CPF1**")	State of Victoria, Australia	A$2	100	Financing
CITIC (Portland) Nominees I Pty Limited *	State of Victoria, Australia	A$2	100	Investment holding
CITIC (Portland) Nominees II Pty Limited *	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nominees Pty Limited Partnership	State of Victoria, Australia	A$6,693,943	100	Investment holding

17. Investments in Subsidiaries (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued share / paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Australia Coal Pty Limited	State of Victoria, Australia	A$220,605,959	100	Investment holding
CITIC Australia Coal Exploration Pty Limited	State of Victoria, Australia	A$2,845,375	100	Exploration, development of coal mines and mining of coal
CITIC Australia Coppabella Pty Limited ("**CACL**")	State of Victoria, Australia	A$5,000,002	100	Mining and production of coal
CITIC Olive Downs Pty Limited	State of Victoria, Australia	A$99,958	100	Exploration and development of coal mines
CITIC Bowen Basin Pty Limited	State of Victoria, Australia	A$378,353	100	Exploration and development of coal mines
CITIC Capricorn Pty Limited	State of Victoria, Australia	A$9,549	100	Exploration and development of coal mines
CITIC Moorvale West Pty Limited	State of Victoria, Australia	A$108,333	100	Exploration and development of coal mines
CITIC West / North Burton Pty Limited	State of Victoria, Australia	A$34,238	100	Exploration and development of coal mines
CITIC West Rolleston Pty Limited	State of Victoria, Australia	A$196,390	100	Exploration and development of coal mines
CITIC West Walker Pty Limited	State of Victoria, Australia	A$91,812	100	Exploration and development of coal mines

17. Investments in Subsidiaries (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued share / paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Mining Equipment Pty Limited	State of Victoria, Australia	A$1	100	Equipment lease holding
CITIC Australia Trading Pty Limited ("**CATL**")	State of Victoria, Australia	A$4,710,647	100	Investment holding
CITIC Australia Commodity Trading Pty Limited	State of Victoria, Australia	A$500,002	100	Import and export of commodities and manufactured goods
CATL Sub-holdings Pty Limited	State of Victoria, Australia	A$1	100	Investment holding
CITIC Autoparts Pty Limited	State of Victoria, Australia	A$100	100	Import of tyres
Tyre Choice Pty Limited	State of Victoria, Australia	A$1	100	Dormant
CITIC Batteries Pty Limited	State of Victoria, Australia	A$2	100	Dormant
CITIC Nickel Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nickel Australia Pty Limited	State of Victoria, Australia	A$2	100	Exploration and development of nickel mines
CITIC Nickel International Pty Limited	State of Victoria, Australia	A$2	100	Exploration and development of nickel mines
北京千泉投資顧問有限公司 # + (Beijing Springs Investment Consultants Co. Limited)	the PRC	RMB1,243,173	100	Consulting

17. Investments in Subsidiaries (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued share / paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
北京怡信美城商務信息諮詢有限公司 # + (Beijing Yi Xin Mei Cheng Commercial Information Consulting Co. Ltd.)	the PRC	RMB500,000	100	Consulting
Cogent Assets Limited	BVI / Hong Kong	US$2	100	Investment holding
CITIC Petrochemical Holdings Limited	BVI / Hong Kong	US$1	100	Investment holding
CITIC Petrochemical Investments Limited	BVI / Hong Kong	US$1	100	Investment holding
Group Smart Resources Limited	BVI / Hong Kong	US$1	100	Investment holding
Highkeen Resources Limited	BVI / Hong Kong	US$1	100	Investment holding
CITIC Indonesia Energy Limited	BVI / Hong Kong	US$1	100	Investment holding
CITIC Seram Energy Limited	BVI / Indonesia	US$1	100	Exploration, development and operation of oilfields
CITIC Haiyue Energy Limited	BVI / Hong Kong	US$1	100	Investment holding
Tincy Group Energy Resources Limited	Hong Kong / the PRC	HK$10,000,000	90	Exploration, development and operation of oilfields
CITIC Liaobin Investments Limited	BVI / Hong Kong	US$1	100	Investment holding

17. Investments in Subsidiaries (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued share / paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Liaobin Energy (HK) Limited	Hong Kong	HK$1	100	Investment holding
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)	the PRC	US$100,000	100	Oil technology development
CITIC PNG Investments Limited	BVI / Hong Kong	US$1	100	Investment holding
CITIC PNG Energy Limited	BVI / Hong Kong	US$1	100	Investment holding
Splendor Venture Limited	BVI / Hong Kong	US$1	100	Investment holding

* These two companies jointly own CITIC Nominees Pty Limited Partnership which owns the interest in the PAS JV.

The statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\+ Limited liability company registered under the PRC law

18. Investments in Jointly-Controlled Entities

The Group's jointly-controlled entities primarily engage in the exploration, development, production and sale of oil and provision of oilfield related services in Kazakhstan. Particulars of the jointly-controlled entities as at 31 December 2012 were as follows:

Name	Place of incorporation / registration and operations	Nominal value of issued ordinary / registered share capital	Percentage of equity interest attributable to the Group	Principal activities
CITIC Canada Energy Limited	Canada	US$1	50	Investment holding
CITIC Canada Petroleum Limited	Canada	US$96,374,882	50	Investment holding
JSC Karazhanbasmunai ("**KBM**")	Kazakhstan	Ordinary shares: KZT2,045,035,000 Preference shares: KZT116,077,000	47.3	Exploration, development, production and sale of oil
Argymak TransService LLP	Kazakhstan	KZT200,000	50	Provision of transportation services and other oilfield related logistic services
Tulpar Munai Service LLP	Kazakhstan	KZT100,000	50	Provision of oil well drilling, construction and workover services

All of the above investments in jointly-controlled entities are indirectly held by the Company.

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18. Investments in Jointly-Controlled Entities (continued)

The following table illustrates the summarised financial information of the Group's proportionate share of the jointly-controlled entities, which was proportionately consolidated by the Group as at 31 December 2012 and for the year then ended.

	2012	2011
Proportionate share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**7,233,255**	7,600,564
Current assets	**1,388,851**	1,374,834
Current liabilities	**(3,756,461)**	(5,069,459)
Non-current liabilities	**(2,653,522)**	(2,264,433)
Net assets	**2,212,123**	1,641,506

	2012	2011
Proportionate share of the jointly-controlled entities' results:		
Revenue	**5,686,532**	5,335,963
Other income	**2,283**	3,408
	5,688,815	5,339,371
Total expenses	**(4,710,664)**	(4,335,301)
Tax expense	**(333,343)**	(698,507)
Profit after tax	**644,808**	305,563

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19. Investments in Jointly-Controlled Assets

As at 31 December 2012, the Group held interests in the following joint ventures:

(a) 51% participating interest in the production sharing contract (the "**Seram Interest**") relating to the Seram Block; and

(b) the petroleum contract dated 24 February 2004 (as supplemented) for the exploration, development and production of petroleum from the Hainan-Yuedong Block (the "**Haiyue Interest**").

The Group's interests in the net assets employed in the Seram Interest are included in the consolidated statement of financial position under the classifications shown below:

	2012	2011
Non-current assets	**859,691**	809,912
Current assets	**353,173**	351,193
Current liabilities	**(66,941)**	(65,849)
Non-current liabilities	**(58,679)**	(53,165)
Share of net assets employed in the Seram Interest	**1,087,244**	1,042,091

The Group's interests in the net assets employed in the Haiyue Interest are included in the consolidated statement of financial position under the classifications shown below:

	2012	2011
Non-current assets	**3,533,593**	2,997,590
Current assets	**126,604**	616,733
Current liabilities	**(120,933)**	(190,444)
Share of net assets employed in the Haiyue Interest	**3,539,264**	3,423,879

20. Interest in Other Contractual Arrangements

As at 31 December 2012, the Group held interests in the following contractual arrangements:

(a) 22.5% participating interest in the PAS operations, the principal activity of which is aluminium smelting;

(b) 16% participating interest in the spent potlining operations at Portland, the principal activity of which is the processing of spent potlining;

(c) 7% participating interest in the Coppabella and Moorvale operations, the principal activities of which are the mining and sale of coal;

(d) 50% participating interest in the CB Exploration operations, the principal activity of which is the exploration of coal;

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20. Interest in Other Contractual Arrangements (continued)

(e) 10% participating interest in the Olive Downs operations, the principal activity of which is the exploration of coal;

(f) 15% participating interest in the Capricorn operations, the principal activity of which is the exploration of coal;

(g) 10% participating interest in the Moorvale West operations, the principal activity of which is the exploration of coal;

(h) 13.335% participating interest in the West / North Burton operations, the principal activity of which is the exploration of coal;

(i) 10% participating interest in the West Rolleston operations, the principal activity of which is the exploration of coal;

(j) 15% participating interest in the West Walker operations, the principal activity of which is the exploration of coal; and

(k) 15% participating interest in the Bowen Basin Coal operations, the principal activity of which is the exploration of coal.

In 2011, the contractual arrangements stated in (c) to (k) above had different reporting dates from that of the Group, being 30 June compared to 31 December. Also, those stated in (a), (b) and (d) above were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The Group's interests in the net assets employed in the PAS JV are included in the consolidated statement of financial position under the classifications shown below:

	2012	2011
Non-current assets	**2,100,209**	2,100,339
Current assets	**115,393**	126,332
Current liabilities	**(134,889)**	(163,429)
Non-current liabilities	**(479,561)**	(462,281)
Share of net assets employed in the PAS JV	**1,601,152**	1,600,961

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

	2012	2011
Non-current assets	**468,180**	336,028
Current assets	**267,008**	228,660
Current liabilities	**(112,793)**	(71,254)
Non-current liabilities	**(46,227)**	(31,962)
Share of net assets employed in the remaining contractual arrangements	**576,168**	461,472

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21. Investment in an Associate

	Group 2012	2011
Share of net assets:		
Listed in Hong Kong	**2,237,233**	2,406,882
Goodwill on acquisition	**1,089,808**	1,089,808
	3,327,041	3,496,690
Impairment * (note 6)	**(1,502,000)**	—
	1,825,041	3,496,690
Market value of listed shares	**1,013,996**	1,355,925

* As a result of the prevailing share price of CITIC Dameng Holdings Limited ("**CDH**") relative to the carrying amount (before impairment provision) of the Group's investment therein and the negative effect of persistent weak prices for manganese and manganese products, the estimated recoverable amount of the Group's investment in CDH, determined with reference to the cash flows expected to be generated by CDH, dropped significantly. The directors, based on the cash flow projections of CDH, considered that the Group's investment in CDH should be impaired and therefore impairment loss of HK$1,502,000,000 was charged to the consolidated income statement for the year. The pre-tax discount rate applied to the cash flow projections was 15.8%.

Particulars of the Group's associate as at 31 December 2012 were as follows:

Name	Issued ordinary share capital	Place of incorporation / registration	Percentage of equity interest attributable to the Group 2012	2011	Principal activity
CDH	HK$302,479,500	Bermuda / Hong Kong	**38.98**	38.98	Investment holding

The Group's investment in CDH is indirectly held by the Company.

The following table illustrates the summarised financial information of CDH and its subsidiaries extracted from its financial statements:

	2012	2011
Assets	**9,313,309**	8,896,731
Liabilities	**5,400,837**	4,518,884
Revenue	**2,986,444**	3,654,690
Profit/(loss) after tax	**(498,830)**	346,300

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Notes to Financial Statements

22. Available-for-sale Investments

	Group 2012	2011
Non-current equity investments:		
Listed equity investments in Australia, at fair value	**26,047**	32,584

The fair values of the above investments were based on quoted market prices.

During the year, the gross loss in respect of the Group's available-for-sale investments charged to the consolidated statement of comprehensive income amounted to HK$6,900,000 (2011: HK$33,622,000), of which nil (2011: HK$1,681,000) (note 6) was reclassified to the consolidated income statement.

In 2011, a gain on disposal of available-for-sale investments of HK$6,524,000 (note 5) was recognised by the Group in the consolidated income statement.

23. Prepayments, Deposits and Other Receivables

	Group		Company	
	2012	2011	2012	2011
Prepayments	**486,885**	446,266	**97,356**	3,101
Current portion of prepaid land lease payments (note 14)	**1,237**	—	**—**	—
Deposits and other receivables	**736,636**	829,733	**5,501**	11,104
	1,224,758	1,275,999	**102,857**	14,205
Portion classified as current assets	**(769,875)**	(611,318)	**(102,857)**	(13,977)
Non-current portion	**454,883**	664,681	**—**	228

None of the above assets was either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. Inventories

	Group 2012	2011
Raw materials	**369,967**	371,848
Work in progress	**162,083**	164,218
Finished goods	**754,237**	1,415,690
	1,286,287	1,951,756

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25. Trade Receivables

	Group 2012	2011
Trade receivables	**2,331,084**	2,084,827
Impairment	**(14,902)**	(23,470)
	2,316,182	2,061,357

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

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, was as follows:

	Group 2012	2011
Within one month	**1,027,669**	1,101,795
One to two months	**574,456**	691,282
Two to three months	**418,939**	70,277
Over three months	**295,118**	198,003
	2,316,182	2,061,357

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

	Group 2012	2011
At 1 January	**23,470**	21,861
Impairment losses recognised (note 6)	**786**	18,195
Amount written back (note 6)	**(9,870)**	(16,563)
Exchange realignment	**516**	(23)
At 31 December	**14,902**	23,470

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$14,902,000 (2011: HK$23,470,000) with an aggregate carrying amount before provision of HK$14,902,000 (2011: HK$23,470,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

An aged analysis of the trade receivables that were not considered to be impaired was as follows:

	Group 2012	2011
Neither past due nor impaired	**2,234,193**	1,974,325
Less than one month past due	**56,357**	57,896
One to three months past due	**22,787**	1,611
Over three months past due	**2,845**	27,525
	2,316,182	2,061,357

Receivables that were neither past due nor impaired relate to a large number of diversified customers in respect of whom there was no recent history of default.

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25. Trade Receivables (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the trade receivables is an amount due from the Group's fellow subsidiary of HK$324,315,000 (2011: HK$402,537,000) which is repayable on similar credit terms to those offered to other customers of the Group.

26. Equity Investments at Fair Value through Profit or Loss

	Group	
	2012	2011
Unlisted equity investments, at fair value:		
Australia	**3,029**	2,963

The above equity investments were classified as held for trading for both years.

27. Derivative Financial Instruments

	Group			
	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	**19**	**171**	15,164	—
Forward commodity contracts	**470**	**—**	23,631	—
Interest rate swap contracts	**—**	**2,871**	—	4,590
Derivative financial instrument – embedded derivative	**—**	**195,907**	—	244,394
EHA (as defined below)	**114,801**	**—**	23,272	—
	115,290	**198,949**	62,067	248,984
Portion classified as non-current portion:				
Derivative financial instrument – embedded derivative	**—**	**(195,907)**	—	(240,574)
EHA (as defined below)	**(114,801)**	**—**	(23,272)	—
Non-current portion	**(114,801)**	**(195,907)**	(23,272)	(240,574)
Current portion	**489**	**3,042**	38,795	8,410

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

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27. Derivative Financial Instruments (continued)

Forward currency contracts – cash flow hedges

The Group's export business in Australia involves transactions where both sales revenue and a majority of the related costs of goods sold are denominated in United States dollars. Forward currency contracts are entered into to hedge its net foreign currency exposures in relation to such transactions.

Imports of the Group generally involve transactions where the purchases of imported goods (as well as some of the costs related to such purchases) are denominated in United States dollars. However, subsequent sales of such goods are generally denominated in Australian dollars. Therefore, to enable the Group to manage such business operations, including setting the Australian dollar selling prices of the imported goods, forward currency contracts are entered into to hedge current and anticipated future purchases.

The terms of the forward currency contracts were negotiated to match the terms of related purchases and sales commitments. Forward currency contracts described above are considered to be cash flow hedges, and are accounted for in accordance with the accounting policies set out in note 2.4 to the financial statements.

As at 31 December, the terms of the outstanding forward currency contracts held by the Group were as follows:

	2012		2011	
	Weighted average exchange rate	Contractual amount	Weighted average exchange rate	Contractual amount
Forward currency contracts:				
(a) Sell A$ / Buy US$				
Within three months	**1.0351**	**232,964**	1.0154	343,602
(b) Buy A$ / Sell US$				
Within three months	—	—	0.9730	188,397
Three to twelve months	—	—	0.9495	117,543

The amounts disclosed above were measured at the contracted rates.

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

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27. Derivative Financial Instruments (continued)

Forward commodity contracts – cash flow hedges

The Group has also committed to the following contracts in order to protect the Group from adverse movements in aluminium prices.

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

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

As at 31 December, the terms of the Group's outstanding forward commodity contracts were as follows:

	2012			2011		
	Quantity hedged tonnes	Average price per tonne HK$	Contractual amount	Quantity hedged tonnes	Average price per tonne HK$	Contractual amount
Aluminium forward contracts (sold):						
Within three months	**—**	**—**	**—**	600	20,518	12,311
Three to twelve months	**800**	**17,002**	**13,602**	—	—	—
One to two years	**200**	**17,002**	**3,400**	—	—	—

Interest rate swap contracts – cash flow hedges

The Group has entered into interest rate swap contracts to hedge against unfavourable movements in interest rates payable on floating rate borrowings. The Group is obliged to pay interest at fixed rates and receive interest at floating rates on the notional principal amount of the interest rate swap contracts, with settlement being made on a net basis.

The contracts require settlement of net interest receivable or payable at specified intervals which coincide with the dates on which interest is payable on the underlying debts. Such net receipts or payments are recognised as an adjustment to interest expense at the time the floating rates are set for each interval. The floating rates for Australian dollar denominated interest rate swap contracts are set by reference to the bank bill swap reference rates and those for United States dollar denominated interest rate swap contracts are set by reference to the London interbank offered rates ("**LIBOR**").

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27. Derivative Financial Instruments (continued)

Interest rate swap contracts – cash flow hedges (continued)

Currently, there is one interest rate swap contract in place which covers 50% of the outstanding balance of a term loan of US$46,000,000 (HK$358,821,000) borrowed by CPF1 and is timed to expire as each loan repayment falls due. The interest rate is fixed at 1.97% p.a. over the whole term of the contract and the floating interest rates are set by reference to 3-month LIBOR.

As at 31 December, the remaining term, notional principal amount and other major terms of the Group's outstanding interest rate swap contract were as follows:

	2012		2011	
	Weighted average rate %	Notional amount	Weighted average rate %	Notional amount
US$ interest rate swap contract:				
Within one year	**1.97**	**179,411**	1.97	23,410
One to two years	—	—	1.97	179,475

The terms of the forward currency contracts, forward commodity contracts and interest rate swap contracts have been negotiated to match the terms of the commitments. The cash flow hedges of expected future sales, expected future purchases and expected future interest payments were assessed to be highly effective and a net gain, after deferred tax, of HK$46,200,000 (2011: a net loss of HK$4,108,000) was included in the hedging reserve as follows:

	2012
Total fair value gains included in the hedging reserve	**83,567**
Reclassified from the consolidated statement of comprehensive income and recognised in the consolidated income statement (note 6)	**(19,511)**
Deferred tax	**(17,856)**
Net gain on cash flow hedges	**46,200**

Derivative financial instrument – embedded derivative

The pricing mechanism used in the ESA includes a component that is subject to the price of aluminium. It has been determined that an embedded derivative exists and that the derivative component has been separated from its host agreement. The embedded derivative is revalued at the end of each reporting period based on future aluminium prices with its fair value gain or loss recognised in the consolidated income statement.

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Notes to Financial Statements

27. Derivative Financial Instruments (continued)

Electricity hedge agreement

In 2010, the Group, together with the other joint venture partners of the PAS JV, entered into a new base load electricity contract (the "**EHA**") with Loy Yang Power, an independent electricity supplier, to secure the supply of electricity to the PAS from 2016 through 2036. The EHA effectively allows the PAS to secure electricity supply when the ESA expires in 2016. The pricing mechanism used in the EHA includes a component that is subject to certain escalation factors which, in turn, are affected by the consumer price index, producer price index and labour costs.

28. Cash and Cash Equivalents

	Group 2012	Group 2011	Company 2012	Company 2011
Cash and bank balances	**409,047**	846,549	**3,979**	18,429
Time deposits	**8,111,303**	9,932,518	**2,286,345**	2,549,376
Cash and cash equivalents *	**8,520,350**	10,779,067	**2,290,324**	2,567,805

* As at 31 December 2012, the Group had a balance of HK$2,859,000 (2011: HK$3,015,000) at China CITIC Bank International Limited and HK$14,136,000 (2011: HK$13,268,000) at China CITIC Bank Corporation Limited while the Company had a balance of HK$1,594,000 (2011: HK$1,512,000) at China CITIC Bank International Limited and HK$371,000 (2011: HK$2,223,000) at China CITIC Bank Corporation Limited.

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

At the end of the reporting period, the cash and bank balances and time deposits of the Group and of the Company denominated in Renminbi ("**RMB**") amounted to HK$209,247,000 (2011: HK$391,444,000) and HK$59,859,000 (2011: HK$2,258,000), respectively, and the cash and bank balances and time deposits of the Group denominated in Kazakhstan Tenge ("**KZT**") amounted to HK$58,013,000 (2011: HK$41,549,000). Although RMB and KZT are not freely convertible into other currencies, the Group is permitted to exchange RMB and KZT for other currencies through those banks which are authorised to conduct foreign exchange business under the foreign exchange control regulations of the PRC and Kazakhstan.

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29. Accounts Payable

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

	Group	
	2012	2011
Within one month	**957,509**	1,113,747
One to two months	**2,836**	28,795
Two to three months	**491**	13,415
Over three months	**2,954**	6,170
	963,790	1,162,127

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

30. Accrued Liabilities and Other Payables

	Group		Company	
	2012	2011	2012	2011
Other payables	**703,754**	682,743	**110**	110
Accruals	**285,346**	294,079	**2,126**	1,300
Deferred income	**92,703**	—	**—**	—
	1,081,803	976,822	**2,236**	1,410

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

Included in the total amount of accrued liabilities and other payables is an interest expense of HK$2,147,000 (2011: HK$1,695,000) payable on a loan advanced by CITIC New Standard Investment Limited ("**CITIC New Standard**"), an indirect wholly-owned subsidiary of the ultimate holding company of the Company. As at 31 December 2012, the outstanding amount of the loan was US$37,000,000 (HK$288,617,000) (2011: US$37,000,000 (HK$288,721,000)) (note 31(d)).

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31. Bank and Other Borrowings

	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Bank loans:					
– secured @	(a)	**358,821**	405,770	**—**	—
– unsecured #	(b)	**2,764,771**	3,907,094	**1,068,085**	1,638,000
Other loans:					
– secured *	(c)	**1,384**	3,946	**—**	—
– unsecured #	(d)	**288,617**	288,721	**—**	—
		3,413,593	4,605,531	**1,068,085**	1,638,000

@ Floating rate but including the effects of a related interest rate swap contract as further detailed in note 27 to the financial statements

\# Floating rate

* Fixed rate

Notes:

(a) The secured bank loan is a loan of US$46,000,000 (HK$358,821,000), which is interest-bearing at LIBOR plus margin and secured by the Group's 22.5% participating interest in the PAS JV.

(b) The unsecured bank loans include:

(i) trade finance totalling A$31,805,000 (HK$257,617,000) and US$60,680,000 (HK$473,334,000), which is interest-bearing at LIBOR (or cost of funds) plus margin; and

(ii) loans totalling US$261,207,000 (HK$2,033,820,000), which are interest-bearing at LIBOR plus margin and include US$6,455,000 (HK$50,353,000) from China CITIC Bank International Limited.

(c) The secured other loan is a loan of A$171,000 (HK$1,384,000) obtained from the manager of the Coppabella and Moorvale coal mines joint venture (the "**CMJV**"), which is interest-bearing at 6% p.a. and repayable by 10 December 2013.

(d) The unsecured other loan is a loan obtained from CITIC New Standard, an indirect wholly-owned subsidiary of the ultimate holding company of the Company and thereby a fellow subsidiary of the Company, which is interest-bearing at LIBOR plus 1.50% p.a. and repayable by instalments by 2 September 2017.

	Group 2012	Group 2011	Company 2012	Company 2011
Bank loans repayable:				
Within one year or on demand	**1,089,772**	2,053,757	**—**	546,000
In the second year	**811,529**	1,450,950	**—**	1,092,000
In the third to fifth years, inclusive	**1,222,291**	808,157	**1,068,085**	—
	3,123,592	4,312,864	**1,068,085**	1,638,000
Other loans repayable:				
Within one year	**16,985**	291,313	**—**	—
In the second year	**15,601**	1,354	**—**	—
In the third to fifth years, inclusive	**257,415**	—	**—**	—
	290,001	292,667	**—**	—
Total bank and other borrowings	**3,413,593**	4,605,531	**1,068,085**	1,638,000
Portion classified as current liabilities	**(1,106,757)**	(2,345,070)	**—**	(546,000)
Non-current portion	**2,306,836**	2,260,461	**1,068,085**	1,092,000

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32. Finance Lease Payables

The Group leases certain of its plant and machinery for its coal mine operation. The leases are classified as finance leases and have remaining lease terms ranging from one to nine years.

At the end of the reporting period, the total future minimum lease payments under finance lease payables and their present values were as follows:

Group

	Minimum lease payments 2012	Minimum lease payments 2011	Present values of minimum lease payments 2012	Present values of minimum lease payments 2011
Amounts payable:				
Within one year	**13,702**	11,357	**9,623**	7,964
In the second year	**7,954**	12,101	**5,773**	9,415
In the third to fifth years, inclusive	**23,613**	23,268	**19,688**	18,115
Beyond five years	**8,754**	16,191	**8,299**	14,916
Total minimum finance lease payments	**54,023**	62,917	**43,383**	50,410
Future finance charges	**(10,640)**	(12,507)		
Total net finance lease payables	**43,383**	50,410		
Portion classified as current liabilities	**(9,623)**	(7,964)		
Non-current portion	**33,760**	42,446		

33. Bond Obligations

	Group 2012	Group 2011
Fixed rate senior notes, listed in Singapore	**7,619,686**	7,666,272

On 17 May 2007, CR Finance, a direct wholly-owned subsidiary of the Company, issued US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**") at the issue price of 99.726% with interest payable semi-annually. The obligations of CR Finance under the Notes are guaranteed by the Company.

The Notes shall become immediately due and payable in the case of an event of default, and are subject to redemption on the occurrence of certain events. In addition, the Company and its subsidiaries may incur additional indebtedness when the Group is in compliance with the terms and conditions of the Notes.

During the year, the Group purchased certain Notes with face value of US$9,300,000 (HK$72,540,000) at the prevailing market prices and a loss of US$349,000 (HK$2,722,000) was charged to the consolidated income statement (note 6).

Subsequent to the end of the reporting period, CR Finance repurchased US$201,080,000 (HK$1,568,424,000) in the principal amount of the Notes under a cash tender offer. Further details are set out in note 47(a) to the financial statements.

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34. Provisions

Group

	Notes	Provision for long term employee benefits	Provision for rehabilitation cost	Provision for abandonment cost	Provision for ecological cost	Total
At 1 January 2012		132,163	208,237	302,550	152,958	795,908
Provision	6, 13	92,063	36,154	309,177	5,598	442,992
Amounts utilised during the year		(70,188)	—	(3,834)	(14,081)	(88,103)
Increase in discounted amounts arising from the passage of time	9	—	10,995	21,688	11,180	43,863
Exchange realignment		2,441	4,610	(6,805)	(2,241)	(1,995)
At 31 December 2012		156,479	259,996	622,776	153,414	1,192,665
Portion classified as current liabilities		(50,682)	(642)	(2,090)	(33,885)	(87,299)
Non-current portion		105,797	259,354	620,686	119,529	1,105,366

The provisions were based on estimates of future payments made by management and discounted at rates in the range of 3.3% to 6.1%. Changes in assumptions could significantly affect these estimates.

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

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

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

The provision for ecological cost represents the cost of restoring the Karazhanbas oilfield to their original condition and cleaning all the accumulated wastes. The Group has a schedule to implement the environmental measures, and management expects to execute the remediation plan until 2020.

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35. Deferred Tax

The movements in the Group's deferred tax liabilities and assets during the year were as follows:

2012

Deferred tax liabilities	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments	Withholding taxes	Total
At 1 January 2012	1,580,531	52,138	95,566	1,728,235
Deferred tax charged/(credited) to the consolidated income statement during the year (note 10)	(55,760)	—	46,523	(9,237)
Deferred tax charged to equity during the year	—	15,786	—	15,786
Exchange realignment	1,846	1,192	(1,410)	1,628
Withholding tax paid on repatriation of earnings from jointly-controlled entities	—	—	(43,581)	(43,581)
Deferred tax liabilities at 31 December 2012	1,526,617	69,116	97,098	1,692,831

Deferred tax assets	Losses available for offsetting against future taxable profits
At 1 January 2012	94,587
Deferred tax credited to the consolidated income statement during the year (note 10)	27,559
Deferred tax assets at 31 December 2012	122,146
Net deferred tax liabilities at 31 December 2012	1,570,685

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35. Deferred Tax (continued)

2011

Deferred tax liabilities	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments	Withholding taxes	Total
At 1 January 2011	1,852,013	51,093	131,171	2,034,277
Deferred tax charged/(credited) to the consolidated income statement during the year (note 10)	(276,121)	—	37,492	(238,629)
Deferred tax credited to equity during the year	—	(13,378)	—	(13,378)
Exchange realignment	4,639	14,423	(583)	18,479
Withholding tax paid on repatriation of earnings from jointly-controlled entities	—	—	(72,514)	(72,514)
Deferred tax liabilities at 31 December 2011	1,580,531	52,138	95,566	1,728,235

Deferred tax assets	Losses available for offsetting against future taxable profits
At 1 January 2011	145,360
Deferred tax charged to the consolidated income statement during the year (note 10)	(50,773)
Deferred tax assets at 31 December 2011	94,587
Net deferred tax liabilities at 31 December 2011	1,633,648

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement was effective from 1 January 2008 and is applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is an applicable tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding tax on dividends declared by its subsidiaries established in the PRC in respect of earnings generated from 1 January 2008 onwards.

Pursuant to the Kazakhstan Corporate Income Tax Law, a 20% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Kazakhstan. A lower withholding tax rate may be applied if there is an applicable tax treaty between Kazakhstan and the jurisdiction of the foreign investors. The Group is currently liable to 5% withholding tax on dividends distributed by its jointly-controlled entities established in Kazakhstan.

There are no income tax consequences attaching to the payment of dividends of the Company to its shareholders.

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36. Share Capital

Shares

	2012	2011
Authorised: 10,000,000,000 (2011: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid: 7,865,737,149 (2011: 7,865,737,149) ordinary shares of HK$0.05 each	**393,287**	393,287

There was no movement in the share capital of the Company during the year. In the prior year, pursuant to the rights issue approved by the board resolution on 3 May 2011, the Company issued 1,815,170,111 ordinary shares at the subscription price of HK$1.38 per rights share on the basis of three rights shares for every ten existing ordinary shares. The total cash consideration, before expenses, was HK$2,504,935,000. Further details of the rights issue are set out in the announcements of the Company dated 3 May, 17 May and 17 June 2011 and the circular of the Company dated 26 May 2011.

A summary of the movements in the Company's issued share capital during the year ended 31 December 2011 was as follows:

	Number of shares in issue	Issue capital	Share premium account	Total
At 1 January 2011	6,050,567,038	302,528	7,319,707	7,622,235
Rights issue	1,815,170,111	90,759	2,414,176	2,504,935
Share issue expenses	—	—	(15,283)	(15,283)
At 31 December 2011	7,865,737,149	393,287	9,718,600	10,111,887

Share options

Details of the share option scheme of the Company and the share options issued under the scheme are set out in note 37 to the financial statements.

37. Share Option Scheme

On 30 June 2004, a new share option scheme (the "**New Scheme**") was adopted by the Group to replace the share option scheme which was adopted by the Company on 21 August 1997 (the "**Old Scheme**"). The Old Scheme was terminated on 30 June 2004.

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

(a)	Purpose	To enable the Company to grant options to Eligible Participants (as defined below) as incentives and rewards for their contributions to the Group.
(b)	Eligible Participants	Being employees or executives or officers of the Company or any of its subsidiaries (including their respective executive and non-executive directors) and consultants, business associates and advisers who will provide or have provided services to the Group.
(c)	Total number of shares available for issue under the New Scheme	The total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the total number of shares of the Company in issue.
(d)	Maximum entitlement of each Eligible Participant	The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue at the date of grant.
(e)	Period during which the shares must be taken up under an option	The period during which an option may be exercised is determined by the board of directors of the Company (the "**Board**") at its absolute discretion, except that no option may be exercised after 10 years from the grant date.
(f)	Minimum period for which an option must be held before it can be exercised	The minimum period for which an option must be held before it can be exercised is one year.
(g)	Basis of determining the exercise price	The exercise price payable in respect of each share must be at least the higher of (i) the closing price of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as stated in the Stock Exchange's daily quotation sheet on the date of grant (which must be a business day); (ii) the average closing prices of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.
(h)	Remaining life of the New Scheme	The New Scheme remains in force until 29 June 2014 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 shareholders' meetings.

37. Share Option Scheme (continued)

The following share options were outstanding under the New Scheme as at the end of the reporting period:

	2012 Weighted average exercise price per share HK$	2012 Number of share options	2011 Weighted average exercise price per share HK$	2011 Number of share options
At 1 January	**1.007**	**35,058,779**	1.825	53,000,000
Adjustment for rights issue		**—**		3,261,705
Lapsed during the year		**—**	2.897	(21,202,926)
At 31 December	**1.007**	**35,058,779**	1.007	35,058,779

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period were as follows:

	Number of share options	Exercise price per share * HK$	Exercise period
2012	**29,757,405**	**1.018**	**02-06-2006 to 01-06-2013**
	5,301,374	**1.000**	**28-12-2006 to 27-12-2013**
	35,058,779		
2011	29,757,405	1.018	02-06-2006 to 01-06-2013
	5,301,374	1.000	28-12-2006 to 27-12-2013
	35,058,779		

* The exercise price of the share options is subject to adjustment in case of a rights issue or bonus issue, or other similar changes in the share capital of the Company.

The fair value of the share options with maturity extended in 2010 was HK$0.722 each, representing a total increase of HK$16,711,000, of which the Group recognised the share option expenses of HK$5,570,000 in 2011 (note 6) and HK$11,141,000 in 2010.

At the end of the reporting period, the Company had 35,058,779 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 35,058,779 additional ordinary shares of the Company, additional share capital of HK$1,753,000 and share premium of HK$33,841,000 (before expenses).

At the date of approval of the financial statements, the Company had 35,058,779 share options outstanding under the New Scheme, which represented 0.45% of the Company's shares in issue as at that date.

HK$'000

38. Reserves

(a) Group

Movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 45 to 46 of the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the share capital of the holding company of the Group 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.

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

Reserve funds represented the Group's share of the statutory reserve and safety fund of the subsidiaries of CDH that registered in the PRC.

(b) Company

	Notes	Share premium account	Contributed surplus	Exchange fluctuation reserve	Share option reserve	Accumulated losses	Total
At 1 January 2011		7,319,707	172,934	904	33,496	(791,254)	6,735,787
Exchange realignment		—	—	611	—	—	611
Equity-settled share option arrangements	6, 37	—	—	—	5,570	—	5,570
Transfer of share option reserve upon the lapse or expiry of share options		—	—	—	(15,240)	15,240	—
Issue of shares under rights issue	36	2,398,893	—	—	—	—	2,398,893
Loss for the year	11	—	—	—	—	(152,324)	(152,324)
At 31 December 2011 and 1 January 2012		**9,718,600**	**172,934**	**1,515**	**23,826**	**(928,338)**	**8,988,537**
Exchange realignment		**—**	**—**	**56**	**—**	**—**	**56**
Loss for the year	11	**—**	**—**	**—**	**—**	**(95,745)**	**(95,745)**
At 31 December 2012		**9,718,600**	**172,934**	**1,571**	**23,826**	**(1,024,083)**	**8,892,848**

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation detailed in note (a) above, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the laws of Bermuda, the contributed surplus of the Company may be distributed in cash or in specie in certain prescribed circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in share-based payments in the accounting policies set out in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or lapsed.

39. Notes to the Consolidated Statement of Cash Flows

Major non-cash transactions

(a) In 2012, the Group has offset value added tax ("**VAT**"), personal income tax and property tax receivables of HK$102,045,000, HK$3,936,000 and HK$5,741,000, respectively, included in prepayments, deposits and other receivables against tax payable.

(b) In 2011, the Group has offset VAT, personal income tax and property tax receivables of HK$90,253,000, HK$3,982,000 and HK$1,770,000, respectively, included in prepayments, deposits and other receivables against tax payable.

(c) In April 2011, Macarthur Coal raised new equity through a dividend reinvestment plan. The Group participated in the plan and reinvested the dividend received of A$11,600,000 (HK$97,200,000) in Macarthur Coal, resulting in an increase of its shareholding in Macarthur Coal from 16.14% to 16.34%.

40. Contingent Liabilities

(a) In 2011, the Kazakhstan tax authorities (the "**Tax Authorities**") completed a tax inspection on KBM for the period from 1 January 2006 to 31 December 2008. As a result, the Tax Authorities issued a tax assessment of KZT3,149,314,000 (HK$162,357,000) on KBM, representing underpaid taxes of KZT1,688,666,000 (HK$87,056,000), administration penalty of KZT880,961,000 (HK$45,416,000) and interest on late payment of KZT579,687,000 (HK$29,885,000).

The directors, based on the advice from the Group's legal counsel, believe KBM has justifiable arguments for its tax positions. Accordingly, KBM will dispute the tax assessment to the fullest extent possible under the law of Kazakhstan. However, the outcome of the dispute is still uncertain as there are different interpretations of certain tax rules and regulations. As such, based on the directors' best estimate, KBM has made provisions in 2011 for part of the underpaid taxes, administration penalty and interest on late payment of KZT540,379,000 (HK$27,858,000), KZT270,190,000 (HK$13,929,000) and KZT182,046,000 (HK$9,385,000), respectively.

On 23 February 2012, KBM filed an objection against the claim with the Specialized Interregional Economic Court of Mangistau Oblast (the "**Interregional Economic Court**"). On 21 May 2012, the Interregional Economic Court overruled the objection except for an amount of KZT648,000 (HK$33,000). On 1 June 2012, KBM filed an appeal to the Appellate Juridical Division of the Mangistau Oblast Court (the "**Appellate Juridical**") but the appeal was concluded on 17 July 2012 with an unfavourable decision. On 20 September 2012, the Cassational Juridical Division of the Mangistau Oblast Court ruled a re-consideration of the appeal made by KBM regarding illegitimacy of the tax inspection results to the Court of the First Instance. On 5 December 2012, the Interregional Economic Court overruled the objection except for an amount of KZT31,386,000 (HK$1,618,000). On 11 January 2013, KBM filed an appeal to the Appellate Juridical.

The directors still consider that KBM has justifiable arguments for its tax positions. Therefore, no additional provision was made during the year for the remaining amounts under the tax assessment.

To avoid the imposition of additional penalties and freezing of its bank accounts by the Tax Authorities, KBM fully settled the underpaid taxes and interest on late payment on 28 June 2012. Accordingly, as at 31 December 2012, the Group's 50% share of the amounts paid, totalling KZT1,133,853,000 (HK$58,454,000), was recorded in the consolidated statement of financial position.

(b) As at 31 December 2012 and 2011, the obligations of CR Finance under the Notes, were guaranteed by the Company.

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41. Operating Lease Commitments

As at 31 December 2012 and 2011, the Group had total future minimum lease payments under non-cancellable operating leases in respect of plant and machinery, and land and buildings falling due as follows:

	Group	
	2012	2011
Within one year	**126,629**	139,121
In the second to fifth years, inclusive	**337,809**	296,293
Beyond five years	**100,718**	135,828
	565,156	571,242

42. Commitments

In addition to the operating lease commitments detailed in note 41 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	Group	
	2012	2011
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**31,622**	3,850
Authorised, but not contracted for:		
Minimum work programme for the Karazhanbas oilfield	**224,975**	211,708

As at 31 December 2012 and 2011, all capital commitments which were authorised but not contracted for fell due within one year.

In addition, the Group's share of the jointly-controlled assets' own capital commitments, which were not included in the above, are as follows:

	Group	
	2012	2011
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**4,226,373**	5,145,851

In prior years, a subsidiary of the Company entered into a turnkey contract for the provision of integrated drilling in the Hainan-Yuedong Block with a total contract amount of RMB3,496,000,000 (HK$4,348,674,000), of which RMB840,000,000 (HK$1,044,876,000) had been settled up to 31 December 2012. The contract amount is subject to the actual work confirmed by the Group and the contractor.

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43. Related Party Transactions and Connected 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 during the year:

(a)	Notes	Group 2012	2011
Fellow subsidiaries:			
Sale of products	(i)	**1,994,731**	3,020,218
Interest expense	(ii)	**6,465**	6,076
Rental expense	(iii)	**3,992**	3,932
Ultimate holding company:			
Rental expense	(iii)	**2,259**	2,243
Immediate holding company:			
Underwriting commission paid	(iv)	**—**	12,972
Related company of the ultimate holding company:			
Financial advisory fee paid	(v)	**—**	1,550
A subsidiary of a former associate:			
Purchase of inventories	(vi)	**—**	655,636
Associate:			
Tax indemnity claim	(vii)	**—**	4,105

Notes:

(i) The sales were made on normal commercial terms and conditions offered to the independent customers of the Group.

(ii) In respect of a US$ loan, the interest expense was charged at 1.50% p.a. (2011: 1.50% p.a.) over LIBOR. In respect of an A$ loan, which was fully repaid in 2011, the interest expense was charged at 6.04% p.a. in 2011.

(iii) The rental expense was charged by a fellow subsidiary of the Company and the ultimate holding company of the Company, respectively, based on mutually agreed terms.

(iv) The commission was charged at 1.50% flat on the aggregate subscription price of 626,662,373 underwritten rights shares which were issued at HK$1.38 per rights share.

(v) The fee related to financial advice to the Company in connection with the rights issue.

(vi) The purchase of coal from Macarthur Coal Coppabella and Moorvale Management Pty Ltd ("**MCCMM**"), a subsidiary of Macarthur Coal, was transacted based on mutually agreed terms and conditions negotiated between the Group and MCCMM. The amount disclosed is up to the period prior to the Group's disposal of its interest in Macarthur Coal in October 2011. Transactions with MCCMM after the disposal date are no longer considered to be related party transactions.

(vii) Pursuant to the deed of tax indemnity dated 3 November 2010, Highkeen Resources Limited (an indirect wholly-owned subsidiary of the Company) indemnified several subsidiaries of CDH in respect of certain tax liabilities incurred prior to the completion of the listing of CDH.

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43. Related Party Transactions and Connected Transactions (continued)

(b) Further details of directors' emoluments are set out in note 7 to the financial statements.

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

	2012	2011
Salaries, allowances and benefits in kind	**5,820**	5,521
Bonuses	**2,582**	2,305
Pension scheme contributions	**124**	108
	8,526	7,934
No. of executives by remuneration bands:		
Below HK$2,000,000	**2**	2
HK$2,000,001 – HK$4,000,000	**2**	2
	4	4

(c) On 1 October 2011, the Group entered into two 5-year lease agreements with one of its fellow subsidiaries, CITIC House Pty Limited for the leasing of office premises.

On 26 December 2011, the Group entered into two 2-year lease agreements with its ultimate holding company for the leasing of office premises.

As at 31 December 2012 and 2011, the Group had total future minimum lease payments under non-cancellable operating leases with related parties falling due as follows:

	Group	
	2012	2011
Within one year	**7,659**	7,322
In the second to fifth years, inclusive	**17,444**	23,113
	25,103	30,435

Except for the purchase of inventories from a subsidiary of Macarthur Coal, the related party transactions disclosed above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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Notes to Financial Statements

44. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

Group – 2012

Financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	26,047	26,047
Financial assets included in prepayments, deposits and other receivables	—	403,370	—	403,370
Derivative financial instruments	115,290	—	—	115,290
Trade receivables	—	2,316,182	—	2,316,182
Equity investments at fair value through profit or loss	3,029	—	—	3,029
Cash and cash equivalents	—	8,520,350	—	8,520,350
	118,319	11,239,902	26,047	11,384,268

Financial liabilities	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Accounts payable	—	963,790	963,790
Financial liabilities included in accrued liabilities and other payables	—	862,648	862,648
Derivative financial instruments	198,949	—	198,949
Bank and other borrowings	—	3,413,593	3,413,593
Finance lease payables	—	43,383	43,383
Bond obligations	—	7,619,686	7,619,686
	198,949	12,903,100	13,102,049

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Notes to Financial Statements

44. Financial Instruments by Category (continued)

Group – 2011

Financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	32,584	32,584
Financial assets included in prepayments, deposits and other receivables	—	513,685	—	513,685
Derivative financial instruments	62,067	—	—	62,067
Trade receivables	—	2,061,357	—	2,061,357
Equity investments at fair value through profit or loss	2,963	—	—	2,963
Cash and cash equivalents	—	10,779,067	—	10,779,067
	65,030	13,354,109	32,584	13,451,723

Financial liabilities	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Accounts payable	—	1,162,127	1,162,127
Financial liabilities included in accrued liabilities and other payables	—	1,014,209	1,014,209
Derivative financial instruments	248,984	—	248,984
Bank and other borrowings	—	4,605,531	4,605,531
Finance lease payables	—	50,410	50,410
Bond obligations	—	7,666,272	7,666,272
	248,984	14,498,549	14,747,533

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44. Financial Instruments by Category (continued)

Company

Financial assets	Loans and receivables 2012	2011
Financial assets included in prepayments, deposits and other receivables	**5,501**	11,104
Cash and cash equivalents	**2,290,324**	2,567,805
	2,295,825	2,578,909

Financial liabilities	Financial liabilities at amortised cost 2012	2011
Due to subsidiaries	**78,227**	78,227
Financial liabilities included in accrued liabilities and other payables	**1,212**	394
Bank borrowing	**1,068,085**	1,638,000
	1,147,524	1,716,621

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Notes to Financial Statements

45. Fair Value and Fair Value Hierarchy

The carrying amounts and fair values of the Group's and the Company's financial instruments as at the end of the reporting period were as follows:

Group	Carrying amounts 2012	Carrying amounts 2011	Fair values 2012	Fair values 2011
Financial assets				
Available-for-sale investments	**26,047**	32,584	**26,047**	32,584
Financial assets included in prepayments, deposits and other receivables	**403,370**	513,685	**403,370**	513,685
Derivative financial instruments	**115,290**	62,067	**115,290**	62,067
Trade receivables	**2,316,182**	2,061,357	**2,316,182**	2,061,357
Equity investments at fair value through profit or loss	**3,029**	2,963	**3,029**	2,963
Cash and cash equivalents	**8,520,350**	10,779,067	**8,520,350**	10,779,067
	11,384,268	13,451,723	**11,384,268**	13,451,723
Financial liabilities				
Accounts payable	**963,790**	1,162,127	**963,790**	1,162,127
Financial liabilities included in accrued liabilities and other payables	**862,648**	1,014,209	**862,648**	1,014,209
Derivative financial instruments	**198,949**	248,984	**198,949**	248,984
Bank and other borrowings	**3,413,593**	4,605,531	**3,401,509**	4,575,902
Finance lease payables	**43,383**	50,410	**42,831**	58,713
Bond obligations	**7,619,686**	7,666,272	**8,028,969**	7,942,196
	13,102,049	14,747,533	**13,498,696**	15,002,131

Company	Carrying amounts 2012	Carrying amounts 2011	Fair values 2012	Fair values 2011
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**5,501**	11,104	**5,501**	11,104
Cash and cash equivalents	**2,290,324**	2,567,805	**2,290,324**	2,567,805
	2,295,825	2,578,909	**2,295,825**	2,578,909
Financial liabilities				
Due to subsidiaries	**78,227**	78,227	**78,227**	78,227
Financial liabilities included in accrued liabilities and other payables	**1,212**	394	**1,212**	394
Bank borrowing	**1,068,085**	1,638,000	**1,071,111**	1,632,467
	1,147,524	1,716,621	**1,150,550**	1,711,088

45. Fair Value and Fair Value Hierarchy (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument 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 financial assets included in prepayments, deposits and other receivables, trade receivables, cash and cash equivalents, accounts payable, amounts due to subsidiaries and financial liabilities included in accrued liabilities and other payables approximated to their carrying amounts largely due to the short-term maturities of these instruments.

(b) The fair values of bank and other borrowings as well as finance lease payables were calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

(c) The fair values of listed and unlisted equity investments and listed debt instruments were based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including forward currency contracts, forward commodity contracts, interest rate swap contracts, an embedded derivative and an electricity hedge agreement are measured using valuation techniques similar to forward pricing and swap models, which means using present value calculations. The models incorporate various observable market inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The fair values of forward currency contracts, forward commodity contracts, interest rate swap contracts, an embedded derivative and an electricity hedge agreement are the same as their carrying amounts.

Fair value hierarchy

The following tables present the carrying value of financial instruments measured at fair value at the end of the reporting period across three levels of the fair value hierarchy. The levels are defined as follows:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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45. Fair Value and Fair Value Hierarchy (continued)

Assets measured at fair value:

Group

	Level 1	Level 2	Level 3	Total
2012				
Available-for-sale investments:				
Listed equity investments	**26,047**	**—**	**—**	**26,047**
Derivative financial instruments	**—**	**489**	**114,801**	**115,290**
Equity investments at fair value through profit or loss	**3,029**	**—**	**—**	**3,029**
	29,076	**489**	**114,801**	**144,366**
2011				
Available-for-sale investments:				
Listed equity investments	32,584	—	—	32,584
Derivative financial instruments	—	38,795	23,272	62,067
Equity investments at fair value through profit or loss	2,963	—	—	2,963
	35,547	38,795	23,272	97,614

Liabilities measured at fair value:

Group

	Level 1	Level 2	Level 3	Total
2012				
Derivative financial instruments	**—**	**3,042**	**195,907**	**198,949**
2011				
Derivative financial instruments	—	4,590	244,394	248,984

Quoted market prices represent the fair values determined based on quoted prices in active markets as at the end of each reporting period without any deduction of transaction costs. The fair values of the listed equity investments are based on quoted market prices.

For financial instruments of which the prices are not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which observable market prices exist, and other relevant models used by market participants. These valuation techniques use both observable and non-observable market inputs.

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45. Fair Value and Fair Value Hierarchy (continued)

(a) The fair values of forward currency contracts, forward commodity contracts and interest rate swap contracts (which are not traded on any recognised exchange) are based on valuation techniques using only observable market inputs or non-observable market inputs that are not significant to the overall valuation.

(b) The fair values of the ESA and the EHA as well as other investments that do not have an active market are based on valuation techniques using market data that is not observable.

The movements in fair value measurements in level 3 during the year were as follows:

Derivative financial instruments

Assets	2012	2011
At 1 January	**23,272**	44,335
Total gains/(losses) recognised in the consolidated statement of comprehensive income	**91,015**	(21,051)
Exchange realignment	**514**	(12)
At 31 December	**114,801**	23,272

Liabilities	2012	2011
At 1 January	**244,394**	295,937
Total gains recognised in the consolidated income statement	**(53,883)**	(51,470)
Exchange realignment	**5,396**	(73)
At 31 December	**195,907**	244,394

Company

The Company did not have any financial assets nor financial liabilities measured at fair value at both 31 December 2012 and 31 December 2011.

During the year, there was no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 (2011: Nil).

46. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, finance lease payables, bond obligations, and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and accounts payable, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts, forward commodity contracts, interest rate swap contracts, an embedded derivative and an electricity hedge agreement. The purpose is to manage the foreign currency risk, price risk, interest rate risk and inflation risk arising from the Group's operations and its sources of finance. The details of the derivative financial instruments are set out in note 27 to the financial statements.

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46. Financial Risk Management Objectives and Policies (continued)

It is, and has been, throughout the year under review, 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, inflation risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group assesses the respective exposures of each of its operating units and enters into forward currency contracts of appropriate amounts to hedge those exposures. The forward currency contracts must be in the same currency as that of the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

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

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

2012	Increase/ (decrease) in US$ rate %	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity *
If US$ weakens against A$	**(10.0)**	**(272,457)**	**(256,211)**
If US$ strengthens against A$	**10.0**	**333,022**	**313,170**
If US$ weakens against KZT	**(10.0)**	**47,590**	**47,165**
If US$ strengthens against KZT	**10.0**	**(47,590)**	**(47,165)**

2011	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity *
If US$ weakens against A$	(10.0)	(78,744)	36,510
If US$ strengthens against A$	10.0	100,785	(41,020)
If US$ weakens against KZT	(19.5)	78,716	77,561
If US$ strengthens against KZT	19.5	(78,716)	(77,561)

* Excluding retained profits

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46. Financial Risk Management Objectives and Policies (continued)

Price risk

The Group is exposed to share price risk and commodity price risk.

Listed investments

The Group has an interest in each of Mount Gibson Iron Limited and Toro Energy Limited, both listed on the Australian Securities Exchange (the "**ASX**"). At the end of each reporting period, these listed investments were required to be marked to fair value.

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

2012	Increase/ (decrease) in listed share prices %	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity
Available-for-sale investments	**(10)**	**—**	**(2,300)**
Available-for-sale investments	**10**	**—**	**2,300**

2011	Increase/ (decrease) in listed share prices %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
Available-for-sale investments	(10)	—	(3,019)
Available-for-sale investments	10	—	3,019

Aluminium

Aluminium is a globally traded base metal. The Group enters into sales and supply contracts with its customers where the prices are negotiated by referencing and linking to the aluminium price traded on the London Metal Exchange (the "**LME**"). Aluminium prices quoted on the LME are determined by market forces. The Group is therefore exposed to price risk influenced by changing market conditions. The Group mitigates such risk by entering into commodity derivatives to hedge against future adverse price changes. These financial instruments are considered to be cash flow hedges.

The Group's management actively reviews the market sentiment and trend with references to expert views and forecasts. At management's discretion and judgement, derivatives are entered into to lock in favourable prices to hedge portions of its future sales to mitigate adverse price risks.

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46. Financial Risk Management Objectives and Policies (continued)

Price risk (continued)

Aluminium (continued)

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).

2012	Increase/ (decrease) in LME aluminium price %	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity
Forward commodity contracts	**(10)**	**—**	**1,539**
Forward commodity contracts	**10**	**—**	**(1,790)**

2011	Increase/ (decrease) in LME aluminium price %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
Forward commodity contracts	(10)	15,786	16,690
Forward commodity contracts	10	(11,829)	(12,537)

Embedded derivative

The pricing mechanism used in the ESA includes a component that is subject to the price of aluminium. The component is considered as an embedded derivative. The embedded derivative is revalued at the end of each reporting period based on future aluminium prices.

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).

2012	Increase/ (decrease) in LME aluminium price %	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity
Embedded derivative	**(10)**	**106,853**	**106,880**
Embedded derivative	**10**	**(107,801)**	**(107,827)**

2011	Increase/ (decrease) in LME aluminium price %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
Embedded derivative	(10)	180,275	178,384
Embedded derivative	10	(155,158)	(153,531)

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46. 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 United States dollar debt obligations with floating interest rates.

The Group's policy is to manage its interest costs 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 enters into interest rate swap contracts, in which the Group 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 the underlying debt obligations. The Notes issued with a fixed coupon expose the Group to fair value interest rate risk.

As at 31 December 2012, after taking into account the effect of an interest rate swap contract, 72% (2011: 65%) of the Group's debts, based on the carrying values of the debts reflected in the financial statements, bore interest at fixed rates.

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax and equity as well as the Company's equity in response to changes in interest rates of the Group's floating rate United States dollar debts (with all other variables held constant).

2012	Group			Company	
	Increase/ (decrease) in interest rate basis points	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity	Increase/ (decrease) in interest rate basis points	Increase/ (decrease) in equity
US$ debts	**(100)**	**29,991**	**24,818**	**(100)**	**10,920**
US$ debts	**100**	**(29,991)**	**(24,818)**	**100**	**(10,920)**

2011	Group			Company	
	Increase/ (decrease) in interest rate basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in interest rate basis points	Increase/ (decrease) in equity
US$ debts	(100)	40,336	33,696	(100)	16,380
US$ debts	100	(40,336)	(33,696)	100	(16,380)

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46. Financial Risk Management Objectives and Policies (continued)

Inflation risk

The Group entered into the EHA to secure a stable supply of electricity to the PAS from 2016 through 2036. The pricing mechanism used in the EHA includes a component that is subject to certain escalating factors which, in turn, are affected by the consumer price index, producer price index and labour costs. Therefore, the Group is exposed to inflation risk.

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

2012	Increase/ (decrease) in inflation rate %	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity
EHA	**(1)**	**—**	**(299,206)**
EHA	**1**	**—**	**352,706**

2011	Increase/ (decrease) in inflation rate %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
EHA	(1)	—	(172,321)
EHA	1	—	209,046

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.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, certain other receivables and derivative financial instruments, arises from default of the counterparties with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, collateral is usually not required. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 25 to the financial statements.

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46. 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 loans and other interest-bearing loans, to maintain liquidity and to maximise return to shareholders. As at 31 December 2012, 10.1% of the Group's debts would mature within one year (2011: 19.1%) based on the carrying values of the debts reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
2012					
Accounts payable	**3,445**	**960,345**	**—**	**—**	**963,790**
Financial liabilities included in accrued liabilities and other payables	**1,124**	**—**	**732,912**	**53,460**	**787,496**
Derivative financial instruments	**—**	**3,042**	**—**	**220,852**	**223,894**
Bank and other borrowings	**—**	**9,335**	**1,188,176**	**2,459,909**	**3,657,420**
Finance lease payables	**—**	**—**	**15,120**	**43,089**	**58,209**
Bond obligations	**—**	**1,685,698**	**420,631**	**6,441,892**	**8,548,221**
	4,569	**2,658,420**	**2,356,839**	**9,219,202**	**14,239,030**
2011					
Accounts payable	19,586	1,142,541	—	—	1,162,127
Financial liabilities included in accrued liabilities and other payables	20,301	913,297	—	—	933,598
Derivative financial instruments	—	8,457	—	339,865	348,322
Bank and other borrowings	—	287,794	2,165,280	2,367,464	4,820,538
Finance lease payables	—	—	11,642	52,456	64,098
Bond obligations	—	—	592,313	8,458,125	9,050,438
	39,887	2,352,089	2,769,235	11,217,910	16,379,121

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46. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Company

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
2012					
Due to subsidiaries	**78,227**	**—**	**—**	**—**	**78,227**
Financial liabilities included in accrued liabilities and other payables	**683**	**—**	**—**	**—**	**683**
Bank borrowing	**—**	**529**	**27,584**	**1,152,118**	**1,180,231**
	78,910	**529**	**27,584**	**1,152,118**	**1,259,141**
2011					
Due to subsidiaries	78,227	—	—	—	78,227
Financial liabilities included in accrued liabilities and other payables	394	—	—	—	394
Bank borrowing	—	273,000	301,829	1,112,093	1,686,922
	78,621	273,000	301,829	1,112,093	1,765,543

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise shareholder 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 monitored capital with the inclusion of the parameter of liquidity by using net debt to net total capital ratio. 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:

	Group 2012	2011
Bank and other borrowings	**3,413,593**	4,605,531
Finance lease payables	**43,383**	50,410
Bond obligations	**7,619,686**	7,666,272
Less: Cash and cash equivalents	**(8,520,350)**	(10,779,067)
Net debt	**2,556,312**	1,543,146
Equity attributable to shareholders of the Company	**13,334,781**	14,389,925
Add: Net debt	**2,556,312**	1,543,146
Net total capital	**15,891,093**	15,933,071
Net debt to net total capital	**16.1%**	9.7%

47. Events after the Reporting Period

The following significant events occurred subsequent to 31 December 2012:

(a) On 4 January 2013, CR Finance made a cash tender offer to repurchase the Notes (the "**Offer**") with a view to lowering the finance costs and managing the refinancing needs of the Group in respect of the Notes.

Pursuant to the Offer completed on 6 February 2013, CR Finance accepted for repurchase Notes in the principal amount of US$201,080,000 (HK$1,568,424,000) for an aggregate consideration of US$213,061,000 (HK$1,661,876,000) plus accrued interest. The Notes repurchased have been cancelled, following which the outstanding principal amount of the Notes is US$798,920,000 (HK$6,231,576,000). The Offer resulted in a loss of about HK$91,498,000.

Further details of the Offer are set out in the announcements of the Company dated 4 January, 18 January, 4 February and 7 February 2013.

(b) On 25 January 2013, CACL, an indirect wholly-owned subsidiary of the Company, exercised its pre-emption right to acquire up to an additional 7% interest in the CMJV. The purchase remains subject to the satisfaction of a number of conditions and may or may not complete.

The aggregate purchase price payable for the additional 7% interest in the CMJV is A$112,900,000 (HK$913,400,000), subject to adjustment in respect of cash calls and receipts (excluding income from coal sales prior to 30 June 2012 (the "**Effective Date**")) between the Effective Date and the date of completion of the transaction, expected to be on or before 28 March 2013.

Further details of the transaction are set out in the announcement of the Company dated 25 January 2013.

(c) On 14 February 2013, CRA, an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Alumina Limited ("**Alumina**"), pursuant to which CRA subscribed for 219,617,657 ordinary shares of Alumina (the "**Subscription Shares**") for an aggregate subscription price of A$271,228,000 (HK$2,196,947,000). Alumina is a leading Australian company listed on the ASX and the New York Stock Exchange. The Subscription Shares represent 7.826% of all ordinary shares of Alumina in issue.

Further details of the transaction are set out in the announcement of the Company dated 14 February 2013.

48. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 22 February 2013.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

Results

HK$'000

	Year ended 31 December				
	2012	2011	2010	2009	2008
Revenue	**48,433,964**	38,496,434	32,252,330	19,425,447	18,761,463
Profit/(loss) before tax	**(722,072)**	4,137,883	675,576	151,276	(4,700,772)
Income tax credit/(expense)	**(539,875)**	(1,927,770)	405,666	(2,731)	5,164,147
Profit/(loss) for the year	**(1,261,947)**	2,210,113	1,081,242	148,545	463,375
Attributable to:					
Shareholders of the Company	**(1,280,961)**	2,202,872	1,101,660	115,687	204,256
Non-controlling interests	**19,014**	7,241	(20,418)	32,858	259,119
	(1,261,947)	2,210,113	1,081,242	148,545	463,375

Assets, Liabilities and Non-controlling Interests

HK$'000

	31 December				
	2012	2011	2010	2009 (Restated)	2008
Non-current assets	**16,981,382**	18,424,699	20,925,323	20,752,412	19,410,388
Current assets	**13,188,500**	15,457,771	6,137,683	8,779,188	9,147,819
Total assets	**30,169,882**	33,882,470	27,063,006	29,531,600	28,558,207
Current liabilities	**3,421,416**	6,279,464	2,749,933	4,145,049	5,452,415
Non-current liabilities	**13,007,846**	12,777,928	13,646,665	15,616,522	13,780,454
Total liabilities	**16,429,262**	19,057,392	16,396,598	19,761,571	19,232,869
Non-controlling interests	**405,839**	435,153	488,762	1,335,321	1,433,403
	13,334,781	14,389,925	10,177,646	8,434,708	7,891,935

Reserve Quantities Information

Proved Oil Reserves Estimate (Unaudited)

million barrels

	Indonesia (51%)	The PRC (100%)	Kazakhstan (50%)	Total
At 1 January 2012	**3.8**	**18.8**	**143.0**	**165.6**
Revision	**—**	**—**	**(0.9)**	**(0.9)**
Production	**(0.5)**	**(0.2)**	**(6.8)**	**(7.5)**
At 31 December 2012	**3.3**	**18.6**	**135.3**	**157.2**

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