Oil

Coal

Aluminium

Manganese

Import and Export of Commodities

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

ANNUAL REPORT 2015 年報

Oil

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

Coal

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

Aluminium

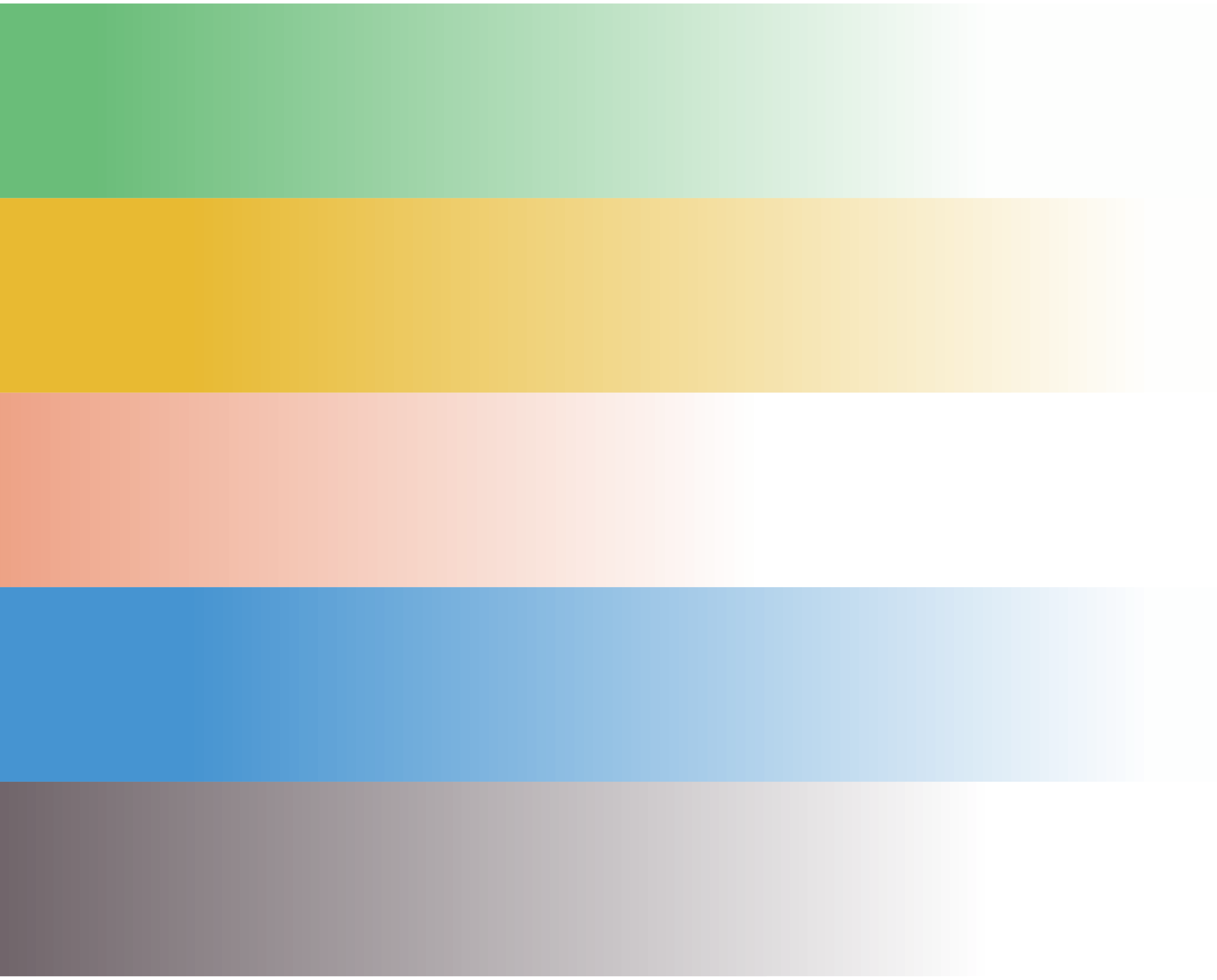
A 22.5% participating interest in the Portland Aluminium Smelter joint venture, one of the largest and most efficient aluminium smelting operations in the world, and 9.685% equity interest in Alumina Limited (ASX: AWC), one of Australia's leading companies with significant global interests in bauxite mining and alumina refining operations.

Manganese

Single largest shareholder of CITIC Dameng Holdings Limited (SEHK: 1091), one of the largest vertically integrated manganese producers in the world.

Import and Export of Commodities

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



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Board of Directors

Executive Directors

Mr. Kwok Peter Viem *(Chairman)*
Mr. Suo Zhengang
(Vice Chairman and Chief Executive Officer)
Mr. Sun Yang *(Vice Chairman)*
Ms. Li So Mui

Non-executive Directors

Mr. Ma Ting Hung
Mr. Qiu Yiyong
(Mr. Suo Zhengang as his alternate)

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Mr. Kwok Peter Viem *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji

Company Secretary

Mr. Cha Johnathan Jen Wah

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Stock Code: 1205

Auditors

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

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Development Bank Corporation
Mizuho Bank, Ltd.

Chairman's Statement

2015 was another gruelling year for the energy and commodity markets. Participants continued to bear the brunt of low energy and commodities prices resulting from the combined adverse effects of continuing oversupply in oil markets and stagnant demand for commodities caused by further slowdown in the Chinese economy and lack of recovery in most other major economies. Most significantly for the Group, following steep falls in 4Q 2014, global oil prices remained low and Brent price nearly hit 11-year lows in 2015, posing significant challenges to the Group's oil business. Equally important, continuing low commodities prices coupled with a reduction in trading volume posed a negative impact on the Group's import and export of commodities business.

In the face of these acute market challenges, the Group has focused its efforts on driving its business on during the year. A number of achievements were realised by the Group notably, improved oil production, the extension of exploration and production rights at the Karazhanbas oilfield in Kazakhstan and the discovery of a major gas field in the Seram Block in Indonesia. In addition, the Group increased efforts to reduce costs by postponing capital expenditure where possible and initiating additional cost saving measures across its businesses. Despite these initiatives, the Group's labours were, however, outweighed by the adverse market forces that beset the energy and commodities markets which ultimately led to a poor financial performance from the Group's operations. Also, the Group has provided for a number of substantial impairments across its assets, thus compounding the overall negative performance of the Group for the year.

In June 2015, the Group improved its financial flexibility when it successfully concluded an unsecured term loan facility of US$490 million (the "E Loan").

Financial Results

During the year, the Group's revenue fell 79.1% year-on-year to HK$3,713.1 million. The Group recorded a negative EBITDA of HK$3,062.5 million and a loss attributable to shareholders of HK$6,104.9 million. As at 31 December 2015, the Group's total assets amounted to HK$14,066.5 million and equity attributable to shareholders was HK$4,167.4 million.

Business Review

Crude oil

Despite the difficult operating environment in the oil and gas sector, the Group successfully completed several important developments in its oil business.

The Group achieved an overall increase in oil production in 2015, with average daily production from its three oilfields edging up by 3% from 48,100 barrels (100% basis) in 2014 to 49,700 barrels (100% basis) for the year, the highest level achieved by the Group since acquisition of these oilfields.

The Karazhanbas oilfield remained the largest contributor to the Group's oil production during the year, with an average daily production of 39,100 barrels (100% basis) which was comparable to 2014. In June 2015, JSC Karazhanbasmunai successfully obtained government approval to extend its existing right to explore, develop, produce and sell oil at the Karazhanbas oilfield until 2035. The extension provides the Group with an additional 15 years of time opportunity and production upside, enabling it to develop the oilfield with a longer term perspective to enhance investment returns.

During the year, the Group continued to employ thermal recovery on a trial basis at the Yuedong oilfield and achieved a favourable outcome. Average daily production was boosted by 15% from 2014 to 7,250 barrels (100% basis) following the commencement of production at Platform C (the third artificial island) in 4Q 2014 and employment of thermal recovery. To further enhance production, the Group will continue to utilise this method on a more extensive scale within the Yuedong oilfield.

Developments at the Seram Block have also been promising with both exploration and production activities delivering encouraging results during the year. Among them, the Group made a material gas discovery in the Lofin area which, based on estimates* by an independent petroleum consulting firm, contains, as of 31 August 2015, 2,020.1 billion cubic feet and 18.25 million barrels respectively of recoverable gas and condensate (2P plus 2CR; and 100% basis), and in aggregate equivalent to a total of 354.9 million barrels of oil equivalent. This landmark discovery has proven the prominent prospects of the Seram Block and opens up an opportunity for the Group to establish a foothold in the gas exploration sector, potentially helping it to achieve another revenue stream to promote long-term sustainable growth. On the production side, the Group has successfully drilled two new development wells in the Oseil area during the year and as a result, average daily production was lifted by 18% year-on-year to 3,350 barrels (100% basis).

However, primarily due to low oil prices, the Group's oil sector still recorded a weak financial performance for the year. Impairment provisions were also made in respect of the Group's interest in its three oilfields.

* in accordance with the classifications and definitions promulgated by the Upstream Oil and Gas Executive Agency of Indonesia
2P : proved contingent reserves plus probable contingent reserves
2CR : low estimate contingent resources plus best estimate contingent resources

Metals

The Group's strategic metal investments include interests in Alumina Limited ("AWC"), the Portland Aluminium Smelter joint venture and CITIC Dameng Holdings Limited ("CDH").

The Group's interest in AWC is classified as financial asset at fair value through profit or loss. As the closing price of AWC shares at the end of 2015 was lower than at the end of 2014, the Group recorded a significant fair value loss in its interest in AWC at the end of the year. The Group is nevertheless confident that, with a long-term investment horizon, there will be reasonable returns from this investment going forward.

The global aluminium market experienced a downturn in 2H 2015, resulting in a softening average selling price of aluminium. This adversely affected the profitability of the Group's aluminium smelting business during the year.

The Group's equity interest in CDH was diluted from 38.98% to 34.36% following the issue of new shares by CDH, and increased marginally to its current interest of 34.39% upon the cancellation of shares repurchased by CDH. During the year, the performance of CDH continued to be adversely affected by, among other things, a significant drop in the selling prices of manganese products. As a result, the Group recorded a share of loss for the year with respect to its interest in CDH. During the year, CDH acquired a 29.81% interest in China Polymetallic Mining Limited (SEHK: 2133) which enabled CDH to diversify its investment into the non-ferrous metal sector, changing itself from a pure manganese producer to an integrated mineral producer.

Coal

The Group's coal investments comprise a 14% participating interest in the Coppabella and Moorvale coal mines joint venture (the "CMJV") and interests in a number of coal exploration operations in Australia.

Although the sales volume was similar to that of 2014, this segment recorded a loss for the year due to a fall in revenue as a result of a lower average selling price of coal. An impairment was also provided in respect of the coal mining assets of the CMJV.

Import and export of commodities

The Group's import and export of commodities business continued to be impacted by the adverse market conditions and the loss of key customers in 2H 2014. This segment recorded a material decrease in trading volume leading to a significant reduction in profit.

The investigation commenced in 2014 by the Chinese authorities into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China (the "Investigation") is still ongoing. As the Group has not received any information in respect of the progress of the Investigation and owing to the lack of progress in the Group's legal proceedings against the operator of the bonded warehouses at Qingdao port (the "Operator"), the Group has made a further provision of HK$389.7 million (before tax credit) at the end of the year in respect of the Group's inventories stored in bonded warehouses at Qingdao port. The Group will continue to pursue its claim in the Qingdao Maritime Court against the Operator to recover all of the Group's inventories or otherwise to receive appropriate compensation from the Operator.

Financial Management

In June 2015, the Group entered into a facility agreement with a syndicate of financial institutions in respect of the E Loan. The successful conclusion of the E Loan demonstrates the confidence of the Group's principal banks in its credibility and long-term growth.

Outlook

The Group expects the adverse conditions in the energy and commodity markets to prevail for the immediate future. This challenging operating environment has provided the Group with the opportunity to focus on further enhancing operating efficiency, including through the implementation of rigorous cost control measures. In addition, along with ongoing efforts to achieve steady oil production growth, the Group will continue to improve its research and development capabilities, enhance oil recovery techniques and strengthen exploration and development works at its oilfields.

With the ongoing support from CITIC Limited, the Group believes it is well positioned to weather the current market difficulties in the oil and commodities markets and its actions will help preserve value in its core assets for the benefit of shareholders amid anticipated continuing market volatility.

Board Members Changes

The past year has seen a number of changes to the composition of the Board.

In June 2015, Mr. Zeng Chen and Mr. Hu Weiping retired as a non-executive director and an independent non-executive director of the Company respectively.

In September 2015, the Board appointed Mr. Ma Ting Hung as a non-executive director of the Company and Mr. Look Andrew as an independent non-executive director of the Company.

In October 2015, Mr. Qiu Yiyong resigned as a Vice Chairman and the Chief Executive Officer of the Company, but remained an executive director of the Company. In December 2015, Mr. Qiu was re-designated a non-executive director of the Company.

Also, in October 2015, Mr. Suo Zhengang was appointed an alternate to Mr. Qiu and the Acting Chief Executive Officer of the Company. In December 2015, Mr. Suo became an executive director, a Vice Chairman and the Chief Executive Officer of the Company.

Also, in December 2015, the Board accepted the resignations of Mr. Guo Tinghu as an executive director of the Company, Mr. Wong Kim Yin as a non-executive director of the Company and Mr. Shou Xuancheng as an independent non-executive director of the Company.

The Board would like to thank Mr. Zeng, Mr. Hu, Mr. Guo, Mr. Wong and Mr. Shou for their efforts and invaluable contribution to the Company, and to express its warm welcome to Mr. Ma, Mr. Look and Mr. Suo on their joining the Board.

The Group believes the new appointments bring a balance of skills and diversity for the Group to meet the latest market challenges, and will allow it to leverage on their collective expertise to help further develop its business.

Appreciation

I, on behalf of the Board, would like to extend my sincere appreciation to my fellow directors, management and all of my colleagues for their hard work, dedication, and commitment in delivering our strategy in the face of challenging market conditions. For myself and on behalf of the Board, I would like to express our heartfelt gratitude to our shareholders, customers, suppliers, bankers and business associates for their continuous support throughout 2015.

The Group is taking a number of strategic initiatives which, I believe, will provide us with a platform to better withstand market risks and achieve sustainable growth. I look forward to the continuous support from our stakeholders as we bring these initiatives to fruition.

Kwok Peter Viem
Chairman

Hong Kong, 19 February 2016

Management's Discussion and Analysis

The board of directors (the "**Board**") of CITIC Resources Holdings Limited (the "**Company**") presents the 2015 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 2015	2014	Decrease
Revenue	**3,713,127**	17,805,124	(79.1%)
EBITDA [1]	**(3,062,507)**	1,983,074	N/A
Adjusted EBITDA [2]	**(551,141)**	2,869,010	N/A
Profit/(loss) attributable to shareholders	**(6,104,909)**	223,830	N/A
Adjusted EBITDA coverage ratio [3]	**N/A**	4.7 times	
Profit/(loss) per share (Basic) [4]	**(HK 77.63 cents)**	HK 2.84 cents	

Financial position and ratios

	31 December 2015	2014	Increase / (decrease)
Cash and cash equivalents	**1,300,197**	3,246,421	(59.9%)
Total assets *	**14,066,526**	22,780,175	(38.3%)
Total debt [5]	**7,844,099**	9,229,890	(15.0%)
Net debt [6]	**6,543,902**	5,983,469	9.4%
Equity attributable to shareholders	**4,167,381**	10,867,117	(61.7%)
Current ratio [7]	**1.8 times**	1.5 times	
Net debt to net total capital [8]	**61.1%**	35.5%	
Net asset value per share [9]	**HK$0.53**	HK$1.38	

1 profit/(loss) before tax + finance costs + depreciation + amortisation + asset impairment losses
2 EBITDA + (share of depreciation, amortisation, finance costs, asset impairment loss, income tax expense/(credit) and non-controlling interests of a joint venture) + pre-tax fair value gain/(loss) on financial asset at fair value through profit or loss
3 adjusted EBITDA / (finance costs + share of finance costs of a joint venture)
4 profit/(loss) attributable to shareholders / weighted average number of ordinary shares in issue during the year
5 bank and other borrowings + finance lease payables
6 total debt – cash and cash equivalents
7 current assets / current liabilities
8 net debt / (net debt + equity attributable to shareholders) x 100%
9 equity attributable to shareholders / number of ordinary shares in issue at end of year
* including capital expenditure in respect of exploration, development and mining production activities of HK$515,720,000 during the year

Management's Discussion and Analysis

The Group was operating in an extremely difficult and competitive environment during the year, resulting in a loss attributable to shareholders of HK$6,104.9 million compared to a profit of HK$223.8 million for 2014.

The Group's oil business recorded a substantial loss for the year due primarily to depressed oil prices amid continuing oversupply of oil. Global oil prices which began falling in 2H 2014 remained at low levels during the year with an average Brent price of US$52.1 (2014: US$99.4) per barrel.

Its import and export of commodities business recorded a material decrease in both revenue and profit during the year as a result of softening in both demand for and selling prices of commodities caused by slowdown in major economies, especially China, heightened competition and the loss of key customers in 2H 2014.

Due to persistent depressed oil and commodities prices and no sign of price recovery in the near term, the Group has provided for a number of substantial impairments across its assets for the year. In addition, the Group recorded a significant mark to market reduction in the fair value of its interest in Alumina Limited ("**AWC**"), a share of substantial loss with respect to its interest in CITIC Canada Energy Limited ("**CCEL**") (a joint venture) and an increased share of loss with respect to its interest in CITIC Dameng Holdings Limited ("**CDH**") (an associate).

The following is a description of the Group's operating activities in each of the business segments in 2015, with a comparison of their results against those in 2014.

Aluminium smelting

- The Group holds a 22.5% participating interest in the Portland Aluminium Smelter joint venture in Australia (the "**PAS JV**").
Revenue	HK$1,030.5 million	(2014: HK$1,001.0 million)	▲ 3%
Segment results	a loss of HK$ 49.8 million	(2014: a profit of HK$ 144.6 million)	N/A
- Average selling price of aluminium fell sharply in 2H 2015, resulting in an overall 18% decrease for the year when compared to 2014. Despite the significant fall in the average selling price of aluminium, the segment's revenue increased by 3% when compared to 2014 attributable to an increase in sales volume by 25%.
- The significant fall in the average selling price of aluminium also had a negative impact on the segment's gross margin and results.

  The Group's aluminium smelting business is a net United States dollar ("**US$**") denominated asset while certain costs are payable in Australian dollar ("**A$**"). Fluctuations between A$ and US$ throughout the year caused a net exchange gain of HK$48.1 million (2014: HK$80.4 million).
- Included in "Other income and gains" in the consolidated income statement was a gain of HK$46.3 million (2014: Nil) 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, the component is considered to be 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 2015, 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 the movement in valuation (if any) introduces volatility into the consolidated income statement.

- On 1 March 2010, a base load electricity contract was signed between the Group (together with the other joint venture partners of the PAS JV) and an independent electricity supplier (the "**EHA**"). The EHA effectively allows the Portland Aluminium Smelter to secure electricity supply from 2016 through 2036 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.

  The independent electricity supplier was Loy Yang Power which has been acquired by AGL Energy Limited ("**AGL**"), an integrated renewable energy company listed in the Australian Securities Exchange (the "**ASX**"), resulting in AGL becoming the counterparty to the joint venture partners of the PAS JV under the EHA.

Coal

- The Group holds a 14% participating interest in the Coppabella and Moorvale coal mines joint venture (the "**CMJV**") and interests in a number of coal exploration operations in Australia. The CMJV is a major producer of low volatile pulverized coal injection coal in the international seaborne market.

Revenue	HK$584.1 million	(2014: HK$743.2 million)	▼	21%
Segment results	a loss of HK$157.8 million	(2014: a loss of HK$175.0 million)		N/A

- With sales volume and the average selling price of coal falling by 1% and 20% respectively due to continuing weak demand, the segment saw a decrease in revenue of 21% when compared to 2014.

- Despite ongoing cost saving efforts and depreciation of A$ which saw cost of sales per tonne decrease during the year, the material drop in the average selling price of coal negatively impacted the segment's gross margin and results.

  The Group's coal business is a net US$ denominated asset while most of the costs are payable in A$. Fluctuations between A$ and US$ throughout the year caused a net exchange gain of HK$8.8 million (2014: HK$27.5 million).

- At the end of the year, due to continuing depressed coal prices and limited prospects for recovery in the near term, an impairment of HK$411.1 million (before tax credit) (2014: HK$56.2 million) was provided in respect of the mining assets and exploration and evaluation assets of the CMJV and charged to "Provision for impairment of other assets" in the consolidated income statement.

Import and export of commodities

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

Revenue	HK$1,136.8 million	(2014: HK$14,447.5 million)	▼	92%
Segment results	HK$ 42.9 million	(2014: HK$ 193.0 million)	▼	78%

- The Group's import and export of commodities business recorded a material decrease in both revenue and profit when compared to 2014 due to depressed commodities markets caused by the slowdown in major economies, especially China, heightened competition and the loss of key customers in 2H 2014. The significant fall in revenue was caused by a material decrease in trading volume for most commodities.

- The Group's import and export of commodities business is a net US$ denominated asset while certain costs are payable in A$. Fluctuations between A$ and US$ throughout the year caused a net exchange gain of HK$46.1 million (2014: a net exchange loss of HK$19.1 million).

- The investigation commenced in 2014 by the Chinese authorities into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**") is still ongoing. Although the Group is not involved in the Investigation, the Investigation has had a negative impact on the Group's export business since 2H 2014.

- The Group has certain alumina and copper stored in bonded warehouses at Qingdao port (the "**Inventories**"). In light of the Investigation, the Group applied to the Qingdao Maritime Court (the "**Court**") in June 2014 for asset protection orders in respect of the Inventories. The Court, however, did not grant an asset protection order in respect of certain alumina amongst the Inventories (the "**Non-protected Alumina**"). The Group also filed a claim with the Court against the operator of the bonded warehouses at Qingdao port (the "**Operator**") requiring the Operator to confirm the Group's ownership of the Inventories and to release and deliver all of the Inventories to the Group or, failing which, to compensate the Group in respect of the Inventories (the "**Claim**"). So far, no judgment has been issued by the Court in respect of the Claim.

  At the end of 2014, a full provision of HK$319.8 million (before tax credit) was made in respect of the Non-protected Alumina. As the Group has not received any information in respect of the progress of the Investigation and owing to the lack of progress in the Claim, and with the continuing decline in market prices of alumina and copper, the Group has made a further provision of HK$389.7 million (before tax credit) at the end of the year in respect of the Inventories (excluding the Non-protected Alumina) and charged to "Provision for impairment of inventories" in the consolidated income statement. As at 31 December 2015, the net carrying value of the Inventories amounted to HK$269.7 million. The Group will continue to pursue the Claim against the Operator.

- In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("**Shanxi Coal I/E**"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "**Shanxi Court**") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("**CACT**"), an indirect wholly-owned subsidiary of the Company ("**Claim A**"). Shanxi Coal I/E is claiming from CACT (a) the sum of US$89.8 million (HK$700.4 million) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E, and (b) costs in respect of Claim A. Details of Claim A have been disclosed in the announcement of the Company dated 27 August 2014.

  Service of Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings have been held subsequently. So far, no judgment has been issued by the Shanxi Court in respect of Claim A.

- In 2H 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "**ICC**") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (a) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "**Contracts**"); and (b) claiming the amount of US$27.9 million (HK$217.6 million) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("**Claim B**").

  CACT considers Claim B to be baseless and the purported submission to arbitration by the ICC wrongful. CACT has not entered into the Contracts as alleged by Shanxi Coal I/E, has not agreed or submitted to any process of arbitration by the ICC, and denies that it is in any respect subject to the jurisdiction or rules of the ICC and CACT has responded to the ICC in these terms. Details of Claim B have been disclosed in the announcement of the Company dated 21 December 2015.

- The Group will continue to follow up the associated market risks arising from the Investigation, Claim A and Claim B.

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, Indonesia (the "**Seram Block**") until 2019 (the "**PSC**"). CITIC Seram is the operator of the Seram Block.

  As at 31 December 2015, the Seram Block had estimated proved oil reserves of 4.9 million barrels (2014: 4.7 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 loss of HK$184.7 million (2014: a profit of HK$45.2 million). The following table shows a comparison of the performance of the Seram Block for the years stated:

		2015 (51%)	2014 (51%)	Change
Average benchmark Mean of Platts Singapore (MOPS): Platts HSFO 180 CST Singapore	(US$ per barrel)	**44.8**	86.3	▼ 48%
Average crude oil realised price	(US$ per barrel)	**37.8**	81.3	▼ 54%
Sales volume	(barrels)	**561,000**	483,000	▲ 16%
Revenue	(HK$ million)	**165.3**	306.1	▼ 46%
Total production	(barrels)	**588,000**	498,000	▲ 18%
Daily production	(barrels)	**1,610**	1,370	▲ 18%

  Although sales volume increased by 16%, the average oil realised price decreased by 54% resulting in a decrease in revenue of 46% when compared to 2014. Production increased by 18% compared to 2014, attributable to the new development wells in the Oseil area.

- Direct operating costs per barrel decreased by 24% compared to 2014, attributable to continuous cost saving efforts and benefits of economies of scale from increased sales volume.

- With effect from 1H 2015, a new tax regulation in Indonesia limits value added tax reimbursements to equity oil distributed to the government under the PSC. Previously, reimbursements of value added tax could be claimed by CITIC Seram after each delivery of the first tranche production to the government. Looking forward, it is however uncertain as to whether any equity oil will be available for distribution to the government prior to the expiry of the PSC. As such, a provision of HK$105.7 million (2014: Nil) was made at the end of the year in respect of the unrecoverable value added tax reimbursement and charged to "Other expenses, net" in the consolidated income statement.

  Due to continuing depressed oil prices and lack of prospects for recovery in the near term, an impairment of HK$395.7 million (2014: Nil) was provided in respect of certain oil and gas properties of CITIC Seram and charged to "Provision for impairment of items of property, plant and equipment" in the consolidated income statement.

  Amid continuing depressed oil prices, it is also uncertain whether the Seram Block will generate enough taxable profit by the expiry of the PSC so that the deferred tax asset arising from the unrecovered cost pool from time to time can be fully utilised. As such, an impairment of HK$94.1 million (2014: HK$50.9 million) was provided in respect of the deferred tax asset and charged to "Income tax expense" in the consolidated income statement.

- A new development well in the Oseil area was put into production in each of the 2Q and 3Q 2015 respectively. Encouraged by the results of these two wells, a new well is being drilled with commencement of production targeted for 1Q 2016.

  Following the completion of the exploration drilling in the Lofin area in 3Q 2015, an evaluation report was obtained from an independent petroleum consulting firm in respect of the amounts of gas and condensate in the Lofin area. The report has been prepared in accordance with the "best practices" recommended in the Canadian Oil and Gas Evaluation Handbook and evaluates and classifies the estimates of gas and condensate in the Lofin area according to the contingent reserves and contingent resources classifications and definitions promulgated by the Upstream Oil and Gas Executive Agency of Indonesia.

  The report confirms the material gas discovery made from the drilling of the Lofin-2 appraisal well in the Manusela formation. It estimates that the Lofin area contains, as of 31 August 2015, (a) 3,070.0 billion cubic feet of gas initially-in-place (2P plus 2CR; and 100% basis); and (b) 2,020.1 billion cubic feet and 18.3 million barrels respectively of recoverable gas and condensate (2P plus 2CR; and 100% basis), and in aggregate equivalent to a total of 354.9 million barrels of oil equivalent.

  2P is proved contingent reserves plus probable contingent reserves while 2CR is low estimate contingent resources plus best estimate contingent resources, according to the contingent reserves and contingent resources classifications and definitions promulgated by the Upstream Oil and Gas Executive Agency of Indonesia. Details of the evaluation report have been disclosed in the announcement of the Company dated 5 October 2015.

- The depressed oil price posed a major challenge for CITIC Seram during the year. A number of initiatives were implemented during the year to mitigate the impact of weak oil prices. These included increasing production volume and reduction or postponement of expenditure that should not have an adverse effect on normal operations.

Crude oil (the Hainan-Yuedong Block, China)

- CITIC Haiyue Energy Limited ("**CITIC Haiyue**"), 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, China (the "**Hainan-Yuedong Block**") until 2034. Tincy Group is the operator of the Hainan-Yuedong Block in cooperation with CNPC.

  As at 31 December 2015, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 22.2 million barrels (2014: 25.5 million barrels) as determined in accordance with the standards of the PRMS.

- For the year, the segment results of CITIC Haiyue recorded a loss of HK$128.7 million (2014: a profit of HK$458.0 million). The following table shows a comparison of the performance of the Yuedong oilfield for the years stated:

		(Tincy Group's share) 2015	2014	Change
Average benchmark quote:				
Platts Dubai crude oil	(US$ per barrel)	**50.9**	96.6	▼ 47%
Average crude oil realised price	(US$ per barrel)	**52.0**	95.2	▼ 45%
Sales volume	(barrels)	**1,997,000**	1,775,000	▲ 13%
Revenue	(HK$ million)	**796.4**	1,307.3	▼ 39%
Total production	(barrels)	**1,987,000**	1,731,000	▲ 15%
Daily production	(barrels)	**5,440**	4,740	▲ 15%

  Although sales volume increased by 13%, the average oil realised price decreased by 45% resulting in a decrease in revenue of 39% when compared to 2014. Production increased by 15% compared to 2014, attributable to the employment of thermal recovery and new production wells.

- Cost of sales per barrel increased by 41% when compared to 2014 due to a 32% increase in depreciation, depletion and amortisation per barrel as a result of more production wells and facilities in operation during the year.

  In China, special oil gain levy is charged at progressive rates based on oil realised price and charged to "Selling and distribution costs" in the consolidated income statement. During the year, no levy (2014: HK$155.1 million) was charged as the oil realised prices were lower than the threshold for such levy which increased to US$65 per barrel effective 1 January 2015. This tax saving reduced the operating loss for the year.

  Due to continuing depressed oil prices and lack of prospects for recovery in the near term, an impairment of HK$544.3 million (2014: Nil) was provided in respect of certain oil and gas properties and certain construction in progress of Tincy Group and charged to "Provision for impairment of items of property, plant and equipment" in the consolidated income statement.

- During the year, Tincy Group continued to employ thermal recovery on a trial basis. As the outcome was satisfactory, Tincy Group will continue to utilise this method on a more extensive scale within the Yuedong oilfield to further enhance production.

  Tincy Group is actively prospecting potential exploration areas within the Bohai Bay Basin with the objective of increasing oil reserves.

- Capital expenditure will continue to be applied and stringently controlled in respect of the remaining development works of the Yuedong oilfield. Depending on the drilling data and the evaluation of the seismic data, adjustments may be made to the development plan.

Manganese

- The Group has an interest in manganese mining and production through its equity interest in 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.

  During the year, the Group's equity interest in CDH was diluted from 38.98% to 34.36% following the issue of new shares by CDH, and increased marginally to its current interest of 34.39% upon the cancellation of shares repurchased by CDH.

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

  During the year, following the acquisition of a 29.81% interest in China Polymetallic Mining Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2133), CDH has diversified its investment into the non-ferrous metal sector, changing itself from a pure manganese producer to an integrated mineral producer.

- Share of loss of an associate HK$352.8 million (2014: HK$10.5 million) N/A

  The Group recorded a share of loss for the year with respect to its interest in CDH and CDH's subsidiaries (collectively, the "**CDH Group**"). The CDH Group's performance continued to be adversely affected by the economic slowdown in China. As there was no improvement in the steel sector during the year, the average selling prices of major manganese products continued to fall. Correspondingly, the related gross profit margins dropped during the year.

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

  Due to the weak performance of the CDH Group and the low price of CDH shares, an impairment of HK$330.0 million (2014: Nil) was provided with respect to the Group's interest in CDH and charged to "Provision for impairment of an associate" in the consolidated income statement.

Bauxite mining and alumina refining

- The Group has an interest in a world-class global portfolio of upstream mining and refining operations in the aluminium sector through its 9.685% equity interest in AWC, a leading Australian company listed on the ASX (Stock Code: AWC). Other subsidiaries of CITIC Limited have a total 8.552% equity interest in AWC.

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

- In 2H 2014, the Group's interest in AWC was reclassified as financial asset at fair value through profit or loss and, as a result, is measured at its fair value based on the closing price of AWC shares as at the end of each reporting period. Any difference between the fair value and the carrying value is recognised in the consolidated income statement. Prior to the reclassification, AWC was considered an associate of the Group.

- At the end of the year, due to a lower closing price of AWC shares as compared to that as at the end of 2014 and depreciation of A$, a pre-tax fair value loss of HK$1,281.8 million was recorded in "Other expenses, net" in the consolidated income statement in respect of the Group's interest in AWC. In 2014, a pre-tax fair value gain of HK$412.0 million was recorded in "Other income and gains" in the consolidated income statement in respect of the Group's interest in AWC.

  During the year, the Group received a dividend of HK$127.8 million from AWC. The dividend was credited to "Other income and gains" in the consolidated income statement.

  Prior to the reclassification of the Group's interest in AWC mentioned above, the Group accounted for its share of the profit/(loss) in AWC using the equity method and the Group recorded a share of loss of HK$24.1 million for 2014.

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

- Despite short-term market fluctuations that resulted in a significant fair value loss in the Group's investment in AWC at the end of the year, the Group is confident that there will be reasonable returns from this investment going forward. Therefore, given the lower price of AWC shares, the Group acquired additional shares in AWC during the year.

Crude oil (the Karazhanbas oilfield, Kazakhstan)

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

  KBM is engaged in the development, production and sale of oil and holds the right to explore, develop, produce and sell oil from the Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan (the "**Karazhanbas oilfield**"). In June 2015, KBM obtained government approval to extend its existing right to explore, develop, produce and sell oil until 2035.

  As at 31 December 2015, the Karazhanbas oilfield had estimated proved oil reserves of 233.4 million barrels (2014: 250.3 million barrels) as determined in accordance with the standards of the PRMS.

- Share of loss of a joint venture HK$1,858.6 million (2014: a profit of HK$163.1 million) N/A

  The Group accounts for its share of the consolidated results of CCEL using the equity method.

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

		2015 (50%)	2014 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**51.4**	98.0	▼ 48%
Dated Brent crude oil	(US$ per barrel)	**52.1**	99.4	▼ 48%
Average crude oil realised price	(US$ per barrel)	**40.2**	78.6	▼ 49%
Sales volume	(barrels)	**7,347,000**	7,451,000	▼ 1%
Revenue	(HK$ million)	**2,291.6**	4,539.9	▼ 50%
Total production	(barrels)	**7,142,000**	7,120,000	▲ 0%
Daily production	(barrels)	**19,600**	19,500	▲ 0%

  Revenue decreased by 50% compared to 2014 due to a substantially lower average oil realised price and production comparable to 2014.

- In August 2015, the National Bank of Kazakhstan ceased to set a stated range for the exchange rate between Kazakhstan Tenge ("**KZT**") and US$, and allowed KZT to float freely. Since then till the end of the year, KZT had devalued by about 42% against US$.

  While KZT is the functional currency of KBM's financial statements, KBM's balance sheet at the end of the year comprised of more US$ denominated liabilities than US$ denominated assets with the devaluation causing a net exchange loss of HK$967.9 million and the Group's share was HK$458.0 million (2014: a net exchange gain of HK$75.1 million and the Group's share was HK$35.5 million).

- At CCEL level, mineral extraction tax is charged at progressive rates based on production volume and charged to "Cost of sales" in the consolidated income statement. Rent tax is charged on export revenue while export duty is charged at a certain rate per tonne of oil exported, and both are charged to "Selling and distribution costs" in the consolidated income statement. Export duty increased from US$60 to US$80 per tonne effective 1 April 2014 but returned to US$60 per tonne effective 1 April 2015.

  During the year, direct operating costs per barrel decreased by 11% to US$18.2 (2014: US$20.4), mainly attributable to the devaluation of KZT. Also, cost of sales per barrel decreased by 64% mainly attributable to a decrease in depreciation, depletion and amortisation per barrel as a result of the extension of the Karazhanbas oilfield contract to 2035.

  Selling and distribution costs per barrel decreased by 39% when compared to 2014, attributable to a decrease in rent tax and export duty. Rent tax decreased by 72% resulting from lower export revenue while export duty decreased by 10% resulting from a decrease in the charge rate.

- Due to continuing depressed oil prices and lack of prospects for recovery in the near term, an impairment of HK$2,100.0 million (before tax credit) (2014: Nil) was provided in respect of certain oil and gas properties of KBM and charged to "Provision for impairment of items of property, plant and equipment" in CCEL's consolidated income statement. The Group's share was HK$993.6 million (before tax credit) (2014: Nil).

- In 2014, the Kazakhstan tax authorities (the "**Tax Authorities**") completed a tax inspection on KBM in respect of transfer pricing for the five years from 2008 to 2012 and issued a tax assessment, including underpaid taxes, administration penalty and interest on late payment, to KBM (the "**Assessment A**"). The Group's share was HK$132.1 million. During the year, after several appeals to the courts, KBM was held liable for part of the Assessment A and, in respect of which, KBM lodged a final appeal to the Supervisory Board of the Supreme Court of Kazakhstan in December 2015. Up to the date of this report, the result of the final appeal is unknown. Notwithstanding this, at the end of the year, the Group made a full provision of HK$132.1 million.

  In 2014, the Tax Authorities completed an integrated tax inspection on KBM for the four years from 2009 to 2012 and issued a tax assessment, including underpaid taxes, administration penalty and interest on late payment, to KBM (the "**Assessment B**"). The Group's share was HK$48.4 million. In 2014, KBM made a provision for part of the Assessment B and the Group's share was HK$6.8 million. Based on the advice from KBM's legal counsel, KBM has justifiable arguments for its tax position. However, at the end of the year, KBM made a further provision and the Group's share was HK$22.3 million. KBM intends to make an appeal to the Specialized Interregional Economic Court of Mangistau Oblast.

Liquidity, Financial Resources and Capital Structure

Cash

As at 31 December 2015, the Group had cash and cash equivalents of HK$1,300.2 million.

During the year, the Group has fully drawn US$490 million (HK$3,822 million) under the E Loan (as defined below). Using such proceeds together with internal resources, the Group fully repaid US$380 million (HK$2,964 million) under the A Loan (as defined below) and fully prepaid US$400 million (HK$3,120 million) under the C Loan (as defined below).

Borrowings

As at 31 December 2015, the Group had total debt of HK$7,844.1 million, which comprised:

- unsecured bank loans of HK$7,805.9 million; and
- finance lease payables of HK$38.2 million.

Most of the transactions of the Group's import and export of commodities business are debt funded. However, in contrast to term loans, these borrowings are self liquidating, transaction specific and of short durations, 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 June 2012, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured 3-year term loan facility of US$380 million (HK$2,964 million) (the "**A Loan**"). The proceeds of the A Loan were used to refinance the then outstanding amount of an unsecured term loan facility (being US$140 million) and to finance the general corporate funding requirements of the Company. The A Loan was fully repaid in June 2015 using the proceeds of the E Loan (as defined below).

In September 2012, the Company entered into a facility agreement with a bank in respect of an unsecured 5-year term loan facility of US$40 million (HK$312 million) (the "**B Loan**") to finance the general corporate funding requirements of the Company. The outstanding balance of the B Loan as at 31 December 2015 was US$40 million.

In November 2012, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility of US$400 million (HK$3,120 million) (the "**C Loan**") to finance the general corporate funding requirements of the Company. The C Loan has a tenor of five years commencing from the date of first utilisation, being 14 May 2013, subject to a put option requiring repayment on the date falling three years from such date. During the year, the C Loan was fully prepaid, as to 50% in June and the remaining 50% in December.

In March 2014, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility (the "**D Loan**") to part finance the repayment of the Group's US$1,000,000,000 6.75% senior notes due 2014. The D Loan has a total facility amount of US$310 million (HK$2,418 million) and a tenor of three years commencing from the date of first utilisation, being 12 May 2014. The outstanding balance of the D Loan as at 31 December 2015 was US$310 million.

In June 2015, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility of US$490 million (HK$3,822 million) (the "**E Loan**"). The E Loan has two tranches, Tranche A and Tranche B, in the respective amounts of US$380 million (HK$2,964 million) and US$110 million (HK$858 million). The proceeds of Tranche A were used to finance the repayment of the A Loan. Tranche A has a tenor of three years commencing from the date of utilisation, being 29 June 2015. The proceeds of Tranche B were used to finance the general corporate funding requirements of the Company. Tranche B has a tenor of three years commencing from the date of first utilisation, being 31 December 2015. The outstanding balance of the E Loan as at 31 December 2015 was US$490 million.

Further details of the bank and other borrowings are set out in note 29 to the financial statements.

The Group leases certain of its plant and machinery for its coal mine operations. The leases are classified as finance leases. Further details of the finance lease payables are set out in note 30 to the financial statements.

As at 31 December 2015, the Group's net debt to net total capital was 61.1% (2014: 35.5%). Of the total debt, HK$1,368.7 million was repayable within one year, including short-term revolvers and trade finance.

Share capital

During the year, the Company repurchased a total of 10,800,000 ordinary shares of the Company at an aggregate consideration of HK$15.5 million (before expenses) on the Stock Exchange. All of the repurchased shares have been cancelled. As at 31 December 2015, the total number of issued and fully paid shares of the Company was 7,857,727,149 (2014: 7,868,527,149) ordinary shares of HK$0.05 each.

Financial risk management

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

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

Further details of the financial risk management objectives and policies are set out in note 43 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 2015, the Group had around 360 full time employees, including management and administrative staff.

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

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

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

(a) a defined scheme under the Government Law No.13/2003 of the Indonesian government for those employees in Indonesia who are eligible to participate;

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

(c) a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate.

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

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

Board of Directors and Senior Management

Directors

Mr. Kwok Peter Viem	*Chairman and Executive Director*
Mr. Suo Zhengang	*Vice Chairman, Executive Director and Chief Executive Officer*
Mr. Sun Yang	*Vice Chairman and Executive Director*
Ms. Li So Mui	*Executive Director*
Mr. Ma Ting Hung	*Non-executive Director*
Mr. Qiu Yiyong	*Non-executive Director*
Mr. Fan Ren Da, Anthony	*Independent Non-executive Director*
Mr. Gao Pei Ji	*Independent Non-executive Director*
Mr. Look Andrew	*Independent Non-executive Director*

Directors – Biographies

Mr. Kwok Peter Viem, aged 67, joined in 2013 as the Chairman and an executive director of the Company, having previously held the same positions between 2000 and 2007. He is a member of the nomination committee of the Company, a position which he also held between 2006 and 2007. He is also a director of several subsidiaries of the Company. He is responsible for the strategic planning and corporate development of the Group. Mr. Kwok holds a Bachelor of Arts Degree in Commerce from National Taiwan University, a Master of Philosophy Degree in Management Studies from The University of Hong Kong and a Doctoral Degree in Finance from University of California, Berkeley. He is a director of Cathay Financial Holding Co., Ltd. listed on the Taiwan Stock Exchange (Stock Code: 2882). Mr. Kwok held senior positions with various international financial institutions and has over 39 years' experience in banking and corporate finance. He is a member of the National Committee of the Chinese People's Political Consultative Conference and a vice chairman of Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese.

Mr. Suo Zhengang, aged 53, was appointed an executive director, a Vice Chairman and the Chief Executive Officer of the Company in December 2015. He was also appointed a member of the remuneration committee of the Company in December 2015. Mr. Suo was appointed an alternate to Mr. Qiu Yiyong in October 2015. He is also a director of several subsidiaries of the Company. He is responsible for the strategic and corporate development, management and operations of the Group. Mr. Suo holds a Bachelor of Science Degree in Mechanical Engineering from North China University of Technology and was granted the title of senior economist by CITIC Senior Specialised Technique Qualification Evaluation Committee. He is a director and the managing director of CITIC United Asia Investments Limited ("**CITIC UA**"), a subsidiary of CITIC Limited. Mr. Suo has held various positions in several subsidiaries of 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**") since 1988, including director of Keentech Group Limited. He is a non-executive director of CDH listed on the Main Board of the Stock Exchange (Stock Code: 1091). Mr. Suo has over 26 years' experience in business operations and development, and project investments. He also has experience in the natural resources industry.

Mr. Sun Yang, aged 49, joined in 2014 as a Vice Chairman and an executive director of the Company. He is also a director of two subsidiaries of the Company. He is responsible for the strategic and corporate development, management and operations of the Group. Mr. Sun holds a Master's Degree in Management from Renmin University of China. He is the president of CITIC Kazakhstan LLP, an independent director of JSC AB Bank of China Kazakhstan and a director of KBM. Mr. Sun has held senior positions in several subsidiaries of CITIC Group since 1995. Mr. Sun ceased to act as the chief representative of the Kazakhstan office of CITIC Group in September 2014. Mr. Sun has over 9 years' experience in the oil and gas industry.

Board of Directors and Senior Management

Ms. Li So Mui, aged 61, joined in 2000 as an executive director of the Company. She was the Company Secretary of the Company between August 2000 and March 2015. She is also a director of several subsidiaries of the Company. She is responsible for the financial management 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 and the Association of International Accountants. Ms. Li has over 38 years' experience in the accounting and banking field.

Mr. Ma Ting Hung, aged 52, was appointed a non-executive director of the Company in September 2015, having previously held the same position between 2007 and 2009. He was an executive director and a Vice Chairman of the Company between 2000 and 2007, the Chief Executive Officer of the Company between 2000 and 2005 and a member of the remuneration committee of the Company between 2006 and 2007. Mr. Ma holds a Bachelor of Arts Degree majoring in Economics from the University of Southern California. He is the Chairman of Vision Credit Limited. Mr. Ma has over 27 years' experience in banking, finance and natural resources industry.

Mr. Qiu Yiyong, aged 59, was re-designated as a non-executive director of the Company in December 2015, having previously held the same position between 2010 and 2014. He was the Chief Executive Officer of the Company between March 2014 and October 2015, a Vice Chairman of the Company between July 2014 and October 2015, an executive director of the Company between March 2014 and December 2015 and between 2002 and 2010. He was also a member of the remuneration committee of the Company between July 2014 and December 2015. Mr. Qiu holds a Bachelor of Economics Degree from Xiamen University and is a qualified senior statistician in China. Mr. Qiu ceased to act as the Chairman and an executive director of CDH in October 2015. Prior to joining 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 34 years' experience in investment management and the natural resources industry.

Mr. Fan Ren Da, Anthony, aged 55, 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 LT Commercial Real Estate Limited (Stock Code: 112), 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), CGN New Energy Holdings Co., Ltd. (formerly known as CGN Meiya Power Holdings Co., Ltd.) (Stock Code: 1811), Neo-Neon Holdings Limited (Stock Code: 1868), Hong Kong Resources Holdings Company Limited (Stock Code: 2882) and Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), all listed on the Main Board of the Stock Exchange. He is also the president of The Hong Kong Independent Non-Executive Director Association. Mr. Fan held senior positions with various international financial institutions.

Mr. Gao Pei Ji, aged 68, 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 China 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 China. He is also an independent non-executive director of CGN Mining Company Limited listed on the Main Board of the Stock Exchange (Stock Code: 1164). He was a partner of Clifford Chance between 1993 and 2007. Mr. Gao has extensive and diversified experience in general practice, including banking and finance, direct investment, international trade, construction contracts, arbitration and litigation in relation to financial matters, and insolvency.

Board of Directors and Senior Management

Mr. Look Andrew, aged 50, was appointed an independent non-executive director of the Company in September 2015. He was also appointed a member of the audit committee and the remuneration committee of the Company in December 2015. Mr. Look holds a Bachelor of Commerce Degree from the University of Toronto. He is the founder, chief investment officer and managing director of Look's Asset Management Limited, a Securities and Futures Commission of Hong Kong licensed corporation based in Hong Kong. He is also an independent non-executive director of Ka Shui International Holdings Limited (Stock Code: 822), Hung Fook Tong Group Holdings Limited (Stock Code: 1446), Man Sang Jewellery Holdings Limited (Stock Code: 1466) and TCL Communication Technology Holdings Limited (Stock Code: 2618), all listed on the Main Board of the Stock Exchange. He was the head of Hong Kong research, strategy and product for Union Bank of Switzerland from 2000 to 2008, and an investment manager at Prudential Portfolio Managers (Asia) Limited from 1994 to 2000. Mr. Look has over 20 years' experience in equity investment analysis of the Hong Kong and China stock markets.

Senior Management – Biographies

Mr. Bi Jingshuang, aged 44, joined in 2014 as a Vice President of the Company. He is responsible for mergers and acquisitions, and project management of the Group. Mr. Bi holds a LL.B. Degree from China University of Political Science and Law and a LL.M. Degree from the Law School of University of California, Berkeley. He was admitted to the New York Bar in 2009. Prior to joining the Company, Mr. Bi was engaged in the CNPC group of companies. Mr. Bi has over 21 years' experience in the oil and gas industry.

Mr. Cha Johnathan Jen Wah, aged 50, joined in 2005 as the General Counsel of the Company and was appointed the Company Secretary of the Company in April 2015. He is a solicitor admitted in Hong Kong and in England and Wales. Mr. Cha has over 25 years' experience in mergers and acquisitions, corporate finance, regulatory and commercial work.

Mr. Chung Ka Fai, Alan, aged 48, 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 25 years' experience in the accounting field.

Mr. Wu Ying Ha, aged 52, joined in 2014 as a Vice President of the Company. He is responsible for human resources and administrative management of the Group. Mr. Wu holds a Master's Degree in Business Administration from Southeastern University, Washington, D.C. Prior to joining the Company, Mr. Wu was engaged in CITIC UA. Mr. Wu has over 21 years' experience in corporate management, especially in human resources and administration.

Mr. Yang Zaiyan, aged 57, 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 the CNPC and the Sinochem group of companies. Mr. Yang has over 33 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 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 2015, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

Board of Directors

As at 19 February 2016, the Board comprised a total of 9 members, with four executive directors, two non-executive directors and three independent non-executive directors:

Executive Directors:

Mr. Kwok Peter Viem	(Chairman)	
Mr. Suo Zhengang	(Vice Chairman and Chief Executive Officer)	(appointed on 4 December 2015 and also appointed an alternate to Mr. Qiu Yiyong on 19 October 2015)
Mr. Sun Yang	(Vice Chairman)	
Mr. Guo Tinghu		(resigned on 4 December 2015)
Ms. Li So Mui		

Non-executive Directors:

Mr. Ma Ting Hung	(appointed on 1 September 2015)
Mr. Qiu Yiyong	(re-designated on 4 December 2015)
Mr. Wong Kim Yin	(resigned on 4 December 2015)
Mr. Zeng Chen	(retired on 26 June 2015)

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony	
Mr. Gao Pei Ji	
Mr. Hu Weiping	(retired on 26 June 2015)
Mr. Look Andrew	(appointed on 1 September 2015)
Mr. Shou Xuancheng	(resigned on 4 December 2015)

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 senior management on the Group's corporate goals and objectives, activities and business, strategic plans and financial situation. A 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 re-election at that meeting. In addition, every director is subject to retirement at least once every three years following his/her re-election with the result that, at each AGM, one-third of the directors shall retire from office by rotation.

To the best of the knowledge of the Company, save for Mr. Kwok Peter Viem and Mr. Ma Ting Hung who have common interests in certain private companies, there is no financial, business, family or other material or relevant relationship between board members or between the chairman and the chief executive officer.

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

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

Important matters are reserved to the Board for its decision, including long term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the board committees, annual 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. The total number of non-executive directors represented not less than half of the board members so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The non-executive directors take the lead where potential conflicts of interests arise. Their responsibilities include maintaining a balance between the non-controlling interests and the Company as a whole.

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

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

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

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

Directors' Continuous Professional Development

During the year, to develop and refresh their knowledge and skills, all 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. Kwok Peter Viem		✓	✓
Mr. Suo Zhengang	(appointed on 4 December 2015 and also appointed an alternate to Mr. Qiu Yiyong on 19 October 2015)	—	✓
Mr. Sun Yang		—	✓
Ms. Li So Mui		✓	✓
Non-executive Directors:			
Mr. Ma Ting Hung	(appointed on 1 September 2015)	—	✓
Mr. Qiu Yiyong	(re-designated on 4 December 2015)	—	✓
Independent Non-executive Directors:			
Mr. Fan Ren Da, Anthony		—	✓
Mr. Gao Pei Ji		✓	✓
Mr. Look Andrew	(appointed on 1 September 2015)	✓	✓

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 five board meetings were held in 2015.

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

Remuneration Committee

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

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

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

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

Members of the committee are:

Mr. Gao Pei Ji	(Independent Non-executive Director) (Chairman)	
Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)	
Mr. Shou Xuancheng	(Independent Non-executive Director)	(resigned on 4 December 2015)
Mr. Qiu Yiyong	(Non-executive Director)	(resigned on 4 December 2015)
Mr. Look Andrew	(Independent Non-executive Director)	(appointed on 4 December 2015)
Mr. Suo Zhengang	(Executive Director)	(appointed on 4 December 2015)

Four meetings were held and one written resolution was signed during the year. During the year, the committee approved the remuneration and director's fee payable to the directors. The committee also approved the remuneration and director's fee payable to the newly appointed directors and an acting chief executive officer. Also, the committee reviewed and approved the performance-based remuneration package of each individual executive director and approved the salary payable.

Nomination Committee

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

In order to maintain its competitive advantage and achieve a sustainable and balanced development, the Company recognises the benefits of having a diverse Board. The Board adopted a diversity policy (the "**Policy**") which sets out the approach by the Company to achieve diversity on the Board. According to the Policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background and professional experience.

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

Four meetings were held in the year. During the year, the committee resolved to recommend to the Board the appointments of a non-executive director, an independent non-executive director, an acting chief executive officer, a vice chairman, the chief executive officer and an executive director. Also, the committee reviewed the structure, size and diversity of the Board and opined that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the business of the Company.

Audit Committee

The purpose of the committee is to establish formal and transparent arrangements to consider how the Board applies financial reporting, risk management 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 risk management and 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. Shou Xuancheng	(Independent Non-executive Director)		(resigned on 4 December 2015)
Mr. Look Andrew	(Independent Non-executive Director)		(appointed on 4 December 2015)

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 2014 and the financial statements for the six months ended 30 June 2015, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, risk management and internal control systems, internal audit functions 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 2016.

Attendance at Meetings of the Board and 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 26 June 2015
Executive Directors:						
Mr. Kwok Peter Viem		5 / 5		4 / 4		1 / 1
Mr. Suo Zhengang	(appointed on 4 December 2015)	1 / 1	1 / 1			0 / 0
Mr. Sun Yang		5 / 5				1 / 1
Mr. Guo Tinghu	(resigned on 4 December 2015)	5 / 5				1 / 1
Ms. Li So Mui		5 / 5				1 / 1
Non-executive Directors:						
Mr. Ma Ting Hung	(appointed on 1 September 2015)	1 / 1				0 / 0
Mr. Qiu Yiyong	(re-designated on 4 December 2015)	4 / 5	2 / 3			1 / 1
Mr. Wong Kim Yin	(resigned on 4 December 2015)	5 / 5				1 / 1
Mr. Zeng Chen	(retired on 26 June 2015)	2 / 3				0 / 1
Independent Non-executive Directors:						
Mr. Fan Ren Da, Anthony		5 / 5	4 / 4	4 / 4	2 / 2	0 / 1
Mr. Gao Pei Ji		4 / 5	4 / 4	3 / 4	1 / 2	1 / 1
Mr. Hu Weiping	(retired on 26 June 2015)	2 / 3				0 / 1
Mr. Look Andrew	(appointed on 1 September 2015)	1 / 1	1 / 1		0 / 0	0 / 0
Mr. Shou Xuancheng	(resigned on 4 December 2015)	3 / 5	1 / 3		1 / 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 compliance with the CG Code and disclosures in the corporate governance report;
(b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(c) to review and monitor the training and continuous professional development of the directors and senior management; and
(d) to develop, review and monitor the code of conduct applicable to the directors and employees.

Financial Reporting

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

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

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

Risk Management and Internal Controls

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems by reviewing the effectiveness of these systems on an ongoing basis, particularly in respect of controls on financial, operational and compliance.

The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems aim to manage rather than eliminate risks of failure in achieving the Company's objectives.

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

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

The risk management and internal audit team reports to the audit committee once a year on key findings regarding the significant risks and 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 risk management and internal control systems of the Group. The risk management and internal audit team reported that no serious deficiencies were identified. The Board therefore considered the risk management and internal control systems 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 26 June 2015 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 2015.

For the year, Ernst & Young charged the Group HK$10,814,000 for the provision of audit services and HK$575,000 for the provision of non-audit services. The non-audit services included tax advice 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 AGMs and other general meetings. Shareholders are encouraged to participate in these meetings.

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

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

The chairman of the 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 and the Company at http://www.hkexnews.hk and http://irasia.com/listco/hk/citicresources respectively.

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

The Company keeps contact with the media and holds briefings with investment analysts from time to time including following the announcement of financial results. Senior management also, whenever it thinks fit, 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 for the year ended 31 December 2015.

Principal Activities

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

Segment Information

An analysis of the Group's revenue and results by principal operating activities and the Group's revenue and non-current assets by geographical area of operations for the year ended 31 December 2015 is set out in note 4 to the financial statements.

Results and Dividends

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the financial statements on pages 43 to 139.

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

Business Review

A fair review of the Company's business and a description of the principal risks and uncertainties being faced by the Company are provided in the Chairman's Statement and the Management's Discussion and Analysis on pages 1 to 17. Particulars of important events affecting the Company that have occurred since the end of the year, and indication of likely future development in the Company's business can also be found in these pages. An analysis of the Group's performance during the year using financial key performance indicators is set out on page 5. An account of the Company's relationship with its shareholders and investors can be found on page 30.

Environmental Policies and Performance

The Group attaches importance to balancing the needs of business development and environmental protection, and endeavours to make continuous improvements by different means such as internal training and performance evaluations. In April 2015, the Group published its first environmental, social and governance report (the "**ESG Report**") and will compile the ESG Report on an annual basis in order to regularly examine and review its environmental protection performance. As an effort to monitor and control production safety and environmental risks, during the year, the Group has introduced a staff performance appraisal scheme which includes health, safety and environmental performance as one of the indicators to evaluate the management's performance of the Group's oilfields.

Environmental protection shapes activities and operations at the Group's oilfields. Suitable techniques have been employed to promote clean production and alleviate as far as possible the impact of the Group's operations on the environment. Details of the Group's environmental performance are available on the website of the Company at http://resources.citic .

Compliance with Laws and Regulations

The Company complies with the requirements under the Companies Act 1981 of Bermuda (as amended), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Securities and Futures Ordinance (the "**SFO**") for, among other things, the disclosure of information and corporate governance.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 140. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

Share Capital and Share Options

Details of the movements in the Company's share capital during the year are set out in note 33 to the financial statements. There was no movement in the Company's share options during the year.

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

In August 2015, the Company repurchased a total of 10,800,000 ordinary shares of the Company at an aggregate consideration of HK$15,540,000 (before expenses) on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The highest and lowest purchase prices per share were HK$1.48 and HK$1.40 respectively.

All of the repurchased shares have been cancelled during the year. The issued share capital of the Company was accordingly reduced by the par value of the cancelled shares. The above repurchases were effected by the directors pursuant to the mandate from shareholders of the Company with a view to benefiting shareholders as a whole as it would enhance the net asset value per share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

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

Distributable Reserves

As at 31 December 2015, 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$9,706,852,000 as at 31 December 2015, may be distributed in the form of fully paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK$120,000 (2014: HK$346,000).

Major Customers and Major Suppliers

In the year under review, sales to the Group's five largest customers accounted for 53.0% of the total sales for the year and sales to the largest customer amounted to 21.4%. Purchases from the Group's five largest suppliers accounted for 31.9% of the total purchases for the year and purchases from the largest supplier amounted to 13.6%.

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 were as follows:

Executive Directors:

Mr. Kwok Peter Viem	
Mr. Suo Zhengang	(appointed on 4 December 2015 and also appointed an alternate to Mr. Qiu Yiyong on 19 October 2015)
Mr. Sun Yang	
Mr. Guo Tinghu	(resigned on 4 December 2015)
Ms. Li So Mui	

Non-executive Directors:

Mr. Ma Ting Hung	(appointed on 1 September 2015)
Mr. Qiu Yiyong	(re-designated on 4 December 2015)
Mr. Wong Kim Yin	(resigned on 4 December 2015)
Mr. Zeng Chen	(retired on 26 June 2015)

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony	
Mr. Gao Pei Ji	
Mr. Hu Weiping	(retired on 26 June 2015)
Mr. Look Andrew	(appointed on 1 September 2015)
Mr. Shou Xuancheng	(resigned on 4 December 2015)

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. Suo, Mr. Ma and Mr. Look will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

In accordance with Bye-laws 87(1) and 87(2), Mr. Kwok, Ms. Li and Mr. Fan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Directors' Service Contracts

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

Directors' Remuneration

Directors' remuneration is determined by the 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 2015, 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

So far as is known to the directors, as at 31 December 2015, 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 2015, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO), or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

Long positions in shares and underlying shares of the Company

Name of director	Nature of interest	Number of ordinary shares of HK$0.05 each held	Number of underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Kwok Peter Viem	Directly beneficially owned	11,568,000	400,000,000	5.24
Mr. Sun Yang	Directly beneficially owned	4,000	—	—
Ms. Li So Mui	Directly beneficially owned	2,388,000	—	0.03

Long positions in share options of the Company

Name of director	Number of share options directly beneficially owned
Mr. Kwok Peter Viem	400,000,000

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

Name of director	Name of associated corporation	Shares / equity derivatives	Number of shares / equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Sun Yang	CITIC Limited	Ordinary shares	117,000	Directly beneficially owned	—
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	0.44
Mr. Gao Pei Ji	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

In addition to the above, one of the directors has non-beneficial shareholding interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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 2015:

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

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

Directors' Rights to Acquire Shares or Debentures

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

Permitted Indemnity Provision

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

The Company has arranged directors' and officers' liability insurance coverage for the directors and officers of the Company and its subsidiaries.

Management Contracts

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

Share Option Scheme

The share option scheme adopted by the Company on 30 June 2004 (the "**Old Scheme**") for a term of ten years expired on 29 June 2014. The share options that have been granted under the Old Scheme and remained outstanding as at the date of expiry of the Old Scheme remain valid and exercisable subject to and in accordance with the terms of the Old Scheme.

To enable the Company to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by the Company on 27 June 2014 (the "**New Scheme**"). Further details of the New Scheme are disclosed in note 34 to the financial statements. Up to the date of this report, no share option has been granted under the New Scheme. Save as disclosed herein, the Company has not entered into any equity-link agreement during the year and no equity-link agreement subsisted as at the end of the year.

The following table discloses movements in the Company's outstanding share options, which were granted under the Old Scheme, during the year:

Category and name of eligible person	Number of share options at 1 January 2015	at 31 December 2015[(1)]	Date of grant	Exercise period	Exercise price per share HK$
Director					
Mr. Kwok Peter Viem	200,000,000	**200,000,000**	06-11-2013	06-11-2014 to 05-11-2018	1.770
	200,000,000	**200,000,000**	06-11-2013	06-11-2015 to 05-11-2018	1.770
	400,000,000	**400,000,000**[(2)]			

Notes:

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

(2) The share options are subject to the following vesting conditions:

(i) 50% of the share options vest and are exercisable with effect from the first anniversary of the date of grant; and

(ii) the remaining 50% of the share options vest and are exercisable with effect from the second anniversary of the date of grant.

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

As at 31 December 2015, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of shareholder	Nature of interest	Number of ordinary shares of HK$0.05 each held as long positions	Percentage of the total issued share capital of the Company
中國中信集團有限公司	Corporate	4,675,605,697 (1)	59.50
CITIC Limited	Corporate	4,675,605,697 (2)	59.50
CITIC Corporation Limited	Corporate	4,675,605,697 (3)	59.50
CITIC Projects Management (HK) Limited	Corporate	3,895,083,904 (4)	49.57
Keentech Group Limited	Corporate	3,895,083,904 (5)	49.57
CITIC Australia Pty Limited	Corporate	750,413,793 (6)	9.55
Temasek Holdings (Private) Limited	Corporate	901,909,243 (7)	11.48
Temasek Capital (Private) Limited	Corporate	576,247,750 (8)	7.33
Seletar Investments Pte. Ltd.	Corporate	576,247,750 (9)	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	576,247,750 (10)	7.33

Notes:

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

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

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

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

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

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

(7) 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**"). Ellington holds 325,661,493 shares representing 4.15% 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.

(8) 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.

(9) 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.

(10) 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 2015, 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

On 11 October 2013, CITIC Australia Commodity Trading Pty Limited ("**CACT**") entered into a cooperation agreement (the "**2014 Cooperation Agreement**") with 中信金屬有限公司 (CITIC Metal Company Limited) ("**CITIC Metal**"), a wholly-owned subsidiary of CITIC Limited, which provides a framework to enable CACT to continue with the sale of iron ore and coal, and to engage in the sale of alumina and other commodities, to CITIC Metal during the three years ending 31 December 2016, and in each case in accordance with the terms of the 2014 Cooperation Agreement and subject to the annual caps. The prices payable by CITIC Metal in respect of its purchase of iron ore, coal, alumina and other commodities from CACT are determined on an arm's length basis and with reference to applicable prevailing market prices.

CACT is an indirect wholly-owned subsidiary of the Company. CITIC Metal is a connected person of the Company. The transactions under the 2014 Cooperation Agreement constitute continuing connected transactions of the Company. Details of the 2014 Cooperation Agreement, transactions and annual caps for the three years ending 31 December 2016 are set out in the announcement of the Company dated 11 October 2013 and the circular of the Company dated 4 November 2013.

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 better; 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 the relevant contracts governing such transactions; and
(d) have exceeded their respective approved annual caps for the year.

The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules in respect of continuing connected transactions engaged in by the Group.

The related party transactions are set out in note 40 to the financial statements. Apart from the continuing connected transactions disclosed above, the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules that are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

In March 2014, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility (the "**D Loan**"). The D Loan has a total facility amount of US$310,000,000 (HK$2,418,000,000) and a tenor of three years commencing from 12 May 2014.

In June 2015, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility of US$490,000,000 (HK$3,822,000,000) (the "**E Loan**"). The E Loan has two tranches, Tranche A and Tranche B, in the respective amounts of US$380,000,000 (HK$2,964,000,000) and US$110,000,000 (HK$858,000,000). Tranche A has a tenor of three years commencing from 29 June 2015, while Tranche B has a tenor of three years commencing from 31 December 2015.

Pursuant to the provisions of the above facility agreements, if CITIC Limited 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, then (a) in respect of the B Loan, the bank may require mandatory prepayment of the B Loan together with all other sums due; and (b) in respect of each of the D Loan and the E Loan, the financial institutions holding 66-2/3% or more of the respective loan then outstanding may require mandatory prepayment of that 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 the three independent non-executive directors of the Company.

The audit committee has reviewed the financial statements with senior management and the external auditors of the Company.

Auditors

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

On behalf of the Board
Kwok Peter Viem
Chairman

Hong Kong, 19 February 2016

EY 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 43 to 139, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 23 to the financial statements which describes the Group's situation regarding its inventories located at Qingdao port and the impairment provision made in the financial statements.

We note from the directors that the investigation by the Chinese authorities is still ongoing and the Group is not able to access to its inventories which are stored in the bonded warehouses at Qingdao port. In consideration of the above, there is material inherent uncertainty as to the carrying amount of the inventories. Should these matters be resolved, any adjustments found to be necessary may have a significant impact to the carrying amount of the respective inventories.

Ernst & Young
Certified Public Accountants

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

19 February 2016

Year ended 31 December HK$'000

Consolidated Income Statement

	Notes	2015	2014
REVENUE	5	**3,713,127**	17,805,124
Cost of sales		**(4,031,442)**	(16,867,056)
Gross profit/(loss)		**(318,315)**	938,068
Other income and gains	5	**245,298**	788,054
Selling and distribution costs		**(16,373)**	(177,786)
General and administrative expenses		**(373,101)**	(339,675)
Other expenses, net		**(1,434,865)**	(73,030)
Finance costs	9	**(323,724)**	(504,059)
Share of profit/(loss) of:			
Associates		**(352,817)**	(34,562)
A joint venture		**(1,858,634)**	163,099
		(4,432,531)	760,109
Provision for impairment of items of property, plant and equipment	12	**(940,038)**	—
Provision for impairment of other assets	15	**(411,060)**	(56,160)
Provision for impairment of an associate	18	**(330,040)**	—
Provision for impairment of inventories	23	**(389,704)**	(319,800)
PROFIT/(LOSS) BEFORE TAX	6	**(6,503,373)**	384,149
Income tax credit/(expense)	10	**331,453**	(113,734)
PROFIT/(LOSS) FOR THE YEAR		**(6,171,920)**	270,415
ATTRIBUTABLE TO:			
Shareholders of the Company		**(6,104,909)**	223,830
Non-controlling interests		**(67,011)**	46,585
		(6,171,920)	270,415
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	11	**HK cents**	HK cents
Basic		**(77.63)**	2.84
Diluted		**(77.63)**	2.84

Year ended 31 December HK$'000

Consolidated Statement of Comprehensive Income

	Notes	2015	2014
PROFIT/(LOSS) FOR THE YEAR		**(6,171,920)**	270,415
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		**(460)**	(87)
Income tax effect		**138**	26
		(322)	(61)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	25	**(224,064)**	(689,583)
Reclassification adjustment for losses/(gains) included in the consolidated income statement	25	**60,785**	(84,145)
Income tax effect	25	**59,040**	191,949
		(104,239)	(581,779)
Exchange differences on translation of foreign operations		**(508,445)**	(456,619)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(613,006)**	(1,038,459)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain/(loss) on defined benefit plan:			
Changes in fair value	31	**10,484**	(8,651)
Income tax effect		**(3,145)**	2,595
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**7,339**	(6,056)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(605,667)**	(1,044,515)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,777,587)**	(774,100)
ATTRIBUTABLE TO:			
Shareholders of the Company		**(6,688,269)**	(807,665)
Non-controlling interests		**(89,318)**	33,565
		(6,777,587)	(774,100)

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2015	2014
NON-CURRENT ASSETS			
Property, plant and equipment	12	**5,988,583**	7,481,970
Prepaid land lease payments	13	**18,786**	20,963
Goodwill	14	**24,682**	24,682
Other assets	15	**270,149**	808,312
Investment in an associate	18	**994,020**	1,735,275
Investment in a joint venture	19	**—**	2,074,226
Financial asset at fair value through profit or loss	20	**1,835,713**	2,754,717
Available-for-sale investment	21	**1,274**	1,733
Prepayments, deposits and other receivables	22	**180,932**	306,407
Deferred tax assets	32	**580,885**	192,363
Total non-current assets		**9,895,024**	15,400,648
CURRENT ASSETS			
Inventories	23	**648,616**	1,276,271
Trade receivables	24	**482,950**	793,338
Prepayments, deposits and other receivables	22	**1,693,416**	2,036,336
Financial assets at fair value through profit or loss	20	**3,029**	3,029
Derivative financial instruments	25	**298**	23,759
Other assets	15	**42,996**	373
Cash and cash equivalents	26	**1,300,197**	3,246,421
Total current assets		**4,171,502**	7,379,527
CURRENT LIABILITIES			
Accounts payable	27	**449,818**	640,563
Tax payable		**853**	—
Accrued liabilities and other payables	28	**417,061**	777,059
Derivative financial instruments	25	**40,814**	24,505
Bank and other borrowings	29	**1,356,249**	3,400,173
Finance lease payables	30	**12,473**	13,650
Provisions	31	**45,285**	53,008
Total current liabilities		**2,322,553**	4,908,958
NET CURRENT ASSETS		**1,848,949**	2,470,569
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,743,973**	17,871,217

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2015	2014
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,743,973**	17,871,217
NON-CURRENT LIABILITIES			
Bank and other borrowings	29	**6,449,658**	5,773,191
Finance lease payables	30	**25,719**	42,876
Derivative financial instruments	25	**868,924**	727,390
Provisions	31	**294,354**	319,918
Other payable		**—**	113,470
Total non-current liabilities		**7,638,655**	6,976,845
NET ASSETS		**4,105,318**	10,894,372
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	33	**392,886**	393,426
Reserves	35	**3,774,495**	10,473,691
		4,167,381	10,867,117
Non-controlling interests		**(62,063)**	27,255
TOTAL EQUITY		**4,105,318**	10,894,372

Suo Zhengang
Director

Li So Mui
Director

Consolidated Statement of Changes in Equity

	Notes	Issued capital	Share premium account	Contributed surplus (note 35)	Capital reserve (note 35)
At 1 January 2014		393,426	9,721,915	72,688	(38,579)
Profit for the year		—	—	—	—
Other comprehensive loss for the year :					
Changes in fair value of available-for-sale investment, net of tax		—	—	—	—
Cash flow hedges, net of tax		—	—	—	—
Exchange differences on translation of foreign operations		—	—	—	—
Re-measurement loss on defined benefit plan, net of tax		—	—	—	—
Total comprehensive income/(loss) for the year		—	—	—	—
Equity-settled share option arrangements	34	—	—	—	—
Share of other reserve movements of an associate		—	—	—	—
At 31 December 2014		393,426	9,721,915 *	72,688 *	(38,579) *
At 1 January 2015		**393,426**	**9,721,915**	**72,688**	**(38,579)**
Loss for the year		—	—	—	—
Other comprehensive income/(loss) for the year :					
Changes in fair value of available-for-sale investment, net of tax		—	—	—	—
Cash flow hedges, net of tax		—	—	—	—
Exchange differences on translation of foreign operations		—	—	—	—
Re-measurement gain on defined benefit plan, net of tax		—	—	—	—
Total comprehensive loss for the year		—	—	—	—
Shares repurchased	33	**(540)**	**(15,063)**	—	—
Equity-settled share option arrangements	34	—	—	—	—
Share of other reserve movements of an associate		—	—	**56**	—
Release upon deemed disposal of partial interest in an associate		—	—	**(842)**	—
At 31 December 2015		**392,886**	**9,706,852** *	**71,902** *	**(38,579)** *

* These reserve accounts comprise the consolidated reserves of HK$3,774,495,000 (2014: HK$10,473,691,000) 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 35)	Retained profits	Sub-total	Non-controlling interests	Total equity
81,641	(1,771)	88,647	47,267	19,396	1,283,062	11,667,692	(6,310)	11,661,382
—	—	—	—	—	223,830	223,830	46,585	270,415
—	(61)	—	—	—	—	(61)	—	(61)
—	—	(581,779)	—	—	—	(581,779)	—	(581,779)
(443,599)	—	—	—	—	—	(443,599)	(13,020)	(456,619)
—	—	—	—	—	(6,056)	(6,056)	—	(6,056)
(443,599)	(61)	(581,779)	—	—	217,774	(807,665)	33,565	(774,100)
—	—	—	6,840	—	—	6,840	—	6,840
—	—	—	(3,098)	(5,267)	8,615	250	—	250
(361,958) *	(1,832) *	(493,132) *	51,009 *	14,129 *	1,509,451 *	10,867,117	27,255	10,894,372
(361,958)	**(1,832)**	**(493,132)**	**51,009**	**14,129**	**1,509,451**	**10,867,117**	**27,255**	**10,894,372**
—	**—**	**—**	**—**	**—**	**(6,104,909)**	**(6,104,909)**	**(67,011)**	**(6,171,920)**
—	**(322)**	**—**	**—**	**—**	**—**	**(322)**	**—**	**(322)**
—	**—**	**(104,239)**	**—**	**—**	**—**	**(104,239)**	**—**	**(104,239)**
(486,138)	**—**	**—**	**—**	**—**	**—**	**(486,138)**	**(22,307)**	**(508,445)**
—	**—**	**—**	**—**	**—**	**7,339**	**7,339**	**—**	**7,339**
(486,138)	**(322)**	**(104,239)**	**—**	**—**	**(6,097,570)**	**(6,688,269)**	**(89,318)**	**(6,777,587)**
—	**—**	**—**	**—**	**—**	**—**	**(15,603)**	**—**	**(15,603)**
—	**—**	**—**	**4,080**	**—**	**—**	**4,080**	**—**	**4,080**
—	**—**	**—**	**—**	**1,327**	**(1,327)**	**56**	**—**	**56**
—	**—**	**—**	**(5,074)**	**(2,006)**	**7,922**	**—**	**—**	**—**
(848,096) *	**(2,154)** *	**(597,371)** *	**50,015** *	**13,450** *	**(4,581,524)** *	**4,167,381**	**(62,063)**	**4,105,318**

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(6,503,373)**	384,149
Adjustments for:			
Interest income	5	**(43,835)**	(76,439)
Dividend income	5	**(127,831)**	—
Depreciation	6	**821,508**	606,534
Amortisation of other assets	6	**93,311**	111,065
Amortisation of prepaid land lease payments	6	**1,281**	1,307
Equity-settled share option expense	6	**4,080**	6,840
Provision for long term employee benefits	6	**3,536**	11,276
Loss on disposal/write-off of items of property, plant and equipment, net	6	**12,780**	2,529
Write-down/(write-back) of inventories to net realisable value, net	6	**20,420**	(1,340)
Provision for impairment of items of property, plant and equipment	6	**940,038**	—
Provision for impairment of other assets	6	**411,060**	56,160
Provision for impairment of an associate	6	**330,040**	—
Provision for impairment of inventories	6	**389,704**	319,800
Reversal of impairment of trade receivables, net	6	**(5,721)**	(1,615)
Impairment of other receivables	6	**130,200**	—
Fair value gain on derivative financial instruments		**(46,339)**	(13,941)
Fair value loss/(gain) on cash flow hedges, net (transferred from equity)	6	**60,785**	(84,145)
Fair value loss/(gain) on financial asset at fair value through profit or loss	5,6	**1,281,787**	(411,997)
Finance costs	9	**323,724**	504,059
Share of loss of associates		**352,817**	34,562
Share of profit/(loss) of a joint venture		**1,858,634**	(163,099)
Loss on deemed disposal of partial interest in an associate	6	**483**	—
		309,089	1,285,705
Decrease/(increase) in inventories		**215,648**	(296,817)
Decrease in trade receivables		**316,109**	1,247,287
Decrease/(increase) in prepayments, deposits and other receivables		**2,974**	(12,509)
Decrease in accounts payable		**(141,171)**	(364,803)
Increase in accrued liabilities and other payables		**53,838**	49,474
Decrease in provisions		**(42,327)**	(116,978)
Cash generated from operations		**714,160**	1,791,359
Australian income tax refund/(paid)		**(228)**	28,608
Net cash flows from operating activities		**713,932**	1,819,967

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2015	2014
Net cash flows from operating activities		**713,932**	1,819,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**46,622**	121,883
Dividends received		**127,831**	—
Purchases of items of property, plant and equipment		**(987,920)**	(1,182,479)
Acquisition of a contractual arrangement		**—**	(22,043)
Acquisition of financial asset at fair value through profit or loss		**(409,299)**	(9,001)
Additions to other assets	15	**(9,204)**	(24,517)
Proceeds from disposal of items of property, plant and equipment		**9,008**	8,101
Net proceeds from disposal of partial investment in the Codrilla project		**(5,973)**	7,892
Repayment of loans from a joint venture		**312,412**	561,952
Proceeds from disposal of derivative financial instruments		**—**	13,941
Decrease in non-pledged time deposits with original maturity of over three months when acquired		**—**	1,562,832
Net cash flows from/(used in) investing activities		**(916,523)**	1,038,561
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	33	**(15,603)**	—
New bank and other borrowings		**6,061,622**	9,565,717
Repayment of bank and other borrowings		**(7,440,349)**	(7,830,498)
Capital element of finance lease payables		**(21,486)**	(22,150)
Interest paid		**(293,836)**	(535,971)
Repayment of fixed rate senior notes		**—**	(6,195,197)
Finance charges paid	9	**(25,585)**	—
Net cash flows used in financing activities		**(1,735,237)**	(5,018,099)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,937,828)**	(2,159,571)
Cash and cash equivalents at beginning of year		**3,246,421**	5,431,207
Effect of foreign exchange rate changes, net		**(8,396)**	(25,215)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,300,197**	3,246,421
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**459,034**	738,877
Non-pledged time deposits	26	**841,163**	2,507,544
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,300,197**	3,246,421

Notes to Financial Statements

1. Corporate and Group Information

CITIC Resources Holdings Limited is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong.

The principal activity of the Company is investment holding.

During the year, the Company and its subsidiaries (the "**Group**") were 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 commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres in Australia;

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

(e) the exploration, development, production and sale of oil from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, China (the "**Hainan-Yuedong Block**").

In the opinion of the directors, the ultimate holding company of the Company is 中國中信集團有限公司 (CITIC Group Corporation), a company established in China.

1. Corporate and Group Information (continued)

Information about subsidiaries

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

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
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	BVI / Hong Kong	US$1	100	Dormant
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
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	State of Victoria, Australia	A$430,298,351	100	Investment holding
CITIC Portland Holdings Pty Limited	State of Victoria, Australia	A$196,791,454	100	Investment holding
CITIC Australia (Portland) Pty Limited	State of Victoria, Australia	A$45,675,119	100	Aluminium smelting
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

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Portland Finance 1 Pty Limited	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
CITIC Australia Coal Pty Limited	State of Victoria, Australia	A$220,605,959	100	Investment holding
CITIC Australia Coppabella Pty Limited	State of Victoria, Australia	A$5,000,002	100	Mining and production of coal
CITIC Australia Coal Exploration Pty Limited	State of Victoria, Australia	A$2,845,375	100	Exploration, development of coal mines and mining of coal
CITIC Bowen Basin Pty Limited	State of Victoria, Australia	A$378,353	100	Exploration and development of coal mines
CITIC West Rolleston Pty Limited	State of Victoria, Australia	A$196,390	100	Exploration and development of coal mines
CITIC Moorvale West Pty Limited	State of Victoria, Australia	A$108,333	100	Exploration and development of coal mines
CITIC Olive Downs Pty Limited	State of Victoria, Australia	A$99,958	100	Exploration and development of coal mines

Notes to Financial Statements

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC West Walker Pty Limited	State of Victoria, Australia	A$91,812	100	Exploration and development of coal mines
CITIC West / North Burton Pty Limited	State of Victoria, Australia	A$34,238	100	Exploration and development of coal mines
CITIC Capricorn Pty Limited	State of Victoria, Australia	A$9,549	100	Exploration and development of coal mines
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
CATL Sub-holdings Pty Limited	State of Victoria, Australia	A$1	100	Investment holding
CITIC Australia Commodity Trading Pty Limited ("**CACT**")	State of Victoria, Australia	A$500,002	100	Import and export of commodities and manufactured goods
CITIC Autoparts Pty Limited	State of Victoria, Australia	A$100	100	Import of tyres and batteries
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

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Australia Materials Pty Limited (formerly known as CITIC Nickel Australia Pty Limited)	State of Victoria, Australia	A$2	100	Import of construction and building materials
CITIC Nickel International Pty Limited	State of Victoria, Australia	A$2	100	Exploration and development of nickel mines
CITIC Australia Steel Products Pty Limited	State of Victoria, Australia	A$2	100	Import of steel
北京千泉投資顧問有限公司 # (Beijing Springs Investment Consultants Co. Limited)	China	RMB1,243,173	100	Consulting
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.)	China	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 ("**CITIC Seram**")	BVI / Indonesia	US$1	100	Exploration, development and operation of oilfields

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation / operation	Issued ordinary share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Haiyue Energy Limited	BVI / Hong Kong	US$1	100	Investment holding
Tincy Group Energy Resources Limited	Hong Kong / China	HK$10,000,000	90	Exploration, development and operation of oilfields
CITIC Liaobin Investments Limited	BVI / Hong Kong	US$1	100	Investment holding
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)	China	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 Portland Aluminium Smelter joint venture in Australia (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.

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 (Chapter 622). These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests, 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010 – 2012 Cycle	Amendments to numbers of HKFRSs
Annual Improvements 2011 – 2013 Cycle	Amendments to numbers of HKFRSs

The nature and the impact of each amendment are described below:

The amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of employee service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group.

The Annual Improvements to HKFRSs 2010 – 2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

(a) HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendment also clarifies that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendment has had no impact on the Group.

(b) HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

(c) HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

The Annual Improvements to HKFRSs 2011 – 2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

(a) HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is to be applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

(c) HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisition of investment properties. The amendment has had no impact on the Group as the Group does not have any investment property.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the 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 9	Financial Instruments [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception [1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [1]
HKFRS 14	Regulatory Deferral Accounts [3]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements [1]
Annual Improvements 2012 – 2014 Cycle	Amendments to a number of HKFRSs [1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016, and therefore is not applicable to the Group
4 Mandatory effective date not yet determined but is available for earlier adoption

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

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 on 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements under HKFRS 10 and HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 10 clarify that an investment entity needs not present the consolidated financial statements if it meets specific conditions. The amendments to HKFRS 12 clarify that an investment entity which prepares the financial statements in which all of its subsidiaries are measured at fair value through profit or loss shall present the disclosures relating to the investment entities required by HKFRS 12. The amendments to HKAS 28 (2011) clarify that an entity needs not apply the equity method to its investment in an associate or a joint venture if the entity is a parent exempt from preparing the consolidated financial statements. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exception has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interest in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

The amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;
(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments on 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

The amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation and amortisation of its non-current assets.

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

The Annual Improvements to HKFRSs 2012 – 2014 Cycle issued in October 2014 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments on 1 January 2016. None of the amendments are expect to have a significant financial impact on the Group. Details of the amendments are as follows:

(a) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements under HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are to be applied prospectively.

(b) HKFRS 7 Financial Instruments – Disclosures: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement as set out in HKFRS 7 in order to assess whether the HKFRS 7 disclosures are required.

(c) HKFRS 7 Financial Instruments – Disclosures: Clarifies that the disclosures requirements in respect of the offsetting of financial assets and financial liabilities under HKFRS 7 are not required in the condensed interim financial statements, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included in the condensed interim financial statements.

(d) HKAS 19 Employee Benefits: Clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. In case there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

(e) HKAS 34 Interim Financial Reporting: Clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The amendment also specifies that the information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

2.4 Summary of Significant Accounting Policies

Investments in an associate and a joint venture

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

2.4 Summary of Significant Accounting Policies (continued)

Investments in an associate and a joint venture (continued)

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets using the equity method, less any impairment losses.

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

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

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

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

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

Interests in joint operations

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

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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

2.4 Summary of Significant Accounting Policies (continued)

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 of the acquiree.

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

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.

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);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies (continued)

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.

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

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

Freehold land is not depreciated.

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

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

Construction in progress represents buildings and 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.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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. Costs associated with significant development projects are not depleted until commercial production commences and the reserves related to those costs are excluded from the calculation of depletion.

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

The Group estimates future dismantlement costs for oil and gas properties with reference to the estimates provided 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. An accretion expense is recognised using the credit-adjusted risk-free interest rate in effect when the liability is initially recognised. No market-risk premium has been included in the calculation of asset retirement obligation balances since no reliable estimate can be made.

Capital works

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

2.4 Summary of Significant Accounting Policies (continued)

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**") , exploration and evaluation assets, mining assets and the carbon emission units (the "**Emission Units**") received by the Group.

The ESA

The ESA provides steady electricity supply at a fixed tariff to the PAS for a period to 31 October 2016. The ESA 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.

Exploration and evaluation assets

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

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

Mining assets

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

The Emission Units

The accounting policy in respect of the Emission Units is set out in "Government grant" below.

Stripping costs

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Other assets (continued)

Stripping costs (continued)

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments, or derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus attributable transaction costs on acquisition, 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, being the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at 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 relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, 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 as 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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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 as 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 either a change in the terms of the host contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 as other expenses for receivables.

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 as 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 investments 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 investments revaluation reserve to the consolidated income statement in other gains or losses. 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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised or removed from the Group's consolidated statement of financial position 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.

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

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

Impairment of financial assets

The Group 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. An impairment exists if one or more events that occurred after initial recognition of the asset 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 first assesses whether impairment exists individually 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 the asset is significant or not, it then 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (without taking into account any 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 in financing the financial asset (that is, the rate computed at initial recognition).

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 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 investment

For available-for-sale financial investment, 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. "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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing 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 as defined by HKAS 39.

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

2.4 Summary of Significant Accounting Policies (continued)

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, forward commodity contracts, interest rate swap contracts, embedded derivatives and 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 re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by 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 and later reclassified to profit or loss when the hedged item affects profit or loss.

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item 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 hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in the consolidated statement of comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

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

- 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 hedged item.

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

Derivative instruments that are designated as effective hedging instruments are classified 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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 Summary of Significant Accounting Policies (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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.

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

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

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

- 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 tax authority.

Dividend income derived from the Group's subsidiaries in China 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.

2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

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.

Employee benefits

Share-based payments

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payments (continued)

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

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

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

Other employee benefits

Pension schemes

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits (continued)

Pension schemes (continued)

In addition, the Group also operates a defined benefit plan for those employees in Indonesia who are eligible to participate. The Group uses an actuarial technique, 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.

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

Paid leave carried forward

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

Borrowing costs

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

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 25 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 is fixed by the Australian government. Thereafter, the price is 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.

2.4 Summary of Significant Accounting Policies (continued)

Government grant (continued)

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 other assets and carried at cost. The granted carbon units are initially recognised at fair value at their date of grant 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. The Clean Energy Legislation Package was repealed effective from 1 July 2014.

Foreign currencies

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

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

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable 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 dividends expected on the shares, the expected volatility of the share price, the risk-free interest rate during the life of the options and the number of share options that are expected to become exercisable. Where the actual outcome of the number of exercisable options is different from the previously estimated number of exercisable options, such difference will have an impact on the consolidated income statement in the remaining vesting period of the relevant share options.

Fair value of financial instruments

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

3. Significant Accounting Judgements and Estimates (continued)

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.

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 14 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 12 and 31 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 of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions at arm's length of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate to calculate the present values of those cash flows. Further details are set out in notes 12, 15 and 18 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 notes 22 and 24 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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 2015, other than the provision recognised for the inventories stored in bonded warehouses at Qingdao port, details of which are set out in note 23 to the financial statements, impairment losses of HK$25,205,000 (2014: HK$4,786,000) have been recognised to write down the carrying amount of inventories to the estimated net realisable value.

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 notes 10 and 32 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 commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres in Australia; and

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

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

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

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

Year ended 31 December HK$'000

4. Operating Segment Information (continued)

2015	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,030,526	584,128	1,136,754	961,719	3,713,127
Other income	47,499	—	4,825	9,604	61,928
	1,078,025	584,128	1,141,579	971,323	3,775,055
Segment results	(49,761)	(157,750)	42,895	(313,445)	(478,061)
Reconciliation:					
Interest income and unallocated gains					55,539
Dividend income					127,831
Provision for impairment of items of property, plant and equipment					(940,038) [1]
Provision for impairment of other assets					(411,060) [2]
Provision for impairment of an associate					(330,040)
Provision for impairment of inventories					(389,704) [3]
Unallocated expenses					(1,602,665)
Unallocated finance costs					(323,724)
Share of loss of:					
An associate					(352,817)
A joint venture					(1,858,634)
Loss before tax					(6,503,373)
Segment assets	958,011	1,000,907	717,522	5,203,866	7,880,306
Reconciliation:					
Investment in an associate					994,020
Unallocated assets					5,192,200
Total assets					14,066,526
Segment liabilities	1,195,382	294,477	154,635	400,495	2,044,989
Reconciliation:					
Unallocated liabilities					7,916,219
Total liabilities					9,961,208
Other segment information:					
Depreciation and amortisation	97,758	90,569	713	719,969	909,009
Unallocated amounts					7,091
					916,100
Impairment losses reversed in the consolidated income statement	—	—	(5,721)	—	(5,721)
Capital expenditure	2,851	18,327	234	497,393	518,805
Unallocated amounts					1,141
					519,946 [4]

1 in respect of the crude oil segment
2 in respect of the coal segment
3 in respect of the import and export of commodities segment
4 Capital expenditure consists of additions to property, plant and equipment and other assets.

Year ended 31 December HK$'000

Notes to Financial Statements

4. Operating Segment Information (continued)

2014	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,001,026	743,206	14,447,495	1,613,397	17,805,124
Other income	8,264	2,677	30,704	13,722	55,367
	1,009,290	745,883	14,478,199	1,627,119	17,860,491
Segment results	144,627	(175,040)	192,961	503,162	665,710
Reconciliation:					
Interest income and unallocated gains					732,687
Provision for impairment of other assets					(56,160) [1]
Provision for impairment of inventories					(319,800) [2]
Unallocated expenses					(262,766)
Unallocated finance costs					(504,059)
Share of profit/(loss) of:					
Associates					(34,562)
A joint venture					163,099
Profit before tax					384,149
Segment assets	1,136,712	1,562,174	1,385,825	6,841,543	10,926,254
Reconciliation:					
Investment in an associate					1,735,275
Investment in a joint venture					2,074,226
Unallocated assets					8,044,420
Total assets					22,780,175
Segment liabilities	1,135,695	386,267	229,691	827,493	2,579,146
Reconciliation:					
Unallocated liabilities					9,306,657
Total liabilities					11,885,803
Other segment information:					
Depreciation and amortisation	96,848	106,884	766	507,025	711,523
Unallocated amounts					7,383
					718,906
Impairment losses reversed in the consolidated income statement	—	—	(1,615)	—	(1,615)
Capital expenditure	14,626	26,334	1,247	1,432,582	1,474,789
Unallocated amounts					13,500
					1,488,289 [3]

1 in respect of the coal segment
2 in respect of the import and export of commodities segment
3 Capital expenditure consists of additions to property, plant and equipment and other assets.

Year ended 31 December HK$'000

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	2015	2014
China	**942,240**	13,235,457
Australia	**824,903**	1,640,443
Europe	**728,889**	617,779
Other Asian countries	**1,134,742**	2,268,126
Others	**82,353**	43,319
	3,713,127	17,805,124

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

(b) Non-current assets

	2015	2014
Hong Kong	**2,860**	3,852
China	**5,715,779**	7,522,712
Australia	**3,046,956**	4,165,030
Kazakhstan	**5,779**	2,087,664
Other Asian countries	**271,342**	618,982
	9,042,716	14,398,240

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

Information about major customers

During the year, revenue of HK$796,441,000 was derived from sales to a customer of the crude oil segment and HK$644,293,000 was derived from sales to a customer of the aluminium smelting segment. Revenue from each of these two customers amounted to 10% or more of the Group's consolidated revenue for the year. In 2014, revenue of HK$2,884,230,000 was derived from sales to a customer of the import and export of commodities segment, which amounted to more than 10% of the Group's consolidated revenue for 2014.

Year ended 31 December HK$'000

Notes to Financial Statements

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 and trade discounts.

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

	2015	2014
Revenue		
Sale of goods:		
Aluminium smelting	**1,030,526**	1,001,026
Coal	**584,128**	743,206
Import and export of commodities	**1,136,754**	14,447,495
Crude oil	**961,719**	1,613,397
	3,713,127	17,805,124
Other income and gains		
Interest income	**43,835**	76,439
Dividend income from financial asset at fair value through profit or loss	**127,831**	—
Handling service fees	**2,027**	30,202
Fair value gains on:		
Cash flow hedges (transferred from equity)	**—**	113,888
Derivative financial instruments	**48,561**	98,531
Financial asset at fair value through profit or loss (note 20)	**—**	411,997
Sale of scrap	**5,736**	5,364
Others	**17,308**	51,633
	245,298	788,054
	3,958,425	18,593,178

Year ended 31 December HK$'000

6. Profit/(Loss) before Tax

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

	Notes	2015	2014
Cost of inventories sold *		**4,031,442**	16,867,056
Depreciation	12	**821,508**	606,534
Amortisation of other assets	15	**93,311**	111,065
Amortisation of prepaid land lease payments	13	**1,281**	1,307
Exploration and evaluation costs **		**—**	5,668
Minimum lease payments under operating leases on land and buildings		**29,222**	28,280
Auditors' remuneration		**10,814**	11,823
Employee benefit expenses (including directors' remuneration (note 7)):			
Wages and salaries		**421,857**	410,685
Equity-settled share option expense	34	**4,080**	6,840
Pension scheme contributions		**4,255**	3,450
Provision for long term employee benefits	31	**3,536**	11,276
		433,728	432,251
Loss on disposal/write-off of items of property, plant and equipment, net		**12,780**	2,529
Exchange gains, net **		**(81,351)**	(15,688)
Write-down/(write-back) of inventories to net realisable value, net		**20,420**	(1,340)
Reversal of impairment of trade receivables, net	24	**(5,721)**	(1,615)
Impairment of other receivables **	22	**130,200**	—
Fair value loss on cash flow hedges, net (transferred from equity) **	25	**60,785**	—
Fair value gain on cash flow hedges, net (transferred from equity)		**—**	(84,145)
Fair value loss on financial asset at fair value through profit or loss **	20	**1,281,787**	—
Provision for impairment of items of property, plant and equipment	12	**940,038**	—
Provision for impairment of other assets	15	**411,060**	56,160
Provision for impairment of an associate	18	**330,040**	—
Provision for impairment of inventories	23	**389,704**	319,800
Loss on deemed disposal of partial interest in an associate **		**483**	—

* Cost of inventories sold for the year included an aggregate amount of HK$1,094,009,000 (2014: HK$911,884,000) 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.

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7. Directors' Remuneration

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

	2015	2014
Fees:		
Executive directors and non-executive directors	**455**	600
Independent non-executive directors	**1,587**	1,479
	2,042	2,079
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**16,578**	15,166
Bonuses	**13,290**	14,539
Equity-settled share option expense	**4,080**	6,840
Pension scheme contributions	**444**	129
	34,392	36,674
	36,434	38,753

In 2013, in respect of his service to the Group, a director was granted share options under the share option scheme adopted by the Company on 30 June 2004 (the "**Old Scheme**"). The Old Scheme expired on 29 June 2014 and the Company adopted a new share option scheme. Further details of the new share option scheme are set out in note 34 to the financial statements. The fair value of the share options granted under the Old Scheme, which has been charged to the consolidated income statement over the vesting period, was determined as at the date of grant, and the amount taken into account in the current year's financial statements was included in the above disclosure.

(a) Independent non-executive directors

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

	2015	2014
Fan Ren Da, Anthony	**495**	470
Gao Pei Ji	**465**	440
Hu Weiping [2]	**158**	300
Look Andrew [3]	**113**	—
Ngai Man [1]	**—**	89
Shou Xuancheng [4]	**356**	180
	1,587	1,479

1 Passed away on 16 March 2014
2 Retired on 26 June 2015
3 Appointed on 1 September 2015
4 Resigned on 4 December 2015

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

Year ended 31 December HK$'000

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
2015						
Executive directors:						
Kwok Peter Viem	—	1,322	1,000	4,080	55	6,457
Suo Zhengang [9]	—	405	2,500	—	5	2,910
Sun Yang	—	4,630	4,400	—	60	9,090
Guo Tinghu [7]	—	2,210	1,000	—	204	3,414
Li So Mui	—	3,022	1,760	—	60	4,842
	—	11,589	10,660	4,080	384	26,713
Non-executive directors:						
Ma Ting Hung [6]	84	—	—	—	—	84
Qiu Yiyong [8]	18	4,989	2,630	—	60	7,697
Wong Kim Yin [7]	232	—	—	—	—	232
Zeng Chen [5]	121	—	—	—	—	121
	455	4,989	2,630	—	60	8,134
	455	16,578	13,290	4,080	444	34,847
2014						
Executive directors:						
Kwok Peter Viem	—	1,260	2,000	6,840	37	10,137
Qiu Yiyong [1]	40	4,300	6,300	—	39	10,679
Sun Yang [4]	—	1,920	3,600	—	8	5,528
Guo Tinghu	—	2,703	—	—	—	2,703
Li So Mui	—	2,861	2,639	—	41	5,541
	40	13,044	14,539	6,840	125	34,588
Non-executive directors:						
Tian Yuchuan [3]	120	—	—	—	—	120
Wong Kim Yin	240	—	—	—	—	240
Zeng Chen [2]	200	2,122	—	—	4	2,326
	560	2,122	—	—	4	2,686
	600	15,166	14,539	6,840	129	37,274

1 Re-designated as an executive director on 1 March 2014
2 Re-designated as a non-executive director on 1 March 2014
3 Resigned on 1 July 2014
4 Appointed on 1 July 2014
5 Retired on 26 June 2015
6 Appointed on 1 September 2015
7 Resigned on 4 December 2015
8 Re-designated as a non-executive director on 4 December 2015
9 Appointed on 4 December 2015

There was no arrangement under which a director waived or agreed to waive any remuneration in 2014 and 2015.

Year ended 31 December HK$'000

Notes to Financial Statements

8. Five Highest Paid Employees

The five highest paid employees during the year included four (2014: four) directors and one (2014: 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 the senior management personnel are as follows:

	2015	2014
Salaries, allowances and benefits in kind	**2,493**	2,682
Bonuses	**2,504**	1,341
Pension scheme contributions	**100**	41
	5,097	4,064

9. Finance Costs

An analysis of finance costs is as follows:

	2015	2014
Interest expense on bank and other borrowings	**291,663**	324,224
Interest expense on fixed rate senior notes, net	**—**	157,789
Interest expense on finance leases	**3,152**	8,443
Total interest expense on financial liabilities not at fair value through profit or loss	**294,815**	490,456
Amortisation of fixed rate senior notes	**—**	6,899
	294,815	497,355
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time (note 31)	**3,324**	6,704
Others	**25,585**	—
	323,724	504,059

Year ended 31 December HK$'000

Notes to Financial Statements

10. Income Tax

	2015	2014
Current – Hong Kong	—	—
Current – Elsewhere		
Charge for the year	**1,458**	346
Underprovision/(overprovision) in prior years	**(132)**	378
Deferred (note 32)	**(332,779)**	113,010
Total tax expense/(credit) for the year	**(331,453)**	113,734

The statutory rate of Hong Kong profits tax was 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year (2014: Nil).

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

Australia: The Group's subsidiaries incorporated in Australia were subject to Australian income tax at a rate of 30% (2014: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2014: 30%). The Group's subsidiary owning a participating interest in oil and gas properties in Indonesia was subject to branch tax at the effective tax rate of 14% (2014: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2014: 25%). No provision for China corporate income tax was made as the Group had no taxable profits arising in China during the year. In 2014, no provision for China corporate income tax was made as the Group had tax losses brought forward which were used to offset the taxable profits arising in China during 2014.

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.

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

	2015	2014
Profit/(loss) before tax	**(6,503,373)**	384,149
Tax at the Hong Kong statutory tax rate of 16.5% (2014: 16.5%)	**(1,073,057)**	63,385
Higher tax rates on profits arising elsewhere	**(524,110)**	84,225
Adjustments in respect of current tax of previous periods	**(132)**	378
Provision for impairment of deferred tax assets	**94,139**	50,887
Profits and losses attributable to associates and a joint venture	**364,889**	(17,955)
Income not subject to tax	**(47,518)**	(53,053)
Expenses not deductible for tax	**205,582**	102,141
Tax losses utilised from previous periods	**—**	(118,374)
Tax losses not recognised	**113,435**	2,100
Temporary differences not recognised	**535,319**	—
Tax expense/(credit) at the Group's effective rate	**(331,453)**	113,734

10. Income Tax (continued)

The share of tax credit attributable to an associate and a joint venture, being HK$262,741,000 (2014: tax expense of HK$210,305,000), was included in "Share of profit/(loss) of associates and a joint venture" in the consolidated income statement.

The Group has unrecognised deferred tax assets from tax losses arising in Hong Kong, China and Indonesia in an aggregate amount of HK$316,125,000 (2014: HK$330,311,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group has unrecognised deferred tax assets from deductible temporary differences in an aggregate amount of HK$532,028,000 (2014: Nil). In respect of tax losses arising in China, the losses are available for offsetting against future taxable profits for a maximum period of five years. Deferred tax assets have not been recognised in respect of these tax losses and deductible temporary differences because they have arisen in companies that have been loss-making for some years and it is considered improbable that taxable profits will be available against which the tax losses can be utilised.

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

The calculation of the basic loss per share amount was based on the loss for the year attributable to ordinary shareholders of the Company of HK$6,104,909,000 (2014: a profit of HK$223,830,000) and the weighted average number of ordinary shares in issue during the year, which was 7,864,073,861 (2014: 7,868,527,149) shares.

The calculation of the diluted loss per share amount was based on the loss for the year attributable to ordinary shareholders of the Company. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic 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.

No adjustment was made to the basic loss per share amount presented for the year ended 31 December 2015 in respect of a dilution as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment was made to the basic earnings per share amount presented for the year ended 31 December 2014 in respect of a dilution as there was no dilutive potential ordinary shares arising from share options as the average share price of the Company during 2014 did not exceed the exercise price of the then outstanding share options.

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12. Property, Plant and Equipment

2015	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		7,988,636	58,180	4,518	1,857,969	19,097	742,599	132,660	1,418,548	12,222,207
Change in provision for rehabilitation cost	31	—	—	—	928	—	11,736	—	—	12,664
Additions		180,519	—	49	2,638	398	5,511	5,044	316,583	510,742
Disposals/write-off		—	(15,284)	(44)	(12,178)	—	(2,629)	—	—	(30,135)
Transfers		1,542,332	—	—	5,069	—	—	—	(1,547,401)	—
Exchange realignment		(261,087)	(3)	(103)	(277)	—	(15,134)	(2)	(23,077)	(299,683)
At 31 December		9,450,400	42,893	4,420	1,854,149	19,495	742,083	137,702	164,653	12,415,795
Accumulated depreciation and impairment:										
At 1 January		3,089,490	—	4,304	1,163,410	16,808	454,525	11,700	—	4,740,237
Depreciation provided during the year	6	716,584	—	181	72,254	1,260	31,229	—	—	821,508
Disposals/write-off		—	—	(43)	(6,094)	—	(2,210)	—	—	(8,347)
Provision for impairment	6	839,304	—	—	—	—	—	—	100,734	940,038
Transfers		(2,990)	—	—	2,990	—	—	—	—	—
Exchange realignment		(52,704)	—	(111)	(126)	—	(9,976)	—	(3,307)	(66,224)
At 31 December		4,589,684	—	4,331	1,232,434	18,068	473,568	11,700	97,427	6,427,212
Net carrying amount:										
At 31 December		4,860,716	42,893	89	621,715	1,427	268,515	126,002	67,226	5,988,583

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12. Property, Plant and Equipment (continued)

2014	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		7,407,571	25,122	4,369	1,841,537	17,711	703,381	173,854	708,239	10,881,784
Change in provision for abandonment cost		(194)	—	—	—	—	—	—	—	(194)
Additions		116,150	—	149	26,859	1,386	4,313	—	1,314,915	1,463,772
Disposals/write-off		(2,586)	—	—	(9,530)	—	(418)	—	(3,706)	(16,240)
Transfers		577,890	—	—	—	—	41,194	(41,194)	(577,890)	—
Transfer from exploration and evaluation assets	15	—	33,058	—	—	—	—	—	—	33,058
Exchange realignment		(110,195)	—	—	(897)	—	(5,871)	—	(23,010)	(139,973)
At 31 December		7,988,636	58,180	4,518	1,857,969	19,097	742,599	132,660	1,418,548	12,222,207
Accumulated depreciation and impairment:										
At 1 January		2,592,500	—	4,053	1,101,722	15,709	423,220	11,700	—	4,148,904
Depreciation provided during the year	6	502,765	—	251	67,729	1,099	34,690	—	—	606,534
Disposals/write-off		—	—	—	(5,353)	—	(257)	—	—	(5,610)
Exchange realignment		(5,775)	—	—	(688)	—	(3,128)	—	—	(9,591)
At 31 December		3,089,490	—	4,304	1,163,410	16,808	454,525	11,700	—	4,740,237
Net carrying amount:										
At 31 December		4,899,146	58,180	214	694,559	2,289	288,074	120,960	1,418,548	7,481,970

As at 31 December 2015, the net carrying amount of the Group's property, plant and equipment included plant and machinery of HK$61,948,000 (2014: HK$79,170,000) held under finance leases.

Freehold land of the Group is located in Australia.

Provision for impairment during the year included impairment of (i) HK$395,730,000 (2014: Nil) to oil and gas properties in the Seram Block; and (ii) HK$544,308,000 (2014: Nil) to oil and gas properties and construction in progress in the Hainan-Yuedong Block, to reduce their carrying amount to their recoverable amount. The impairment arose primarily due to the continuing depressed oil prices and lack of prospects for recovery in the near term. The estimate of the recoverable amount of these assets was determined based on a value in use calculation, using a discounted cash flow model. Future cash flows were adjusted for risks specific to these assets and discounted using a pre-tax discount rate of 10.00% (2014: 10.00%) in respect of the Seram Block and 10.00% (2014: 10.85%) in respect of the Hainan-Yuedong Block.

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

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13. Prepaid Land Lease Payments

	2015	2014
Carrying amount at 1 January	**22,259**	24,152
Amortisation provided during the year (note 6)	**(1,281)**	(1,307)
Exchange realignment	**(953)**	(586)
Carrying amount at 31 December	**20,025**	22,259
Current portion included in prepayments, deposits and other receivables (note 22)	**(1,239)**	(1,296)
Non-current portion	**18,786**	20,963

14. Goodwill

	2015	2014
Cost:		
At 1 January and 31 December	**341,512**	341,512
Accumulated impairment:		
At 1 January and 31 December	**316,830**	316,830
Net carrying amount:		
At 31 December	**24,682**	24,682

Impairment testing of goodwill

As at 31 December 2015 and 2014, the net carrying amount of the Group's goodwill related to the import and export of commodities cash-generating unit which is a reportable segment.

The recoverable amount of the import and export of commodities cash-generating unit was determined based on a value in use calculation, using cash flow projections based on financial budgets covering a five-year period approved by 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 was 15.57% (2014: 15.89%).

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15. Other Assets

Non-current assets

	Notes	ESA	Mining assets	Exploration and evaluation assets	Total
2015					
Cost:					
At 1 January		**1,039,777**	**790,451**	**212,905**	**2,043,133**
Additions		**—**	**2,371**	**6,833**	**9,204**
At 31 December		**1,039,777**	**792,822**	**219,738**	**2,052,337**
Accumulated amortisation and impairment:					
At 1 January		**944,989**	**265,423**	**24,409**	**1,234,821**
Amortisation provided during the year	6	**51,792**	**41,519**	**—**	**93,311**
Impairment during the year	6	**—**	**395,967**	**15,093**	**411,060**
At 31 December		**996,781**	**702,909**	**39,502**	**1,739,192**
Net carrying amount:					
At 31 December		**42,996**	**89,913**	**180,236**	**313,145**
Portion classified as current assets		**(42,996)**	**—**	**—**	**(42,996)**
Non-current portion		**—**	**89,913**	**180,236**	**270,149**
2014					
Cost:					
At 1 January		1,039,777	770,577	249,885	2,060,239
Change in provision for rehabilitation cost		—	—	(8,565)	(8,565)
Additions		—	3,096	21,421	24,517
Transfers		—	16,778	(16,778)	—
Transfer to freehold land	12	—	—	(33,058)	(33,058)
At 31 December		1,039,777	790,451	212,905	2,043,133
Accumulated amortisation and impairment:					
At 1 January		893,196	149,991	24,409	1,067,596
Amortisation provided during the year	6	51,793	59,272	—	111,065
Impairment during the year	6	—	56,160	—	56,160
At 31 December		944,989	265,423	24,409	1,234,821
Net carrying amount:					
At 31 December		94,788	525,028	188,496	808,312

Due to the current challenging economic environment, the persistent weak global demand for steel and an oversupply of metallurgical coal, coal prices continued to decrease in recent years. As such, impairment assessment was carried out to determine the recoverable amount of the Group's coal cash-generating unit (the "**Coal CGU**"). An impairment of HK$411,060,000 (2014: HK$56,160,000) was identified, allocated to the mining assets and exploration and evaluation assets, and recorded in the consolidated income statement for the year. The estimate of the recoverable amount of the Coal CGU was determined based on a value in use calculation, using a discounted cash flow model. Future cash flows were adjusted for risks specific to the Coal CGU and discounted using a pre-tax discount rate of 15.79% (2014: 13.57%).

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15. Other Assets (continued)

Current asset

The Emission Units

	2015	2014
Cost:		
At 1 January	**373**	184,215
Amounts utilised during the year	**(373)**	(183,842)
At 31 December	**—**	373

16. Investments in Joint Operations

As at 31 December 2015, the Group had interests in the following joint operations:

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

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

17. Interests in Other Contractual Arrangements

As at 31 December 2015, the Group had interests in the following contractual arrangements:

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

(b) 14% participating interest in the Coppabella and Moorvale coal mines joint venture operations, the principal activities of which are the mining and sale of coal;

(c) 50% participating interest in the CB Exploration operations;

(d) 15% participating interest in the Bowen Basin Coal operations;

(e) 10% participating interest in the West Rolleston operations;

(f) 10% participating interest in the Moorvale West operations;

(g) 10% participating interest in the Olive Downs operations;

(h) 15% participating interest in the West Walker operations;

(i) 13.335% participating interest in the West / North Burton operations; and

(j) 15% participating interest in the Capricorn operations.

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

The contractual arrangements stated in (a) and (c) above were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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17. Interests in Other Contractual Arrangements (continued)

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

	2015	2014
Non-current assets	**1,918,734**	2,011,585
Current assets	**113,758**	88,237
Current liabilities	**(139,846)**	(116,935)
Non-current liabilities	**(161,304)**	(281,101)
Proportionate share of net assets employed in the PAS JV	**1,731,342**	1,701,786

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

	2015	2014
Non-current assets	**836,293**	849,441
Current assets	**229,293**	229,779
Current liabilities	**(190,375)**	(148,812)
Non-current liabilities	**(71,791)**	(68,376)
Proportionate share of net assets employed in the remaining contractual arrangements	**803,420**	862,032

18. Investment in an Associate

	2015	2014
Share of net assets	**1,736,252**	2,147,467
Goodwill on acquisition	**1,089,808**	1,089,808
	2,826,060	3,237,275
Impairment *	**(1,832,040)**	(1,502,000)
	994,020	1,735,275

* As a result of the persistent weak prices of manganese and manganese products, the estimated recoverable amount of the Group's investment in CITIC Dameng Holdings Limited ("**CDH**"), determined with reference to the cash flows expected to be generated by CDH, dropped further during the year. Based on the Group's cash flow projection of CDH, an additional impairment of HK$330,040,000 was provided for the year (2014: Nil) (note 6). The pre-tax discount rate applied to the cash flow projection was 13.37% (2014: 15.13%).

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18. Investment in an Associate (continued)

Particulars of the Group's associate as at 31 December 2015 were as follows:

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

Between June and August 2015, CDH completed a placement of 406,780,000 shares and the repurchase and cancellation of 3,116,000 shares. The Group's shareholding in CDH was diluted from 38.98% to 34.39% accordingly.

CDH is an investment holding company and its subsidiaries are engaged in (a) manganese mining, ore processing and downstream processing operations in China; and (b) manganese mining and ore processing operations in Gabon, West Africa. CDH is considered a material associate of the Group and accounted for using the equity method.

The following table summarises the financial information of CDH and its subsidiaries and also illustrates the reconciliation to the carrying amount of the Group's investment in CDH in the Group's consolidated financial statements:

	2015	2014
Current assets	**3,809,453**	4,022,042
Non-current assets	**5,527,883**	7,175,753
Current liabilities	**(4,512,937)**	(3,965,584)
Non-current financial liabilities, excluding accounts payable, other payables and provisions	**(1,504,989)**	(1,882,335)
Non-current liabilities	**(319,766)**	(769,046)
Net assets	**2,999,644**	4,580,830
Non-controlling interests	**(109,212)**	(129,125)
	2,890,432	4,451,705
Reconciliation to the Group's investment in the associate:		
Proportion of ownership	**34.39%**	38.98%
Proportionate share of net assets and carrying amount	**994,020**	1,735,275
Fair value of the Group's investment	**624,870**	636,660

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18. Investment in an Associate (continued)

	Year ended 31 December 2015	2014
Revenue	**2,517,000**	3,194,517
Loss for the year attributable to:		
Shareholders of CDH	**(984,463)**	(26,834)
Non-controlling interests of CDH	**(19,970)**	(98,209)
Other comprehensive income/(loss) attributable to:		
Shareholders of CDH	**(138,782)**	(12,920)
Non-controlling interests of CDH	**57**	307

19. Investment in a Joint Venture

	2015	2014
Share of net assets	**1,399,935**	3,474,161
Impairment	**(1,399,935)**	(1,399,935)
	—	2,074,226

Particulars of the Group's joint venture as at 31 December 2015 were as follows:

Name	Place of incorporation and operation	Issued ordinary share capital	Percentage of equity interest attributable to the Group	Principal activity
CITIC Canada Energy Limited ("**CCEL**")	Canada	US$1	50	Investment holding

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

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19. Investment in a Joint Venture (continued)

The following table summarises the financial information of CCEL and its subsidiaries and also illustrates the reconciliation to the carrying amount of the Group's investment in CCEL in the Group's consolidated financial statements:

	2015	2014
Cash and cash equivalents	**566,400**	1,625,909
Other current assets	**920,762**	2,259,424
Current assets	**1,487,162**	3,885,333
Non-current assets	**6,409,720**	11,387,007
Financial liabilities, excluding accounts payable and other payables	**(2,899,590)**	(3,882,957)
Other current liabilities	**(730,354)**	(1,025,283)
Current liabilities	**(3,629,944)**	(4,908,240)
Non-current financial liabilities, excluding accounts payable, other payables and provisions	**(2,384,295)**	(2,381,567)
Other non-current liabilities	**(1,711,251)**	(3,390,153)
Non-current liabilities	**(4,095,546)**	(5,771,720)
Net assets	**171,392**	4,592,380
Non-controlling interests	**(171,392)**	(443,928)
	—	4,148,452
Reconciliation to the Group's investment in a joint venture:		
Proportion of ownership	**50%**	50%
Proportionate share of net assets and carrying amount	**—**	2,074,226

	Year ended 31 December	
	2015	2014
Revenue	**4,583,296**	9,079,883
Interest income	**19,128**	3,389
Depreciation and amortisation	**(885,820)**	(1,966,877)
Interest expense	**(101,177)**	(119,363)
Income tax credit/(expense)	**540,196**	(408,561)
Profit/(loss) for the year attributable to:		
Shareholders of CCEL	**(3,717,268)**	326,198
Non-controlling interests of CCEL	**(190,061)**	15,385
Other comprehensive loss attributable to:		
Shareholders of CCEL	**(431,184)**	(641,552)
Non-controlling interests of CCEL	**(36,397)**	(33,685)

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20. Financial Assets at Fair Value through Profit or Loss

Designated as such upon initial recognition

	2015	2014
Non-current investment:		
Listed equity investment in Australia, at fair value	**1,835,713**	2,754,717

The fair value of the above investment was based on the quoted market price of the equity investment's shares on the Australian Securities Exchange (the "**ASX**").

As at 31 December 2015, the Group held a 9.685% equity interest in Alumina Limited ("**AWC**"). AWC, an Australian company listed on the ASX, has significant global interests in bauxite mining and alumina refining operations.

Prior to the date, which occurred in the second half of 2014, when the Group's investment in AWC was reclassified from investment in an associate to financial asset designated at fair value through profit or loss, the Group had equity accounted for its share of results in AWC and recorded a share of loss of HK$24,102,000 in 2014. On the date of the reclassification, the Group's investment in AWC was measured at its fair value based on the closing share price of AWC on that date. The Group therefore recorded a pre-tax fair value gain of HK$411,997,000 in 2014, being the difference between the fair value and carrying value in respect of its investment in AWC at the end of 2014 (note 5).

Since its reclassification, the Group's investment in AWC is carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. During the year, the Group has recorded a pre-tax fair value loss of HK$1,281,787,000 in respect of its investment in AWC (note 6).

Held for trading

	2015	2014
Current investments:		
Unlisted investments in Australia and China, at fair value	**3,029**	3,029

21. Available-for-sale Investment

	2015	2014
Non-current investment:		
Listed equity investment in Australia, at fair value	**1,274**	1,733

The fair value of the above investment was based on the quoted market price of the equity investment's shares on the ASX.

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22. Prepayments, Deposits and Other Receivables

	2015	2014
Prepayments	**99,536**	157,188
Current portion of prepaid land lease payments (note 13)	**1,239**	1,296
Deposits and other receivables	**1,773,573**	2,184,259
	1,874,348	2,342,743
Portion classified as current assets	**(1,693,416)**	(2,036,336)
Non-current portion	**180,932**	306,407

Included in the Group's other receivables was an amount due from CCEL, a joint venture of the Group, of HK$1,449,795,000 (2014: HK$1,786,743,000), which was interest free and repayable on demand.

With effect from the first half of 2015, a new tax regulation in Indonesia limits value added tax reimbursements to equity oil distributed to the government under the PSC. Previously, reimbursements of value added tax could be claimed by CITIC Seram after each delivery of the first tranche production to the government. Looking forward, it is however uncertain as to whether any equity oil will be available for distribution to the government prior to the expiry of the PSC. As such, a provision of HK$105,664,000 (2014: Nil) (note 6) was made at the end of the year in respect of the unrecoverable value added tax reimbursement.

Except for the amount due from CCEL on which an impairment of HK$24,536,000 (2014: Nil) (note 6) was provided at the end of the year, none of the above assets was either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

23. Inventories

	2015	2014
Raw materials	**131,024**	179,689
Work in progress	**17,309**	13,985
Finished goods	**500,283**	1,082,597
	648,616	1,276,271

The investigation commenced in 2014 by the Chinese authorities into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**") is still ongoing. The Group is not involved in the Investigation and up to the date of this report, the Group is not aware of the status or result of the Investigation.

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23. Inventories (continued)

The Group has certain alumina and copper stored in bonded warehouses at Qingdao port (the "**Inventories**"). In light of the Investigation, the Group applied to the Qingdao Maritime Court (the "**Court**") in June 2014 for asset protection orders in respect of the Inventories. The Court, however, did not grant an asset protection order in respect of certain alumina amongst the Inventories (the "**Non-protected Alumina**"). The Group also filed a claim with the Court against the operator of the bonded warehouses at Qingdao port (the "**Operator**") requiring the Operator to confirm the Group's ownership of the Inventories and to release and deliver all of the Inventories to the Group or, failing which, to compensate the Group in respect of the Inventories (the "**Claim**"). Up to the date of this report, no judgment has been issued by the Court in respect of the Claim.

Due to the unresolved nature of the Claim and the Investigation, the Group has not been able to gain access to the Inventories and therefore, there is material inherent uncertainty regarding the Inventories.

At the end of 2014, the Group fully provided for the Non-protected Alumina, being HK$319,800,000 (before tax credit) (note 6). As the Group has not received any information in respect of the progress of the Investigation and owing to the lack of progress in the Claim, and with the continuing decline in market prices of alumina and copper, the Group has made a further provision of HK$389,704,000 (before tax credit) at the end of the year in respect of the Inventories (excluding the Non-protected Alumina) (note 6). As at 31 December 2015, the net carrying value of the Inventories amounted to HK$269,708,000.

The Group remains confident in the merits of the Claim and no further adjustment is considered necessary for the time being to the carrying value of the Inventories. The Group will continue to pursue the Claim against the Operator.

24. Trade Receivables

	2015	2014
Trade receivables	**486,640**	802,749
Impairment	**(3,690)**	(9,411)
	482,950	793,338

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

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

	2015	2014
Within one month	**298,782**	288,734
One to two months	**50,984**	118,953
Two to three months	**61,671**	103,528
Over three months	**71,513**	282,123
	482,950	793,338

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24. Trade Receivables (continued)

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

	2015	2014
At 1 January	**9,411**	11,026
Impairment losses recognised (note 6)	**—**	9,412
Amount written back (note 6)	**(5,721)**	(11,027)
At 31 December	**3,690**	9,411

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of HK$3,690,000 (2014: HK$9,411,000) with an aggregate carrying amount before provision of HK$3,690,000 (2014: HK$9,411,000). The individually impaired trade receivables related to customers that were in financial difficulties and the receivables were not expected to be recovered.

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

	2015	2014
Neither past due nor impaired	**469,098**	674,950
Less than one month past due	**12,909**	27,214
One to three months past due	**598**	88,031
Over three months past due	**345**	3,143
	482,950	793,338

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, no provision for impairment is considered 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.

25. Derivative Financial Instruments

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	**124**	**1,885**	13,440	24,505
Forward commodity contracts	**174**	**3,829**	10,319	—
Derivative financial instrument – embedded derivative – ESA	**—**	**35,100**	—	81,439
EHA (as defined below)	**—**	**868,924**	—	645,951
	298	**909,738**	23,759	751,895
Portion classified as non-current portion:				
Derivative financial instrument – embedded derivative – ESA	**—**	**—**	—	(81,439)
EHA (as defined below)	**—**	**(868,924)**	—	(645,951)
Non-current portion	**—**	**(868,924)**	—	(727,390)
Current portion	**298**	**40,814**	23,759	24,505

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25. Derivative Financial Instruments (continued)

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 and inflation.

Forward currency contracts – cash flow hedges

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

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.

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

	2015 Weighted average exchange rate	2015 Contractual amount	2014 Weighted average exchange rate	2014 Contractual amount
Forward currency contracts:				
(a) Sell A$ / Buy US$				
Within three months	**0.7173**	**111,820**	0.8706	219,648
(b) Buy A$ / Sell US$				
Within three months	—	—	0.8514	212,191
Three to twelve months	—	—	0.8413	378,979
(c) Sell A$ / Buy Euro				
Within three months	**0.6856**	**1,710**	—	—

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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25. 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.

The terms of the Group's outstanding forward commodity contracts were as follows:

	2015			2014		
	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	**2,000**	**12,012**	**24,024**	1,500	16,146	24,219
Three to twelve months	—	—	—	8,375	16,184	135,541

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

Electricity hedge agreement – cash flow hedges

In 2010, a base load electricity contract was signed between the Group (together with the other joint venture partners of the PAS JV) and an independent electricity supplier (the "**EHA**"). The EHA effectively allows the PAS to secure electricity supply from 2016 through 2036 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.

The cash flow hedges of the expected future sales and purchases, and the EHA described above were assessed to be highly effective and a net loss of HK$104,239,000 (2014: HK$581,779,000), net of deferred tax, was included in the hedging reserve as follows:

	Year ended 31 December 2015
Total fair value loss included in the hedging reserve	**(224,064)**
Reclassified from the consolidated statement of comprehensive income and recognised in the consolidated income statement (note 6)	**60,785**
Deferred tax	**59,040**
Net loss on cash flow hedges	**(104,239)**

25. Derivative Financial Instruments (continued)

Forward commodity contracts – provisional pricing arrangements

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

The mark to market gains or losses of open sales are recognised through adjustments in the consolidated income statement and to trade receivables or payables on the consolidated statement of financial position. The Group determines the mark to market prices using forward prices at the end of each reporting period. As at 31 December 2015, there were 11,634 tonnes (2014: 5,370 tonnes) of aluminium which had been shipped and remained open as to price. The embedded derivative arising from these open sales has been recognised as a derivative financial instrument as at 31 December 2015.

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

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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26. Cash and Cash Equivalents

	2015	2014
Cash and bank balances	**459,034**	738,877
Time deposits	**841,163**	2,507,544
Cash and cash equivalents *	**1,300,197**	3,246,421

* As at 31 December 2015, the Group had a balance of HK$731,000 (2014: HK$1,373,000) at China CITIC Bank International Limited ("**CITIC Bank Int'l**") and HK$1,316,000 (2014: HK$1,015,000) at China CITIC Bank Corporation Limited.

Cash at banks earns interest at the rates quoted by the banks. 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 denominated in Renminbi ("**RMB**") and Kazakhstan Tenge ("**KZT**") amounted to HK$630,629,000 (2014: HK$1,138,310,000) and HK$85,000 (2014: HK$265,000), respectively. Although RMB and KZT are not freely convertible into other currencies, the Group is permitted to exchange RMB and KZT for other currencies through those banks which are authorised to conduct foreign exchange business under the foreign exchange control regulations of China and Kazakhstan, respectively.

27. Accounts Payable

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

	2015	2014
Within one month	**365,881**	615,656
One to three months	**6,428**	—
Over three months	**77,509**	24,907
	449,818	640,563

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

28. Accrued Liabilities and Other Payables

	2015	2014
Other payables	**188,453**	103,135
Accruals	**228,608**	668,959
Deferred income	**—**	4,965
	417,061	777,059

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

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Notes to Financial Statements

29. Bank and Other Borrowings

	2015	2014
Bank loans – unsecured	**7,805,907**	9,173,364

As at 31 December 2015, the bank loans included:

(a) trade finance totalling A$32,683,000 (HK$186,249,000), which was interest-bearing at the Bank Bill Swap Bid Rate (or cost of funds) plus margin; and

(b) loans totalling US$976,879,000 (HK$7,619,658,000), which were interest-bearing at the London interbank offered rates ("**LIBOR**") plus margin and included US$24,518,000 (HK$191,237,000) from CITIC Bank Int'l.

	2015	2014
Bank loans repayable:		
Within one year or on demand	**1,356,249**	3,400,173
In the second year	**2,704,586**	3,086,330
In the third to fifth years, inclusive	**3,745,072**	2,686,861
	7,805,907	9,173,364
Portion classified as current liabilities	**(1,356,249)**	(3,400,173)
Non-current portion	**6,449,658**	5,773,191

30. Finance Lease Payables

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

The total future minimum lease payments under finance lease payables and their present values were as follows:

	Minimum lease payments		Present values of minimum lease payments	
	2015	2014	2015	2014
Amounts payable:				
Within one year	**14,703**	17,072	**12,473**	13,650
In the second year	**14,594**	16,505	**13,229**	14,002
In the third to fifth years, inclusive	**12,989**	30,545	**12,339**	28,305
Beyond five years	**155**	600	**151**	569
Total minimum finance lease payments	**42,441**	64,722	**38,192**	56,526
Future finance charges	**(4,249)**	(8,196)		
Total net finance lease payables	**38,192**	56,526		
Portion classified as current liabilities	**(12,473)**	(13,650)		
Non-current portion	**25,719**	42,876		

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31. Provisions

	Notes	Provision for long term employee benefits	Provision for rehabilitation cost	Provision for abandonment cost	Total
At 1 January 2015		111,881	230,656	30,389	372,926
Provisions	6, 12	3,536	12,664	—	16,200
Amounts utilised during the year		(2,595)	(7,073)	—	(9,668)
Re-measurement gain on defined benefit plan		(10,484)	—	—	(10,484)
Increase in discounted amounts arising from the passage of time	9	—	1,879	1,445	3,324
Exchange realignment		(8,440)	(24,219)	—	(32,659)
At 31 December 2015		93,898	213,907	31,834	339,639
Portion classified as current liabilities		(42,608)	(2,677)	—	(45,285)
Non-current portion		51,290	211,230	31,834	294,354

The provisions were based on estimates of future payments made by management and discounted at rates in the range of 2.89% to 3.83%. 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.

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32. Deferred Tax

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

2015 Deferred tax assets	Depreciation allowance in excess of related depreciation and losses available for offsetting against future taxable profits	Change in fair value of financial instruments and defined benefit plan	Total
At 1 January	(11,115)	203,478	192,363
Deferred tax credited to the consolidated income statement during the year (note 10)	332,779	—	332,779
Deferred tax credited to equity during the year	—	56,033	56,033
Exchange realignment	(290)	—	(290)
At 31 December	321,374	259,511	580,885

2014 Deferred tax liabilities	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments and defined benefit plan	Total
At 1 January	75,748	(8,908)	66,840
Deferred tax charged to the consolidated income statement during the year (note 10)	32,539	—	32,539
Deferred tax credited to equity during the year	—	(194,570)	(194,570)
Exchange realignment	(3,033)	—	(3,033)
At 31 December	105,254	(203,478)	(98,224)

2014 Deferred tax assets	Losses available for offsetting against future taxable profits
At 1 January	174,610
Deferred tax charged to the consolidated income statement during the year (note 10)	(80,471)
At 31 December	94,139
Net deferred tax assets at 31 December	192,363

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32. Deferred Tax (continued)

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

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

33. Share Capital

Shares

	2015	2014
Authorised: 10,000,000,000 (2014: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid: 7,857,727,149 (2014: 7,868,527,149) ordinary shares of HK$0.05 each	**392,886**	393,426

The Company repurchased a total of 10,800,000 of its shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in August 2015 at a total consideration of HK$15,603,000 (including expenses). All of the repurchased shares have been cancelled during the year and the issued share capital of the Company was accordingly reduced by the par value of the cancelled shares. The premium paid on the repurchase of the shares of HK$15,063,000 was charged to the share premium account.

Share options

Details of the new share option scheme of the Company and the share options that have been granted under the Old Scheme and remained outstanding as at the end of the reporting period are set out in note 34 to the financial statements.

34. Share Option Scheme

The Old Scheme expired on 29 June 2014. To enable the Company to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by the Company on 27 June 2014 (the "**New Scheme**").

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

(a) **Purpose**: To allow the Company (i) to be competitive and to be able to attract, retain and motivate appropriate personnel to assist the Group attain its strategic objectives by offering share options to enhance general remuneration packages; (ii) to align the interests of the directors and employees of the Group with the performance of the Company and the value of the shares; and (iii) to align the commercial interests of business associates, customers and suppliers of the Group with the interests and success of the Group.

(b) **Eligible persons**: The eligible persons include employees and directors of the Company and any of its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who will provide or have provided services to the Group.

(c) **Total number of shares available for issue**: The total number of shares which may be issued upon the exercise of all outstanding options granted under the New Scheme and any other schemes of the Company shall not exceed 10% of the total number of shares of the Company in issue as at the date of adoption of the New Scheme.

(d) **Maximum entitlement of each eligible person**: The total number of shares issued and to be issued upon the exercise of the options granted to an eligible person (including any exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue at the date of grant.

(e) **Exercise period**: The period during which an option may be exercised is determined by the Board at its absolute discretion, except that no option may be exercised after 10 years from the date of grant.

(f) **Vesting period**: The minimum period for which an option must be held before it can be exercised is one year.

(g) **Exercise price**: The exercise price payable in respect of each share of the Company shall be not less than the greater of (i) the closing price of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant (which must be a business day); (ii) the average closing price of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

(h) **Remaining life**: The New Scheme remains in force until 26 June 2024 unless otherwise terminated in accordance with the terms stipulated therein.

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

34. Share Option Scheme (continued)

During the years ended 31 December 2015 and 2014, the movement of share options that have been granted under the Old Scheme was as follows:

	2015		2014	
	Weighted average exercise price per share HK$	Number of share options	Weighted average exercise price per share HK$	Number of share options
At 1 January and 31 December	**1.770**	**400,000,000**	1.770	400,000,000

The exercise prices and exercise periods of the share options that have been granted under the Old Scheme and remained outstanding as at the end of the reporting period were as follows:

	Number of share options	Exercise price per share* HK$	Exercise period
2015	**200,000,000**	**1.770**	**06-11-2014 to 05-11-2018**
	200,000,000	**1.770**	**06-11-2015 to 05-11-2018**
	400,000,000		
2014	200,000,000	1.770	06-11-2014 to 05-11-2018
	200,000,000	1.770	06-11-2015 to 05-11-2018
	400,000,000		

* 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.

On 6 November 2013, the Company granted to Mr. Kwok Peter Viem, a director of the Company, share options to subscribe for 400,000,000 ordinary shares of the Company at an exercise price of HK$1.770 per share under the Old Scheme. The share options are subject to the following vesting conditions:

(i) 50% of the share options vest and are exercisable with effect from the first anniversary of the date of grant; and

(ii) the remaining 50% of the share options vest and are exercisable with effect from the second anniversary of the date of grant.

The fair values of the share options granted in 2013 were HK$2,400,000 (HK$0.012 each) and HK$9,600,000 (HK$0.048 each), respectively, based on different vesting periods. The Group recognised an equity-settled share option expense of HK$4,080,000 (2014: HK$6,840,000) during the year (note 6).

34. Share Option Scheme (continued)

The fair value of equity-settled share options granted in 2013 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	—
Expected volatility (%)	29.84
Historical volatility (%)	29.84
Risk-free interest rate (%)	2.10 – 2.63
Expected life of share options (year)	1 – 2
Weighted average share price (HK$ per share)	1.07

The expected life of the share options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 400,000,000 share options outstanding under the Old Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 400,000,000 additional ordinary shares of the Company, additional share capital of HK$20,000,000 and share premium of HK$688,000,000 (before expenses).

At the date of approval of the financial statements, the Company had 400,000,000 share options outstanding under the Old Scheme, which represented 5.09% of the Company's shares in issue as at that date.

35. Reserves

Movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 47 and 48 of the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the share capital of the former 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 which are registered in China.

36. Litigation

In addition to the litigation detailed in note 23 to the financial statements, the Group also had the following litigation during the year:

(a) In 2014, the Kazakhstan tax authorities (the "**Tax Authorities**") completed a tax inspection on JSC Karazhanbasmunai ("**KBM**"), a subsidiary of CCEL, in respect of transfer pricing for the five years from 2008 to 2012. As a result, the Tax Authorities issued a tax assessment for KZT12,263,596,000 (HK$279,132,000) on KBM, representing underpaid taxes (corporate income tax ("**CIT**") and excess profit tax ("**EPT**")) of KZT7,410,558,000 (HK$168,672,000), administration penalty of KZT3,705,279,000 (HK$84,336,000) and interest on late payment of KZT1,147,759,000 (HK$26,124,000).

During the year, after several appeals to the courts in Kazakhstan, KBM was held liable for part of the tax assessment and, in respect of which, KBM lodged a final appeal to the Supervisory Board of the Supreme Court of Kazakhstan in December 2015. Up to the date of this report, the result of the final appeal is unknown. Notwithstanding this, at the end of the year, the Group made a full provision for its share, being HK$132,070,000.

(b) In 2014, the Tax Authorities completed an integrated tax inspection on KBM for the four years from 2009 to 2012. As a result, the Tax Authorities issued a tax assessment for KZT4,492,047,000 (HK$102,244,000) on KBM, representing underpaid taxes (CIT and EPT) of KZT2,510,515,000 (HK$57,142,000), administration penalty of KZT1,260,597,000 (HK$28,693,000) and interest on late payment of KZT720,935,000 (HK$16,409,000). The Group's share was HK$48,376,000. In 2014, KBM made a provision for the amounts it has agreed on underpaid taxes, administration penalty and interest on late payment, in an aggregate amount of KZT633,851,000 (HK$14,427,000). The Group's share was HK$6,826,000.

In 2014, KBM applied to the State Revenue Committee of the Ministry of Finance of Kazakhstan requesting a reconsideration of the remaining unresolved claim amounts. The reconsideration was concluded in January 2016 but only part of the remaining unresolved claim amounts was discharged. KBM is considering making an appeal to the Specialized Interregional Economic Court of Mangistau Oblast. Based on the advice from KBM's legal counsel, KBM has justifiable arguments for its tax position. However, at the end of the year, KBM made a further provision in an aggregate amount of KZT2,069,789,000 (HK$47,111,000). The Group's share was HK$22,290,000.

(c) In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("**Shanxi Coal I/E**"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.) ("**Shanxi Coal Int'l**"), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "**Shanxi Court**") against, amongst others, CACT ("**Claim A**"). Shanxi Coal I/E is claiming from CACT (i) the sum of US$89,755,000 (HK$700,089,000) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E, and (ii) costs in respect of Claim A.

Service of Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings have been held subsequently. So far, no judgment has been issued by the Shanxi Court in respect of Claim A.

36. Litigation (continued)

(c) (continued)

The Group has noted from an announcement issued by Shanxi Coal Int'l in August 2014 that, in connection with Claim A, Shanxi Coal I/E had obtained an asset protection order over a certain quantity of CACT's alumina and copper stored in bonded warehouses at Qingdao port.

CACT remains of the view that Claim A is without merit. Accordingly, no provision was made in respect of Claim A.

(d) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "**ICC**") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "**Contracts**"); and (ii) claiming the amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("**Claim B**").

CACT considers Claim B to be baseless and the purported submission to arbitration by the ICC wrongful. CACT has not entered into the Contracts as alleged by Shanxi Coal I/E. Accordingly, no provision was made in respect of Claim B.

37. Contingent Liabilities

In August 2014, the Group has noted from an announcement issued by Qingdao Port International Co., Ltd. (the "**Qingdao Port Announcement**") that a legal complaint dated 14 July 2014 (the "**Legal Proceedings**") had been issued by ABN AMRO Bank N.V., Singapore Branch ("**ABN AMRO**") against CACT.

According to the Qingdao Port Announcement, among other things, ABN AMRO had issued the Legal Proceedings alleging that CACT had taken wrongful preservative measures in respect of cargo over which ABN AMRO claims it had been granted a pledge (the "**Subject Cargo**") and is seeking an order that (i) CACT compensate ABN AMRO for loss of RMB1,000,000 (HK$1,193,000); (ii) CACT withdraw its asset protection order over the Subject Cargo; and (iii) CACT bear all fees and legal costs of the Legal Proceedings.

Up to the date of this report, CACT has not been served with the Legal Proceedings and is, therefore, unable to consider or comment on the substance of the Legal Proceedings. Accordingly, no provision was made in respect of the Legal Proceedings.

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38. Operating Lease Commitments

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:

	2015	2014
Within one year	**155,468**	205,448
In the second to fifth years, inclusive	**314,113**	479,539
Beyond five years	**58,105**	99,859
	527,686	784,846

39. Commitments

In addition to the operating lease commitments detailed in note 38 above, the Group's share of the capital expenditure commitments was as follows:

	2015	2014
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**163,029**	1,726,217

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$4,171,427,000). The contract amount was subject to the actual work confirmed by the Group and the contractor. During the year, the integrated drilling was fully completed. Accordingly, as at 31 December 2015, the Group recorded no further capital commitment regarding the turnkey contract.

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

	2015	2014
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**15,060**	93,392

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40. Related Party Transactions and Connected Transactions

In addition to the transactions and balances disclosed elsewhere in the Group's consolidated financial statements, the Group had the following material transactions with its related parties:

(a)

	Notes	Year ended 31 December 2015	2014
Ultimate holding company:			
Rental expense	(i)	**2,365**	2,412
Subsidiaries of the ultimate holding company:			
Rental expense	(i)	**3,291**	3,788
Interest expense	(ii)	**—**	8,443
Sale of products	(iii)	**74,682**	—
A joint venture:			
Rental income	(i)	**4,606**	5,212
Service fees income	(i)	**780**	23,890

Notes:

(i) based on mutually agreed terms
(ii) charged on a US$ loan at 2.2% p.a. over LIBOR
(iii) made on normal commercial terms and conditions offered to the independent customers of the Group

(b) Details of directors' remuneration are set out in note 7 to the financial statements.

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

	Year ended 31 December 2015	2014
Salaries, allowances and benefits in kind	**10,096**	7,624
Bonuses	**5,224**	4,197
Pension scheme contributions	**340**	219
	15,660	12,040
Number of executives by remuneration bands:		
Below HK$2,000,000	**1**	2
HK$2,000,001 – HK$4,000,000	**3**	2
HK$4,000,001 – HK$6,000,000	**1**	1
	5	5

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40. Related Party Transactions and Connected Transactions (continued)

(c) In October 2011, the Group entered into two 5-year lease agreements with CITIC House Pty Limited, a subsidiary of the Company's ultimate holding company, for the leasing of office premises.

In December 2015, the Group entered into two 1-year lease agreements with its ultimate holding company for the leasing of office premises.

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

	2015	2014
Within one year	**4,668**	5,877
In the second to fifth years, inclusive	**—**	2,735
	4,668	8,612

Except for the rental income and service fees income from a joint venture of the Group, the related party transactions disclosed above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Other than the sale of products to a subsidiary of the Company's ultimate holding company, the other transactions were fully exempted connected transactions or fully exempted continuing connected transactions.

41. Financial Instruments by Category

The carrying amount of each of the categories of financial instruments was as follows:

2015 Financial assets	Financial assets at fair value through profit or loss				
	designated as such upon initial recognition	held for trading	Loans and receivables	Available-for-sale financial assets	Total
Financial assets at fair value through profit or loss	1,835,713	3,029	—	—	1,838,742
Available-for-sale investment	—	—	—	1,274	1,274
Financial assets included in prepayments, deposits and other receivables	—	—	1,580,632	—	1,580,632
Derivative financial instruments	—	298	—	—	298
Trade receivables	—	—	482,950	—	482,950
Cash and cash equivalents	—	—	1,300,197	—	1,300,197
	1,835,713	3,327	3,363,779	1,274	5,204,093

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Notes to Financial Statements

41. Financial Instruments by Category (continued)

2015 Financial liabilities	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Accounts payable	—	449,818	449,818
Financial liabilities included in accrued liabilities and other payables	—	386,488	386,488
Derivative financial instruments	909,738	—	909,738
Bank and other borrowings	—	7,805,907	7,805,907
Finance lease payables	—	38,192	38,192
	909,738	8,680,405	9,590,143

2014 Financial assets	Financial assets at fair value through profit or loss				
	designated as such upon initial recognition	held for trading	Loans and receivables	Available-for-sale financial assets	Total
Financial assets at fair value through profit or loss	2,754,717	3,029	—	—	2,757,746
Available-for-sale investment	—	—	—	1,733	1,733
Financial assets included in prepayments, deposits and other receivables	—	—	2,016,632	—	2,016,632
Derivative financial instruments	—	23,759	—	—	23,759
Trade receivables	—	—	793,338	—	793,338
Cash and cash equivalents	—	—	3,246,421	—	3,246,421
	2,754,717	26,788	6,056,391	1,733	8,839,629

2014 Financial liabilities	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Accounts payable	—	640,563	640,563
Financial liabilities included in accrued liabilities and other payables	—	872,274	872,274
Derivative financial instruments	751,895	—	751,895
Bank and other borrowings	—	9,173,364	9,173,364
Finance lease payables	—	56,526	56,526
	751,895	10,742,727	11,494,622

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42. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, were as follows:

	Carrying amounts		Fair values	
	2015	2014	2015	2014
Financial assets				
Financial assets at fair value through profit or loss	**1,838,742**	2,757,746	**1,838,742**	2,757,746
Available-for-sale investment	**1,274**	1,733	**1,274**	1,733
Derivative financial instruments	**298**	23,759	**298**	23,759
	1,840,314	2,783,238	**1,840,314**	2,783,238
Financial liabilities				
Derivative financial instruments	**909,738**	751,895	**909,738**	751,895
Bank and other borrowings	**7,805,907**	9,173,364	**7,808,583**	9,171,371
Finance lease payables	**38,192**	56,526	**36,386**	53,851
	8,753,837	9,981,785	**8,754,707**	9,977,117

The fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, accounts payable, and financial liabilities included in accrued liabilities and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

Each principal subsidiary of the Company is responsible for its own fair value measurement of financial instruments. The finance team of the Company is responsible for the review and calibration of the parameters of the valuation processes. The valuation processes and results are discussed with the chief financial officer twice a year for interim and annual financial reporting purposes.

The fair values of the financial assets and liabilities are stated in 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 listed equity investments were determined based on quoted prices in active markets as at the end of the reporting period without any deduction of transaction costs.

(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 which had similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings as well as finance lease payables as at the end of the reporting period was assessed to be insignificant.

Notes to Financial Statements

42. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

(c) 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, embedded derivatives in provisional pricing arrangements and the ESA, and the EHA, were measured using valuation techniques similar to forward pricing and discounted cash flow models, which means using present value calculations. These valuation techniques used both observable and unobservable market inputs. The fair values of forward currency contracts, forward commodity contracts, embedded derivatives in provisional pricing arrangements and the ESA, and the EHA were the same as their carrying amounts.

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

(ii) The fair values of embedded derivative in the ESA, the EHA and other investments that did not have an active market were based on valuation techniques using significant unobservable market inputs.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

Derivative financial Instruments

Valuation techniques	Significant unobservable inputs	Range 2015	Range 2014	Sensitivity of fair value to the changes in input
Embedded derivative – ESA				
Discounted cash flow method	Weighted average cost of capital ("**WACC**")	**2.15% to 4.15%**	2.88% to 4.88%	1% increase (decrease) in WACC would result in a decrease (an increase) in fair value by HK$253,000 (HK$257,000) (2014: HK$887,000 (HK$908,000))
EHA				
Discounted cash flow method	WACC	**5.64% to 7.64%**	5.69% to 7.69%	1% increase (decrease) in WACC would result in a decrease (an increase) in fair value by HK$28,235,000 (HK$31,662,000) (2014: HK$28,707,000 (HK$36,954,000))
	Inflation rate	**1.50% to 3.50%**	1.54% to 3.54%	1% increase (decrease) in inflation rate would result in an increase (a decrease) in fair value by HK$262,111,000 (HK$211,934,000) (2014: a decrease by HK$22,222,000 (an increase by HK$14,543,000))

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42. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
2015				
Financial asset at fair value through profit or loss	**1,838,742**	**—**	**—**	**1,838,742**
Available-for-sale investment:				
Listed equity investment	**1,274**	**—**	**—**	**1,274**
Derivative financial instruments	**—**	**298**	**—**	**298**
	1,840,016	**298**	**—**	**1,840,314**
2014				
Financial asset at fair value through profit or loss	2,757,746	—	—	2,757,746
Available-for-sale investment:				
Listed equity investment	1,733	—	—	1,733
Derivative financial instruments	—	23,759	—	23,759
	2,759,479	23,759	—	2,783,238

Liabilities measured at fair value:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
2015				
Derivative financial instruments	**—**	**5,714**	**904,024**	**909,738**
2014				
Derivative financial instruments	—	24,505	727,390	751,895

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42. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

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

Derivative financial instruments	2015	2014
At 1 January	**727,390**	97,305
Total gains recognised in the consolidated income statement	**(46,339)**	—
Total losses recognised in the consolidated statement of comprehensive income	**222,973**	630,085
At 31 December	**904,024**	727,390

During the year, the Group did not have any transfer of fair value measurements between Level 1 and Level 2 nor any transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
2015				
Bank and other borrowings	**—**	**7,808,583**	**—**	**7,808,583**
Finance lease payables	**—**	**36,386**	**—**	**36,386**
	—	**7,844,969**	**—**	**7,844,969**
2014				
Bank and other borrowings	—	9,171,371	—	9,171,371
Finance lease payables	—	53,851	—	53,851
	—	9,225,222	—	9,225,222

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43. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, finance lease payables, 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, embedded derivatives in provisional pricing arrangements and the ESA, and the EHA. Their purpose is to manage the foreign currency risk, price risk and inflation risk arising from the Group's operations and sources of finance. Details of the derivative financial instruments are set out in note 25 to the financial statements.

It is, and has been throughout the year, the Group's policy that trading in financial instruments shall be undertaken with due care.

The main risks arising from the Group's financial instruments are foreign currency risk, price risk, interest rate risk, 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 to which the Group had significant exposure (with all other variables held constant).

2015	Increase / (decrease) in US$ rate %	Decrease / (increase) in loss before tax	Increase / (decrease) in equity
If US$ weakens against A$	**(10)**	**177,715**	**103,007**
If US$ strengthens against A$	**10**	**(177,715)**	**(101,806)**

2014	Increase / (decrease) in US$ rate %	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
If US$ weakens against A$	(10)	275,293	308,763
If US$ strengthens against A$	10	(275,293)	(317,983)

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43. Financial Risk Management Objectives and Policies (continued)

Price risk

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

Listed investments

As at 31 December 2015, the Group had equity interests in Toro Energy Limited and AWC, both listed on the ASX. At the end of each reporting period, these listed investments are 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).

2015	Increase / (decrease) in listed share prices %	Decrease / (increase) in loss before tax	Increase / (decrease) in equity
Available-for-sale investment	**(10)**	**—**	**(127)**
Available-for-sale investment	**10**	**—**	**127**
Financial asset at fair value through profit or loss	**(10)**	**(183,571)**	**(183,571)**
Financial asset at fair value through profit or loss	**10**	**183,571**	**183,571**

2014	Increase / (decrease) in listed share prices %	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
Available-for-sale investment	(10)	—	(172)
Available-for-sale investment	10	—	172
Financial asset at fair value through profit or loss	(10)	(275,472)	(275,472)
Financial asset at fair value through profit or loss	10	275,472	275,472

Aluminium

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

Besides, the Group also enters into aluminium sales agreements with provisional pricing arrangements arising from which an embedded derivative is required to be separated from the host contract. The host contract is the sale of aluminium at the provisional invoice price and the embedded derivative is the forward contract for which the provisional invoice price is subsequently adjusted.

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43. Financial Risk Management Objectives and Policies (continued)

Price risk (continued)

Aluminium (continued)

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

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

2015	Increase / (decrease) in LME aluminium price %	Decrease / (increase) in loss before tax	Increase / (decrease) in equity
Forward commodity contracts	**(10)**	**(10,234)**	**(10,234)**
Forward commodity contracts	**10**	**10,241**	**10,241**

2014	Increase / (decrease) in LME aluminium price %	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
Forward commodity contracts	(10)	(70)	8,455
Forward commodity contracts	10	70	(8,408)

Embedded derivative – ESA

The pricing mechanism used in the ESA includes a component that is subject to the price of aluminium. The component is considered to be 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).

2015	Increase / (decrease) in LME aluminium price %	Decrease / (increase) in loss before tax	Increase / (decrease) in equity
Embedded derivative	**(10)**	**27,573**	**27,573**
Embedded derivative	**10**	**(27,557)**	**(27,557)**

2014	Increase / (decrease) in LME aluminium price %	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
Embedded derivative	(10)	46,979	46,979
Embedded derivative	10	(49,561)	(49,561)

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43. Financial Risk Management Objectives and Policies (continued)

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's floating rate United States dollar ("**US$**") debts.

The Group's policy is to manage its interest expenses using a mix of fixed and floating rate debts with respect to the prevailing interest rate environment. To manage this mix in a cost-effective manner, the Group may enter into interest rate swap contracts, in which 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 against the interest rate exposure of the underlying debt obligations.

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

2015	Increase / (decrease) in interest rate basis points	Decrease / (increase) in loss before tax	Increase / (decrease) in equity
US$ debts	**(100)**	**77,220**	**77,220**
US$ debts	**100**	**(77,220)**	**(77,220)**

2014	Increase / (decrease) in interest rate basis points	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
US$ debts	(100)	88,140	88,140
US$ debts	100	(88,140)	(88,140)

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43. 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 rate (with all other variables held constant).

2015	Increase / (decrease) in inflation rate %	Decrease / (increase) in loss before tax	Increase / (decrease) in equity
EHA	**(1)**	—	**211,934**
EHA	**1**	—	**(262,111)**

2014	Increase / (decrease) in inflation rate %	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
EHA	(1)	—	22,222
EHA	1	—	(14,547)

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 investment, 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, geographical region and 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.

Quantitative data in respect of the Group's exposure to credit risk arising from trade receivables is set out in note 24 to the financial statements.

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Notes to Financial Statements

43. 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 2015, 17.4% (2014: 37.0%) of the Group's debts would mature within one year based on the carrying value of the debts reflected in the financial statements.

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

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
2015					
Accounts payable	**77,509**	**372,309**	**—**	**—**	**449,818**
Financial liabilities included in accrued liabilities and other payables	**21**	**—**	**386,467**	**—**	**386,488**
Derivative financial instruments	**—**	**16,244**	**24,570**	**868,924**	**909,738**
Bank and other borrowings	**—**	**—**	**1,591,330**	**6,832,869**	**8,424,199**
Finance lease payables	**—**	**—**	**14,703**	**27,738**	**42,441**
	77,530	**388,553**	**2,017,070**	**7,729,531**	**10,212,684**
2014					
Accounts payable	24,907	615,656	—	—	640,563
Financial liabilities included in accrued liabilities and other payables	1,124	—	755,459	113,469	870,052
Derivative financial instruments	—	21,612	2,893	727,390	751,895
Bank and other borrowings	—	—	3,620,231	6,049,921	9,670,152
Finance lease payables	—	—	17,072	47,650	64,722
	26,031	637,268	4,395,655	6,938,430	11,997,384

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43. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise 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 monitors capital with the inclusion of the parameter of liquidity by using the ratio of net debt to net total capital. Net debt is total debt less cash and cash equivalents while net total capital is equity attributable to shareholders of the Company plus net debt. The Group's current objective is to maintain this ratio at a reasonable level.

The ratio of net debt to net total capital as at the end of the reporting period was as follows:

	2015	2014
Bank and other borrowings	**7,805,907**	9,173,364
Finance lease payables	**38,192**	56,526
Less: Cash and cash equivalents	**(1,300,197)**	(3,246,421)
Net debt	**6,543,902**	5,983,469
Equity attributable to shareholders of the Company	**4,167,381**	10,867,117
Add: Net debt	**6,543,902**	5,983,469
Net total capital	**10,711,283**	16,850,586
Net debt to net total capital	**61.1%**	35.5%

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44. Statement of Financial Position of the Company

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

	2015	2014
NON-CURRENT ASSETS		
Property, plant and equipment	**845**	547
Investments in subsidiaries	**7,691,949**	12,938,645
Total non-current assets	**7,692,794**	12,939,192
CURRENT ASSETS		
Prepayments, deposits and other receivables	**699,421**	1,064,473
Cash and cash equivalents	**629,610**	2,489,989
Total current assets	**1,329,031**	3,554,462
CURRENT LIABILITIES		
Accrued liabilities and other payables	**1,415**	3,659
Bank borrowings	**1,170,000**	2,948,867
Total current liabilities	**1,171,415**	2,952,526
NET CURRENT ASSETS	**157,616**	601,936
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,850,410**	13,541,128
NON-CURRENT LIABILITIES		
Bank borrowings	**6,449,658**	5,773,191
NET ASSETS	**1,400,752**	7,767,937
EQUITY		
Issued capital	**392,886**	393,426
Reserves	**1,007,866**	7,374,511
TOTAL EQUITY	**1,400,752**	7,767,937

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44. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account	Contributed surplus	Exchange fluctuation reserve	Hedging reserve	Share option reserve	Accumulated losses	Total
At 1 January 2014		9,721,915	172,934	1,826	(2,890)	1,080	(2,296,298)	7,598,567
Loss for the year		—	—	—	—	—	(210,648)	(210,648)
Other comprehensive loss for the year :								
Cash flow hedges, net of tax		—	—	—	(20,012)	—	—	(20,012)
Exchange differences on translation of foreign operations		—	—	(236)	—	—	—	(236)
Total comprehensive loss for the year		—	—	(236)	(20,012)	—	(210,648)	(230,896)
Equity-settled share option arrangements	34	—	—	—	—	6,840	—	6,840
At 31 December 2014		9,721,915	172,934	1,590	(22,902)	7,920	(2,506,946)	7,374,511
At 1 January 2015		**9,721,915**	**172,934**	**1,590**	**(22,902)**	**7,920**	**(2,506,946)**	**7,374,511**
Loss for the year		—	—	—	—	—	**(6,378,164)**	**(6,378,164)**
Other comprehensive income/(loss) for the year :								
Cash flow hedges, net of tax		—	—	—	**22,902**	—	—	**22,902**
Exchange differences on translation of foreign operations		—	—	**(400)**	—	—	—	**(400)**
Total comprehensive income/(loss) for the year		—	—	**(400)**	**22,902**	—	**(6,378,164)**	**(6,355,662)**
Shares repurchased	33	**(15,063)**	—	—	—	—	—	**(15,063)**
Equity-settled share option arrangements	34	—	—	—	—	**4,080**	—	**4,080**
At 31 December 2015		**9,706,852**	**172,934**	**1,190**	—	**12,000**	**(8,885,110)**	**1,007,866**

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 19 February 2016.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the published audited financial statements 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				
	2015	2014	2013	2012 Restated	2011 Restated
Revenue	**3,713,127**	17,805,124	39,319,183	42,747,432	33,160,471
Profit/(loss) before tax	**(6,503,373)**	384,149	(2,130,724)	(1,095,686)	3,269,418
Income tax credit/(expense)	**331,453**	(113,734)	527,870	(205,263)	(1,184,842)
Profit/(loss) for the year	**(6,171,920)**	270,415	(1,602,854)	(1,300,949)	2,084,576
Attributable to:					
Shareholders of the Company	**(6,104,909)**	223,830	(1,465,436)	(1,283,923)	2,099,223
Non-controlling interests	**(67,011)**	46,585	(137,418)	(17,026)	(14,647)
	(6,171,920)	270,415	(1,602,854)	(1,300,949)	2,084,576

Assets, Liabilities and Non-controlling Interests

HK$'000

	31 December				
	2015	2014	2013	2012 Restated	2011 Restated
Non-current assets	**9,895,024**	15,400,648	14,682,606	11,661,540	12,151,903
Current assets	**4,171,502**	7,379,527	13,203,375	14,645,972	17,762,946
Total assets	**14,066,526**	22,780,175	27,885,981	26,307,512	29,914,849
Current liabilities	**2,322,553**	4,908,958	8,947,341	2,652,164	5,026,669
Non-current liabilities	**7,638,655**	6,976,845	7,277,258	10,308,634	10,469,074
Total liabilities	**9,961,208**	11,885,803	16,224,599	12,960,798	15,495,743
Non-controlling interests	**(62,063)**	27,255	(6,310)	118,544	132,830
Equity attributable to shareholders of the Company	**4,167,381**	10,867,117	11,667,692	13,228,170	14,286,276

Reserve Quantities Information

Proved Oil Reserves Estimates (unaudited)

million barrels

2015	Indonesia (51%)	China (100%)	Kazakhstan (50%)	Total
At 1 January	**2.4**	**25.5**	**125.1**	**153.0**
Revision	**0.7**	**(0.7)**	**(1.3)**	**(1.3)**
Production	**(0.6)**	**(2.6)**	**(7.1)**	**(10.3)**
At 31 December	**2.5**	**22.2**	**116.7**	**141.4**

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