
Chairman's Statement

I am pleased to report to you, on behalf of your Board, our results for the year ended 31 December 2006. The Group has achieved a satisfactory financial performance for 2006.

FINANCIAL RESULTS

In 2006, the Group revenue increased by 29.7% to HK\$7,503.4 million. Profit attributable to shareholders was HK\$200.8 million, representing a 9.4% decrease from the HK\$221.7 million of 2005. Earnings per share were HK 4.65 cents, compared with HK 5.14 cents in 2005.

The Board does not recommend the payment of a dividend in respect of the year.

BUSINESS REVIEW AND OUTLOOK

Strong demand and price volatility for natural resources, especially aluminium, coal, iron ore, manganese and oil, which are important to and impact the Group's performance, continued during 2006. Against this background, our delivery of the Group's business strategy as an integrated provider of key natural resources continued and there were a number of encouraging initiatives and developments during the year.

Our businesses and interests in Australia, including aluminium smelting, coal, import and export of commodities, continue to be the principal contributors and formed the basis for the satisfactory results of the Group in 2006. Our Australian listed subsidiary, CITIC Australia Trading Limited, recorded a modest increase in net profit. Alumina exports performed well as did iron ore trading. A positive development has been the commencement in 2006 of a new trading line exporting Chinese steel to Europe and the Middle East.

Since completing the acquisition of our manganese investment in February 2006, we have been integrating this into the Group. I am pleased to report that the manganese business has made a welcome contribution to the profits of the Group for 2006 and we will be endeavouring to obtain greater efficiency and productivity in the future.

Investment in oil has been identified as a particular focus for the Group and we have been benefiting from our key industry appointments of 2006.

In November 2006, CITIC Seram Energy Limited, a wholly-owned subsidiary of the Group, concluded the acquisition of a 51% majority interest in the Seram Island Non-Bula Block production sharing contract. One notable aspect of this acquisition is that CITIC Seram Energy Limited also became the operator responsible for managing and operating exploration and development at the Seram Island Non-Bula Block which marks a change in the Group's strategy for oil investments from passive holdings to an involvement. In 2006, the average production of oil from the Seram Island Non-Bula Block was above 4,700 barrels per day.

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We plan to increase our oil production capacity through development of existing interests and through acquisitions. We are currently assessing a possible investment in the Karazhanbas oilfield located in Kazakhstan which has proven reserves of about 340 million barrels of oil as of 31 December 2005. The Company has been granted a right by our ultimate controlling shareholder, CITIC Group, to acquire about a 50% interest in this oilfield. If an investment in the Karazhanbas oilfield can be successfully concluded, the Group would become one of the largest PRC controlled listed oil producers.

We continue to be financially sound and with the support of our shareholders, remain well placed to continue efforts to build our business and enhance shareholder value.

APPOINTMENT OF MR. KONG DAN AS HONORARY CHAIRMAN

I would like to express a very warm welcome to Mr. Kong Dan who has graciously accepted our invitation to become our Honorary Chairman (non Board member). Mr. Kong is the Chairman of CITIC Group. I believe that Mr Kong's appointment will benefit the Group enormously and will allow us to draw on his considerable knowledge, experience and counsel to help us further develop our strategy and business and enhance returns to our shareholders.

APPRECIATION

I would like to express my deep thanks to my fellow directors for their valuable contribution and my gratitude to all of our employees for their dedicated efforts and unstinting dedication and hard work. For myself and on behalf of the Board, I would like to extend my sincere thanks to our shareholders, customers, suppliers, bankers and business associates for their continued support.



Kwok Peter Viem

Chairman

Hong Kong, 20 April 2007