Interim Report 2007




CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 1205


Strong global demand for energy resources and commodities presents increased opportunities for the Group.

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. Kong Dan (Chairman)
Mr. Mi Zengxin (Vice Chairman)
Mr. Shou Xuancheng (Vice Chairman)
Mr. Sun Xinguo
(President and Chief Executive Officer)
Ms. Li So Mui
Mr. Qiu Yiyong
Mr. Zeng Chen
Mr. Zhang Jijing

NON-EXECUTIVE DIRECTORS
Mr. Ma Ting Hung
Mr. Tang Kui
Mr. Wong Kim Yin (Alternate to Mr. Tang Kui)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Fan Ren Da, Anthony
Mr. Ngai Man
Mr. Tsang Link Carl, Brian

AUDIT COMMITTEE
Mr. Tsang Link Carl, Brian (Chairman)
Mr. Fan Ren Da, Anthony
Mr. Ngai Man

INVESTMENT COMMITTEE
Mr. Mi Zengxin (Chairman)
Mr. Sun Xinguo
Mr. Zeng Chen
Mr. Zhang Jijing
Mr. Tang Kui

NOMINATION COMMITTEE
Mr. Ngai Man (Chairman)
Mr. Fan Ren Da, Anthony
Mr. Tsang Link Carl, Brian
Mr. Kong Dan
Mr. Zhang Jijing

REMUNERATION COMMITTEE
Mr. Fan Ren Da, Anthony (Chairman)
Mr. Ngai Man
Mr. Tsang Link Carl, Brian
Mr. Sun Xinguo

COMPANY SECRETARY
Ms. Li So Mui

QUALIFIED ACCOUNTANT
Mr. Chung Ka Fai, Alan

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AUDITORS
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Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

SOLICITORS
Woo, Kwan, Lee & Lo
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PRINCIPAL BANKERS
CITIC Ka Wah Bank Limited
Mizuho Corporate Bank, Ltd.
National Australia Bank Limited
Rabobank International

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Financial Results

The board of directors (the "**Board**") of CITIC Resources Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2007 (the "**Period**").

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2007	2006
REVENUE	4	**5,177,379**	3,097,992
Cost of sales		**(4,603,061)**	(2,795,951)
Gross profit		**574,318**	302,041
Other income and gains, net	5	**110,938**	86,543
Selling and distribution costs		**(45,412)**	(25,383)
Administrative expenses		**(135,457)**	(81,828)
Other operating expenses, net		**(34,907)**	(15,652)
Finance costs	6	**(196,146)**	(62,260)
PROFIT BEFORE TAX	7	**273,334**	203,461
Tax	8	**(55,986)**	(51,458)
PROFIT FOR THE PERIOD		**217,348**	152,003
ATTRIBUTABLE TO:			
Shareholders of the Company		**138,316**	121,236
Minority interests		**79,032**	30,767
		217,348	152,003
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	9		
Basic		**HK 2.90 cents**	HK 2.81 cents
Diluted		**HK 2.83 cents**	HK 2.78 cents
DIVIDEND PER SHARE	10	**Nil**	Nil

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Condensed Consolidated Balance Sheet

	Notes	30 June 2007 Unaudited	31 December 2006 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**2,640,073**	2,391,501
Prepaid land lease premiums		**60,804**	58,353
Goodwill		**341,512**	341,512
Other intangible assets		**132,609**	135,701
Other assets		**567,435**	555,983
Available-for-sale equity investments	11	**1,143,684**	845,936
Prepayments, deposits and other receivables		**13,824**	16,346
Loan receivable		**12,556**	21,615
Deferred tax assets		**7,335**	6,754
Total non-current assets		**4,919,832**	4,373,701
CURRENT ASSETS			
Inventories		**1,008,279**	1,112,150
Accounts receivable	12	**1,130,901**	939,938
Prepayments, deposits and other receivables		**2,156,172**	1,867,396
Loan receivable		**17,852**	17,327
Equity investments at fair value through profit or loss	13	**2,135**	1,974
Derivative financial instruments	16	**16,625**	16,380
Due from related companies		**80,598**	51,486
Due from the ultimate holding company		**-**	34,320
Other assets		**42,666**	62,945
Cash and bank balances	14	**9,817,073**	850,744
Total current assets		**14,272,301**	4,954,660
CURRENT LIABILITIES			
Accounts payable	15	**245,412**	533,788
Tax payable		**60,838**	47,108
Accrued liabilities and other payables		**454,632**	306,789
Derivative financial instruments	16	**230,495**	286,920
Due to a minority shareholder	18	**28,536**	38,174
Bank and other loans	17	**1,577,368**	1,588,022
Provisions		**45,032**	53,738
Total current liabilities		**2,642,313**	2,854,539
NET CURRENT ASSETS		**11,629,988**	2,100,121
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,549,820**	6,473,822
NON-CURRENT LIABILITIES			
Bank and other loans	17	**2,082,829**	2,214,540
Bond obligations	19	**7,651,767**	-
Deferred tax liabilities		**626,561**	519,933
Derivative financial instruments	16	**50,087**	41,063
Provisions		**63,162**	117,549
Other payables		**166,448**	75,648
Total non-current liabilities		**10,640,854**	2,968,733
Net assets		**5,908,966**	3,505,089
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	20	**251,434**	215,909
Reserves		**5,297,515**	3,009,434
		5,548,949	3,225,343
Minority interests		**360,017**	279,746
Total equity		**5,908,966**	3,505,089

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Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company										
	Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale revaluation reserve	Hedging reserve	Share option reserve	Retained profits / (accumulated losses)	Sub-total	Minority interests	Total equity
At 31 December 2005 (Audited) and 1 January 2006	215,844	2,561,962	65,527	(6,840)	290,786	(152,331)	12,680	(45,855)	2,941,773	25,634	2,967,407
Acquisition of interests in subsidiaries by minority shareholders	–	–	–	–	–	–	–	–	–	198,052	198,052
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(5,647)	(5,647)
Translation differences arising on consolidation	–	–	–	6,951	–	–	–	–	6,951	–	6,951
Net gains on cash flow hedges	–	–	–	–	–	13,012	–	–	13,012	–	13,012
Change in fair value of available-for-sale investments	–	–	–	–	(57,496)	–	–	–	(57,496)	–	(57,496)
Equity-settled share option arrangements	–	–	–	–	–	–	16,150	–	16,150	–	16,150
Profit for the period	–	–	–	–	–	–	–	121,236	121,236	30,767	152,003
At 30 June 2006 (Unaudited)	215,844	2,561,962	65,527	111	233,290	(139,319)	28,830	75,381	3,041,626	248,806	3,290,432
At 31 December 2006 (Audited) and 1 January 2007	**215,909**	**2,563,587**	**65,527**	**(1,038)**	**267,279**	**(79,416)**	**38,535**	**154,960**	**3,225,343**	**279,746**	**3,505,089**
Translation differences arising on consolidation	**–**	**–**	**–**	**239,941**	**–**	**–**	**–**	**–**	**239,941**	**1,239**	**241,180**
Net gains on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**13,409**	**–**	**–**	**13,409**	**–**	**13,409**
Change in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**211,378**	**–**	**–**	**–**	**211,378**	**–**	**211,378**
Issue of new shares upon exercise of share options	**525**	**13,125**	**–**	**–**	**–**	**–**	**(2,310)**	**–**	**11,340**	**–**	**11,340**
Issue of new shares upon share placement	**35,000**	**1,652,397**	**–**	**–**	**–**	**–**	**–**	**–**	**1,687,397**	**–**	**1,687,397**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**–**	**–**	**21,825**	**–**	**21,825**	**–**	**21,825**
Profit for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**138,316**	**138,316**	**79,032**	**217,348**
At 30 June 2007 (Unaudited)	**251,434**	**4,229,109**	**65,527**	**238,903**	**478,657**	**(66,007)**	**58,050**	**293,276**	**5,548,949**	**360,017**	**5,908,966**

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Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2007	2006
Net cash inflow from operating activities		**57,111**	153,729
Net cash inflow/(outflow) from investing activities		**(8,207,041)**	32,676
Net cash inflow from financing activities		**8,971,190**	75,946
NET INCREASE IN CASH AND CASH EQUIVALENTS		**821,260**	262,351
Cash and cash equivalents at beginning of Period		**850,744**	1,519,595
Effect of foreign exchange rate changes, net		**(20,015)**	(2,758)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,651,989**	1,779,188
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**950,288**	202,112
Non-pledged time deposits with original maturity of less than three months when acquired		**701,701**	1,577,076
	14	**1,651,989**	1,779,188

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements ("**Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

These Financial Statements should be read in conjunction with the Group's financial statements as at 31 December 2006.

The accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the Group's financial statements as at 31 December 2006.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time in the preparation of these Financial Statements. Except for certain cases giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on the results of operation and the financial position of the Group.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) - Int 8	Scope of HKFRS 2
HK (IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) - Int 10	Interim Financial Reporting and Impairment

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the preparation of these Financial Statements.

HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions [2]
HK (IFRIC) — Int 12	Service Concession Arrangements [3]

Note:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

The Group expects that the adoption of the above pronouncements will not have a significant impact on the results of operation and the financial position of the Group.

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4. SEGMENT INFORMATION

Segment information is presented by way of business segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

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

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

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

(d) the manganese segment comprises the operation of manganese mining by CITIC Dameng Mining Industries Limited (the "**Manganese Company**") (a non-wholly-owned subsidiary of the Company) and the sale of refined manganese products in the People's Republic of China (the "**PRC**"); and

(e) the crude oil segment comprises the operation of the oilfield and the sale of crude oil in Indonesia.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue and profit for the Group's business segments for the six months ended 30 June 2007 and 2006.

Six months ended 30 June 2007	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Consolidated
Segment revenue:						
Sales to external customers	1,050,072	89,452	3,327,489	584,710	125,656	5,177,379
Other income, net	16,578	7,542	7,159	4,141	862	36,282
	1,066,650	96,994	3,334,648	588,851	126,518	5,213,661
Segment results	180,601	10,315	88,635	115,149	51,125	445,825
Interest income and unallocated gains, net						74,656
Unallocated expenses						(51,001)
Profit from operating activities						469,480
Unallocated finance costs						(196,146)
Profit before tax						273,334
Tax						(55,986)
Profit for the Period						217,348

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4. SEGMENT INFORMATION (continued)

Six months ended 30 June 2006 Restated	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Consolidated
Segment revenue:						
Sales to external customers	776,643	139,813	2,038,540	129,392	13,604	3,097,992
Other income, net	8,489	33,991	3,990	30,885	7,133	84,488
	785,132	173,804	2,042,530	160,277	20,737	3,182,480
Segment results	143,182	73,601	59,997	45,205	(12,419)	309,566
Interest income and unallocated gains, net						2,055
Unallocated expenses						(45,900)
Profit from operating activities						265,721
Unallocated finance costs						(62,260)
Profit before tax						203,461
Tax						(51,458)
Profit for the period						152,003

5. OTHER INCOME AND GAINS, NET

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

	2007	2006
Interest income	**115,698**	52,622
Handling service fee	**4,420**	33,505
Dividend income from listed investments	**15,998**	39,363
Gain on sales of coal exploration interests	**7,558**	-
Gain on disposal of listed investments	**-**	5,235
Fair value loss on derivative instruments, net	**(51,112)**	(66,439)
Sale of scrap	**4,373**	4,857
Others	**14,003**	17,400
	110,938	86,543

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6. FINANCE COSTS

	2007	2006
Interest expenses on bank and other loans repayable:		
Within one year	96,257	29,143
In the second to fifth years, inclusive	22,178	5,080
Beyond five years	8,119	21,749
	126,554	55,972
Interest expenses on bond obligations repayable:		
Beyond five years	66,794	-
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time	1,285	2,676
Others	1,513	3,612
	196,146	62,260

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2007	2006
Depreciation	60,155	31,529
Amortisation of the Electricity Supply Agreement	34,039	29,563
Amortisation of other assets	5,750	2,099
Equity-settled share option expenses	21,825	16,150
Professional fees incurred in relation to an aborted investment project *	-	5,189
Loss on disposal / write-off of items of property, plant and equipment *	-	159
Impairment on the spent pot lining project *	29,100	-
Exchange losses, net	64,610	7,160

* These amounts are included in "Other operating expenses, net" in the condensed consolidated income statement.

8. TAX

	2007	2006
Current:		
Hong Kong	-	-
Elsewhere	56,131	51,458
	56,131	51,458
Deferred	(145)	-
Total tax charge for the Period	55,986	51,458

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8. TAX (continued)

The statutory tax rate of Hong Kong profits tax is 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (2006: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in such countries.

Provision for Australian income tax has been made at the statutory rate of 30% (2006: 30%) on the estimated assessable profits arising in Australia during the Period.

For the Period, the tax rate applicable to the subsidiaries established and operating in the PRC and Indonesia are 33% and 30% respectively (2006: 33% and 30%). However, certain PRC subsidiaries of the Group are subject to a full corporate income tax exemption for the first two years and a 50% reduction in the succeeding three years, commencing from the first profitable year. No provision for Indonesian tax has been made for the Period as the Indonesian operation of the Group did not generate any assessable profits.

In the 5th Session of the 10th National People's Congress of the PRC, the PRC Corporate Income Tax Law (the "**New Tax Law**") was approved effective 1 January 2008. The New Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. As the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Tax Law to the Group cannot be reasonably estimated at this stage.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares of HK$0.05 each ("**Shares**") in issue during the Period.

The calculation of diluted earnings per share is based on the profit for the Period attributable to ordinary shareholders of the Company, the weighted average number of Shares in issue during the Period plus the weighted average number of Shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential Shares into Shares.

The calculations of basic and diluted earnings per share are based on:

	2007	2006
Earnings		
Profit attributable to ordinary shareholders of the Company	**138,316**	121,236

	Number of shares	
	2007	2006
Shares		
Weighted average number of Shares in issue during the Period	**4,762,927,475**	4,316,884,381
Effect of dilution – weighted average number of Shares:		
share options	**118,522,115**	45,303,448
	4,881,449,590	4,362,187,829

10. DIVIDEND

The Board resolved not to pay an interim dividend for the Period (2006: Nil).

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11. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 June 2007 Unaudited	31 December 2006 Audited
Non-current listed equity investments, at fair value:		
Australia	**1,035,335**	770,538
Canada	**108,349**	75,398
	1,143,684	845,936
The cost of the above investments were:		
Australia	**320,591**	296,344
Canada	**130,013**	130,013
	450,604	426,357

During the Period, the gain on fair value of the Group's available-for-sale equity investments before deferred tax recognised directly in equity amounted to HK$297,748,000 (31 December 2006: loss of HK$10,175,000).

The fair values of available-for-sale listed equity investments are based on quoted market prices.

12. ACCOUNTS RECEIVABLE

The Group normally offers credit terms of 30 to 60 days to its established customers.

An aged analysis of the accounts receivable as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2007 Unaudited	31 December 2006 Audited
Within one month	**923,638**	643,465
One to two months	**161,698**	255,889
Two to three months	**7,235**	17,794
Over three months	**38,330**	22,790
	1,130,901	939,938

As at 30 June 2007, there was no receivable due from the Group's fellow subsidiary (31 December 2006: HK$235,785,000).

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2007 Unaudited	31 December 2006 Audited
Current unlisted equity investments, at fair value:		
Australia	**2,135**	1,974

The above equity investments as at 30 June 2007 and 31 December 2006 were classified as held for trading.

14. CASH AND BANK BALANCES

As at 30 June 2007, the total cash and bank balances of the Group amounted to HK$9,817,073,000. Of this amount, HK$1,651,989,000 represented cash and cash equivalent. The remaining amount of HK$8,165,084,000 was held in an escrow account and is restricted to be used to fund payment of part of the consideration in respect of the acquisition of the entire issued share capital of Renowned Nation Limited ("**RNL**") and thereby 50% of CITIC Group's interest in the Karazhanbas oilfield and the benefit of certain indebtedness owing by KBM Energy Limited ("**KEL**") to CITIC Group.

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15. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2007 Unaudited	31 December 2006 Audited
Within one month	**176,509**	455,696
One to two months	**31,210**	58,416
Two to three months	**15,073**	5,284
Over three months	**22,620**	14,392
	245,412	533,788

The accounts payable are non-interest bearing and are normally settled on 60-day terms.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2007 Unaudited	
	Assets	**Liabilities**
Forward currency contracts and currency options	**9,019**	**6,481**
Forward commodity contracts	**–**	**85,929**
Interest rate swaps and options	**7,606**	**–**
Derivative financial instruments	**–**	**188,172**
	16,625	**280,582**
Portion classified as non-current:		
Derivative financial instruments	**–**	**(50,087)**
Current portion	**16,625**	**230,495**

	31 December 2006 Audited	
	Assets	Liabilities
Forward currency contracts and currency options	10,064	8,450
Forward commodity contracts	–	134,310
Interest rate swaps and options	6,316	–
Derivative financial instruments	–	185,223
	16,380	327,983
Portion classified as non-current:		
Derivative financial instruments	–	(41,063)
Current portion	16,380	286,920

The carrying amounts of forward currency and commodity contracts, interest rate swaps and embedded derivatives are the same as their fair values.

The Group is the party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

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17. BANK AND OTHER LOANS

	Notes	30 June 2007 Unaudited	31 December 2006 Audited
Bank loans – unsecured * #	(a)	**2,281,485**	2,465,035
Bank loans – secured * #	(b)	**925,619**	878,650
Unsecured loan from Transport Infrastructure Corridor *	(c)	**6,824**	6,815
Unsecured loan from Exploration Permit for coal *	(d)	**6,752**	6,242
Unsecured loans from former minority shareholders ^	(e)	**11,862**	11,862
Unsecured loan from a minority shareholder ^	(f)	**61,930**	61,930
Unsecured loan from CITIC Group #	(g)	**319,800**	327,003
Unsecured loans from 广西金孟锰业有限公司 ^	(h)	**45,925**	45,025
		3,660,197	3,802,562

* Fixed rate
\# Floating rate
^ Interest free

Notes:

(a) The unsecured bank loans of HK$2,281,485,000 include:

(i) revolving term loan of US$150,000,000 (HK$1,170,000,000), which is interest bearing at LIBOR + 0.7% per annum;

(ii) trade finance facilities of A$157,479,000 (HK$1,051,485,000), which are interest bearing at LIBOR per annum and are guaranteed by CITIC Resources Australia Pty Limited; and

(iii) bank loans of RMB60,000,000 (HK$60,000,000), which are interest bearing at 6.57% per annum.

(b) The secured bank loans of HK$925,619,000 include:

(i) US$79,000,000 (HK$616,200,000) loan due by 31 December 2008 (extendable in accordance with the terms of the Portland Aluminum Smelter joint venture), which is interest-bearing at LIBOR per annum and secured by a 22.5% participating interest in the Portland Aluminium Smelter joint venture; and

(ii) loans of RMB304,100,000 (HK$304,100,000) with due dates from 4 July 2007 to 14 September 2010, which are interest-bearing at rates ranging from 6.12% to 8.775% per annum and secured by property, plant and equipment of HK$56,910,000, prepaid land lease premiums of HK$3,990,000, mining right of HK$118,029,000 and a guarantee provided by a minority shareholder.

(c) The loan is from the State Government of Queensland, Australia. The loan is unsecured, interest bearing at 6.69% per annum and repayable in equal quarterly instalments by 30 September 2012.

HK$'000

17. BANK AND OTHER LOANS (continued)

Notes: (continued)

(d) The loan is from the manager of the Coppabella and Moorvale coal mines joint venture. The loan is unsecured, interest bearing at 6% per annum and repayable in equal annual instalments by 11 December 2013.

(e) The loans are from former minority shareholders (details of which are set out in note 21(a)). The loans are unsecured, interest-free and not repayable within one year.

(f) The loan is from a minority shareholder of CITIC Dameng Holdings Limited, namely CITIC United Asia Investments Limited (which is an indirect wholly-owned subsidiary of CITIC Group). The loan is unsecured, interest-free and not repayable within one year.

(g) The loan of US$41,000,000 (HK$319,800,000) is granted by CITIC Group, the ultimate holding company of the Group. The loan is unsecured, interest bearing at LIBOR + 1.5% per annum and repayable in equal annual instalments by September 2015.

(h) The loans are from 广西金孟锰业有限公司. The loans are unsecured, interest-free and repayable on 1 July 2007.

	30 June 2007 Unaudited	31 December 2006 Audited
Bank loans repayable:		
Within one year or on demand	**1,490,191**	1,495,017
In the second year	**817,313**	833,648
In the third to fifth years, inclusive	**899,600**	1,015,020
	3,207,104	3,343,685
Other loans repayable:		
Within one year	**47,842**	46,796
In the second year	**2,103**	1,878
In the third to fifth years, inclusive	**6,965**	6,335
Beyond five years	**2,591**	3,073
	59,501	58,082
Loans from former minority shareholders:		
Beyond one year	**11,862**	11,862
Loan from a minority shareholder:		
Beyond one year	**61,930**	61,930
Loan from CITIC Group:		
Within one year	**39,335**	46,209
In the second year	**39,000**	38,999
In the third to fifth years, inclusive	**117,000**	116,998
Beyond five years	**124,465**	124,797
	319,800	327,003
Total bank and other loans	**3,660,197**	3,802,562
Portion classified as current liabilities	**(1,577,368)**	(1,588,022)
Non-current portion	**2,082,829**	2,214,540

HK$'000

18. DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder is unsecured, interest-free and repayable on demand. The carrying amount approximates to its fair value.

19. BOND OBLIGATIONS

	30 June 2007 Unaudited	31 December 2006 Audited
Senior notes, listed in Singapore	**7,651,767**	–

On 17 May 2007, CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company, completed the issue of US$1,000,000,000 senior notes (the "**Notes**") at the issue price of 99.726%. The Notes bear interest at the rate of 6.75% per annum and the interest is payable semi-annually. The obligations of CR Finance under the Notes are irrevocably and unconditionally guaranteed by the Company and will mature on 15 May 2014.

The Notes shall become immediately due and payable in the case of an event of default, and are subject to redemption on the occurrence of certain events.

As at 30 June 2007, the fair value of the Notes was estimated at HK$7,622,160,000 (31 December 2006: Nil) which was determined based on the closing market price of the Notes on that date.

20. SHARE CAPITAL

	30 June 2007 Unaudited	31 December 2006 Audited
Authorised:		
10,000,000,000 (31 December 2006: 6,000,000,000) Shares	**500,000**	300,000
Issued and fully paid:		
5,028,684,381 (31 December 2006: 4,318,184,381) Shares	**251,434**	215,909

On 9 February 2007, the Company entered into a placing and subscription agreement with United Star International Inc. ("**USI**"), a major shareholder of the Company, pursuant to which USI agreed to subscribe for 570,000,000 new Shares at a price of HK$2.46 per new Share. Further details of the subscription are set out in the announcement of the Company dated 9 February 2007.

On the same day, the Company entered into a subscription agreement with Keentech Group Limited ("**Keentech**"), a major shareholder of the Company, pursuant to which Keentech agreed to subscribe for 130,000,000 new Shares at a price of HK$2.46 per new Share. Further details of the subscription are set out in the circular of the Company dated 5 March 2007.

During the Period, the subscription rights attaching to 10,500,000 share options were exercised at the subscription price of HK$1.08 per Share, resulting in the issue of 10,500,000 new Shares for a total cash consideration of HK$11,340,000.

On 20 March 2007, an ordinary resolution was passed at a special general meeting of the Company approving an increase in the authorised share capital of the Company to HK$500,000,000 divided into 10,000,000,000 Shares by the creation of an additional 4,000,000,000 Shares. Such Shares shall on their issue rank pari passu in all respects with all existing issued Shares.

21. LITIGATION

(a) In January 1999, Dongguan Xinlian Wood Products Company Limited ("**Dongguan Xinlian**") , a wholly-owned subsidiary of the Company held through Wing Lam (International) Timber Limited ("**Wing Lam**"), received a writ of summons (the "**Claim**") from China Foreign Trade Development Company (the"**Plaintiff**") claiming US$6,362,000 (HK$49,624,000) and related interest in respect of six re-export contracts purported to have been entered into by Dongguan Xinlian prior to it becoming a Group subsidiary. A judgment (the "**First Judgment**") was issued by the Shenzhen Intermediate People's Court in February 2000 against Dongguan Xinlian for a sum of US$3,448,000 (HK$26,894,000). In response, Dongguan Xinlian filed an appeal against the First Judgment with the People's High Court of Guangdong Province.

In August 2003, certain members of the Plaintiff management team were sentenced to imprisonment for creating forged documents, including those presented by them in relation to the Claim. Despite this, the People's High Court of Guangdong Province issued a judgment (the "**Second Judgment**") in December 2003 against Dongguan Xinlian for US$4,800,000 (HK$37,440,000) with related interest. In January 2004, Dongguan Xinlian filed another appeal to the State Supreme Court requesting the withdrawal of the Second Judgment and a decision that Dongguan Xinlian is not liable to the Plaintiff in respect of the Second Judgment. In December 2004, the People's High Court of Guangdong Province overturned the Second Judgment and issued a decision that it will re-hear the case.

In December 2005, the People's High Court of Guangdong Province issued a judgment whereby the validity of the Second Judgment against Dongguan Xinlian was maintained (the "**Third Judgment**").

As advised by the Group's legal advisers, there were a number of conflicts and discrepancies with regard to the Second Judgment and the Third Judgment. The Second Judgment and the Third Judgment were not supported by valid evidence and although the People's High Court of Guangdong Province acknowledged the criminal liabilities of certain members of the Plaintiff's management team (including forging the contracts connected to the Claim), the People's High Court of Guangdong Province did not, contrary to normal legal procedures, take these factors into account when it gave the Third Judgment.

In February 2006, Dongguan Xinlian commenced an appeal process against the Third Judgment. In the meantime, the Shenzhen Intermediate People's Court has frozen the assets and machinery of Dongguan Xinlian and the Group has also taken steps to apply for a suspension of the auction of the assets and machinery of Dongguan Xinlian.

The ex-shareholders of Wing Lam (the "**Ex-shareholders**") have given an undertaking to indemnify the Group against all monetary losses that may arise from the Claim up to HK$11,862,000, being the outstanding other loans from the Ex-shareholders as at 30 June 2007.

In light of the indemnity from the Ex-shareholders and the advice of the Group's legal advisers, the directors believe that the outcome of the Claim will not have a material adverse impact on the financial results of the Group; and accordingly, no provision is considered necessary.

(b) The Group has a 7% participating interest in the unified unincorporated co-operative Coppabella and Moorvale coal mines joint venture, the manager and agent of which is Macarthur Coal (C&M Management) Pty Limited (the "**Manager**"). Roche Mining Pty Limited (the "**Contractor**") is contracted to mine coal and overburden at the Coppabella mine for a five-year term which commenced on 1 July 2003.

In December 2003, the Manager lodged a notice of dispute with the Contractor under the terms of the mining contract. The claim included recovery of loss and damages for higher production costs and demurrage resulting from a failure of the Contractor to deliver coal in accordance with the contract provisions. Subsequently, the Manager received a series of claims from the Contractor as follows:

(i) Related to the 2004 financial year

In June 2004, following rejection by the superintendent of claims from the Contractor, the Contractor lodged a notice of dispute on the Manager under the mining contract. The rejected claim, consisting of nine heads of claim, included higher costs of mining in the 2004 financial year due to alleged delay in access to particular mining areas and alleged adverse mining conditions. The Contractor then referred the dispute to arbitration.

HK$'000

21. LITIGATION (continued)

(b) (continued)

(ii) Related to the 2005 financial year

In February 2005, the arbitrator determined that seven of the nine points of claim could proceed to arbitration. The Manager received the detailed points of claim from the Contractor in March 2005 and detailed further particulars in September 2005. In April 2006, the Manager lodged its defense to the points of claim and lodged a counterclaim against the Contractor.

In July 2005, the Contractor lodged a further notice of dispute in relation to alleged additional costs resulting from the superintendent's approval of the 2005 financial year mine plan. The claims were rejected by the superintendent and the subsequent dispute was referred to arbitration in August 2005.

In April 2006, the Contractor lodged a consolidated and further amended points of claim in relation to both the 2004 financial year claim and the 2005 financial year claim. In October 2006, the Manager lodged its defense to the consolidated claim.

(iii) Related to the 2006 financial year

In January 2006, the Contractor lodged a further notice of claim in relation to alleged additional costs resulting from the superintendent's approval of the 2006 financial year mine plan. However, the Contractor has not provided to the superintendent the requested details of the nature and quantum of this claim.

The total value of the three claims noted above for financial years 2004, 2005 and 2006 is in the order of A$90 million (HK$600.9 million), out of which the Group's share amounted to A$6.3 million (HK$42.1 million). Areas of duplication have been identified across these three claims and the Contractor is yet to provide particulars regarding basis and quantum of the third claim.

The Manager disputes the above claims and will vigorously defend its position in arbitration. The arbitrator has set a date to hear the consolidated 2004 and 2005 financial year claims in June 2007, however, this hearing has been postponed and new date has yet to be confirmed.

There is no set date for hearing of the consolidated 2006 financial year claim.

In the opinion of the directors, disclosure of any further information about the above matter would be prejudicial to the interests of the Manager and the joint venture participants of the Coppabella and Moorvale coal mines joint venture.

22. OPERATING LEASE ARRANGEMENTS

As at 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 June 2007 Unaudited	31 December 2006 Audited
Within one year	**19,240**	12,883
In the second to fifth years, inclusive	**32,468**	16,803
Beyond five years	**9,653**	9,848
	61,361	39,534

HK$'000

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had the following capital expenditure commitments:

	30 June 2007 Unaudited	31 December 2006 Audited
Contracted, but not provided for:		
Infrastructure, plant and equipment,		
share of the jointly-controlled entities	**86,910**	27,445

On 30 April 2007, the Company conditionally agreed to acquire from CITIC Group the entire issued share capital of RNL and thereby 50% of CITIC Group's interest in the Karazhanbas oilfield, and the benefit of certain indebtedness owing by KEL to CITIC Group. The aggregate consideration payable by the Company to CITIC Group is US$1,003,500,001 (HK$7,827,300,008). US$200,000,000 (HK$1,560,000,000) has been paid as a deposit by the Company to CITIC Group. The balance of the consideration will be paid by the Company in cash at completion which is expected to take place no later than 31 December 2007. Further details are set out in the circular of the Company dated 12 June 2007.

On 1 May 2007, CITIC Haiyue Energy Limited, an indirect wholly-owned subsidiary of the Company, obtained the right to purchase 90% of the issued shares of Tincy Group Energy Resources Limited ("**Tincy Group**") for a consideration of US$150,000,000 (HK$1,170,000,000), subject to adjustment. The option expires on 28 September 2007. Further details are set out in the announcement of the Company dated 8 May 2007 and 18 July 2007.

Save as aforesaid, as at 30 June 2007, the Group had no other significant commitments (31 December 2006: The Group had an option (but not contracted for commitments) to acquire an interest in the Kazakhstan oil assets but did not exercise such right until 30 April 2007).

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the presentation and accounting treatment of the Period.

Business Review and Outlook

The first half of 2007 has seen the Group focus its resources on increasing its oil investments and integrating and consolidating recently acquired and existing business interests. The Group has agreed to acquire oil interests in Kazakhstan and secured an option to acquire additional oil interests in the People's Republic of China (the "**PRC**"). The Group's existing businesses, including aluminium smelting, coal, import and export of commodities, manganese business and oil in Indonesia continued to perform satisfactorily during the first half of 2007.

The Company is processing a possible investment in the Karazhanbas oilfield located in Kazakhstan which has an estimated 363.8 million barrels of proved reserves as of 31 December 2006. In April 2007, the Company agreed with CITIC Group, its ultimate controlling shareholder, to acquire 50% of CITIC Group's interest in this oilfield. If, as anticipated, JSC KazMunaiGas Exploration Production, a subsidiary of JSC National Company KazMunaiGas which is the state-owned oil company of Kazakhstan, exercises its right to acquire the remaining 50% of CITIC Group's interest, management of the Karazhanbas oilfield will be operated on a joint venture basis with a significant Kazakhstan based oil and gas enterprise. The acquisition is subject to a number of conditions including Kazakhstan regulatory approvals.

In May 2007, the Company secured another opportunity to add to the Group's oil portfolio by acquiring an option to purchase a 90% interest in the contractor responsible for the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the PRC. The option is exercisable by the Company before 28 September 2007. The Group is currently undertaking a review and examination of the asset to determine whether or not to proceed with an exercise of the option.

The Group will concentrate its energies on completing the acquisition of the Karazhanbas oilfield interest before the end of 2007. By that time, the Group should have decided whether to exercise its option to acquire the Hainan-Yuedong interest. If both interests can be successfully acquired, revenue from oil production should lead to a significant increase in the Group's revenue as well as becoming the largest contributor to the Group's net profit. The combination of both assets would result in the Group becoming a major PRC controlled listed oil producer.

The Board expects oil to be important for the Group's overall development as an energy and resources company. Notable in this regard is the memorandum of understanding entered into in August 2007 between the Company and Kuwait Foreign Petroleum Exploration Company KSC ("**KUFPEC**"), the state-owned oil company of Kuwait and one of the Group's partners in the Seram Island Non-Bula Block production sharing contract in Indonesia. This memorandum increases the possibility of additional co-operation between the Group and KUFPEC in respect of oil investments in Indonesia and South-east Asia.

Apart from its oil investments, the Group has also enhanced its coal investments. Coal is a key component of the Group's energy and natural resources portfolio. In July 2007, the Group purchased an additional 8.37% in the equity of Macarthur Coal Limited ("**Macarthur Coal**"), the largest producer of PCI coal in Australia and is listed on the Australian Stock Exchange. With this acquisition, the Group's interest in Macarthur Coal now stands at 19.99% which consolidates its strategic position in Macarthur Coal.

The Group continues to be financially sound. To strengthen the Group's capital base and support its further development, retire debt obligations of the Group and finance general working capital requirements, the Group has made share placements in 2007 (a total of 801,000,000 shares of HK$0.05 each in the Company ("**Shares**") and net proceeds of HK$2,137.9 million) and issued in May 2007 US$1,000,000,000 6.75% senior notes due 2014. Of the share placements, 352,000,000 Shares were issued to Temasek Holdings (Private) Limited ("**Temasek Holdings**"), an Asia investment firm headquartered in Singapore with a diversified global investment portfolio. The Group believes that Temasek's position as a strategic shareholder will aid and support its long-term objectives and will allow the Group and Temasek to explore areas of mutual co-operation in the oil and gas sectors. Temasek has been increasing its shareholding in the Company and currently owns 11.18% of the Company.

In August 2007, Mr. Kong Dan graciously accepted the chairmanship of the Company. The Board believes that Mr. Kong's appointment will benefit the Group enormously and will allow it to draw on his considerable knowledge, experience and counsel to help further develop its strategy and business and enhance returns to its shareholders.

Financial Review

Group's financial results:

HK$'000

Operating results and ratios

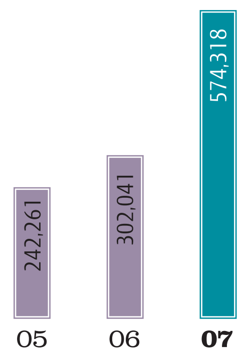
	Six months ended 30 June		
	2007 Unaudited	2006 Unaudited	Increase
Revenue	**5,177,379**	3,097,992	67.1%
Gross profit	**574,318**	302,041	90.1%
Profit attributable to shareholders	**138,316**	121,236	14.1%
Earnings per share (Basic)	**HK 2.90 cents**	HK 2.81 cents	3.2%
Gross profit margin [1]	**11.1%**	9.7%	
Inventory turnover [2]	**4.3 times**	3.4 times	

Revenue
HK$'000

Financial position and ratios

	30 June 2007 Unaudited	31 December 2006 Audited	Increase/ (decrease)
Cash and bank balances	**9,817,073**	850,744	1,053.9%
Total assets	**19,192,133**	9,328,361	105.7%
Bank and other loans	**3,660,197**	3,802,562	(3.7)%
Bond obligations	**7,651,767**	-	N/A
Equity attributable to shareholders	**5,548,949**	3,225,343	72.0%
Current ratio [3]	**5.4 times**	1.7 times	
Gearing ratio [4]	**203.9%**	117.9%	

Gross Profit
HK$'000



1 gross profit / revenue x 100%
2 cost of sales / [(opening inventories + closing inventories) / 2]
3 current assets / current liabilities
4 (bank and other loans + bond obligations) / equity attributable to shareholders x 100%

The Group has achieved a satisfactory financial performance for 1H 2007. The businesses and interests in Australia continue to be the principal contributors to the Group's revenue while the manganese business and oil in Indonesia have made positive contribution to the Group's profits.

The following is a comparison of the results of each segment during the Period and the corresponding period in 2006.

Aluminium smelting

- Revenue ▲ 35%
  Net profit after tax (from ordinary activities) ▲ 140%

- Revenue was driven by higher selling prices and a 15% increase in sales volume compared to 1H 2006.

  In 4Q 2006, production recovered fully following the power outage which occurred in November 2005 and caused damage to some pots. As a result, sales volume increased.

- The return to full production capacity in 2007 helped improve the net profit although certain costs, such as alumina and electricity which are linked to the market price of aluminium, increased. The increased revenue compensated for the increased cost.

  Underlying profit performed extremely well despite unfavourable exchange rates as the Australian dollar appreciated against the US dollar. During the Period, aluminium prices increased. Due to lower aluminium hedging exposure, more profit was captured from the increase in aluminium prices.

  Another key reason for the significant rise in net profit was due to a gain of HK$12.2 million (2006: loss of HK$59.0 million) from the revaluation of "embedded derivatives". In accordance with Hong Kong Financial Reporting Standards, a component of the Electricity Supply Agreement (the "**ESA**") which is linked to the market price of aluminium is considered to be a financial instrument embedded in the ESA. Such embedded derivatives need to be marked to market at the balance sheet date based on future aluminium prices. On 30 June 2007, as the forward curve of aluminium prices decreased as compared to that on 31 December 2006, the revaluation of the embedded derivatives resulted in an unrealised gain and was accounted for in "Cost of sales" in the consolidated income statement.

- There was a provision for full impairment on the spent pot lining project of HK$29.1 million (2006: nil), but the provision was not considered as an expense arising from ordinary activities.

Coal

- Revenue ▼ 36%
  Net profit after tax (from ordinary activities) ▼ 65%

- Revenue was affected by a 32% drop in sales volume compared to 1H 2006. This is attributed to infrastructure constraints such as rail service restrictions and port congestion resulting in shipment delays. Heavy rainfall during the Period also disrupted mining operations.

- The decrease in net profit was caused due to a drop in sales volume, lower contract coal prices and an appreciation of the Australian dollar as most sales were not hedged. Also, the production costs increased significantly due to supply constraints and the aforesaid production and infrastructure constraints.

  The Group received a smaller dividend of HK$16.0 million (2006: HK$39.4 million) from Macarthur Coal.

- There was a net gain of HK$5.3 million (2006: nil) from the sale of coal exploration interests. This gain was not treated as profit arising from ordinary activities.

Import and export of commodities

- Revenue ▲ 63%
  Net profit after tax (from ordinary activities) ▲ 23%

  The following table shows a breakdown of the revenue and the net profit/(loss) before tax for 1H 2007 and a comparison with 1H 2006:

			Exports					
		Total	Alumina	Iron ore	Steel	Others	Imports	Others
Revenue	HK$ million	3,327.5	571.8	1,361.3	378.8	153.6	862.0	0
	Compared to 1H 2006	▲ 63%	▲ 18%	▲ 147%	▲ 9%	▼ 40%	▲ 116%	N/A
Net profit/ (loss) before tax	HK$ million	59.8	25.8	8.3	5.3	2.4	25.6	(7.6)
	Compared to 1H 2006	▲ 23%	▼ 1%	▲ 177%	▲ 43%	▲ 9%	▲ 123%	▼ 430%

- The significant growth in revenue was attributable to iron ore exports, steel imports and automotive battery imports.

  Exported products include alumina and iron ore sourced from Australia and other countries to the PRC.

  Alumina spot prices were extremely volatile during 2006, but have experienced a strong recovery since the beginning of 2007.

  Iron ore exports grew strongly based on iron ore sourced from India and the Koolan Island project of Mount Gibson Iron Limited ("**Mount Gibson**") in Australia. CITIC Australia Trading Limited ("**CATL**") signed a long term off-take contract with Mount Gibson and the first shipment was delivered successfully to the PRC in June 2007.

  Significant sales growth of imports was attributable to steel and automotive batteries. Revenue from steel imports doubled and that from battery imports grew over 40%.

- Alumina exports remained the largest contributor to net profit though there was a slight decrease in its profit. Profit was mainly contributed by sales under long term alumina supply contracts. Spot transactions decreased due to the rapid expansion of alumina production in the PRC which has reduced demand for alumina imports.

  Net profit from iron ore exports grew in line with increased revenue. Profit margins improved, reflecting stable iron ore prices and continued demand from steel mills in the PRC. CATL is positive about its long term prospects of increasing iron ore sales particularly into the PRC market and ability to establish another major trading line alongside its alumina exports. The off-take contract with Mount Gibson forms a solid foundation for the development of iron ore exports as a source of long term earnings for CATL.

  CATL's efforts in exporting Chinese steel to Europe and Asia are yielding returns and it continues to develop this further into a regular and profitable trading line.

  Imports continued to increase their contribution to overall profit. The steel and battery divisions performed strongly. Steel imports made a good contribution while the battery division increased its profit by more than 80%. CATL has developed a reputation with its local customers as a reliable supplier of automotive batteries and continues to capture market share.

- While trading is volatile by its nature, CATL's experienced trading team monitors the development of each of its trading lines.

Manganese

- Revenue ▲ 352% (compared to 2Q 2006)
  Net profit after tax (from ordinary activities) ▲ 854% (compared to 2Q 2006)
- The financial results of CITIC Dameng Mining Industries Limited (the "**Manganese Company**") have been consolidated into the accounts of the Group since 2Q 2006.
- Revenue was driven by much higher selling prices and increased sales volume.
- Net profit grew in line with increased revenue, improved economies of scale and effective control on production costs and other expenses.
- In February 2007, the Manganese Company acquired a 70% interest in Guangxi Qinzhou Guixin Ferroalloy Co., Ltd. ("**Guixin Ferroalloy**") at a consideration of RMB16 million. The principal activities of the Guixin Ferroalloy are the production and sale of high-carbon chromium alloy.

Crude oil (Oilfield in 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 relating to the Seram Island Non-Bula Block, Indonesia (the "**Seram Interest**"). CITIC Seram is the operator of the block.
- The Seram Interest has made a contribution to the net profit of the Group in 1H 2007. Similar to other jointly-controlled assets of the Group, only the Group's share of the revenue, expenses, assets and liabilities in the Seram Interest are taken into the consolidated accounts. During the Period, the Group's share of sales was 350,000 barrels.
- In 2H 2007, three exploration wells are planned to be drilled and a 293km 2D seismic survey will be conducted with total expenditure of US$16.7 million. The exploration wells are estimated to have reserves of 26 million barrels.

Liquidity, Financial Resources and Capital Structure

Cash

As at 30 June 2007, the Group had a cash balance of HK$9,817.1 million. Of this amount, HK$8,165.1 million was held in an escrow account and is restricted to be used to fund payment of part of the consideration in respect of the acquisition of the entire issued share capital of Renowned Nation Limited ("**RNL**") and thereby 50% of CITIC Group's interest in the Karazhanbas oilfield and the benefit of certain indebtedness owing by KBM Energy Limited ("**KEL**") to CITIC Group. Details of the transaction are set out under the heading "New Investments" below.

During the Period, the Company obtained funds of:

(1) HK$7,650.2 million through the issue of the Notes (details are set out under the heading "Borrowings" below); and

(2) HK$1,698.7 million through the issue of new Shares (details are set out under the heading "Share Capital" below).

Borrowings

As at 30 June 2007, the Group had outstanding borrowings of HK$3,660.2 million, which comprised secured bank loans of HK$925.6 million, unsecured bank loans of HK$2,281.5 million and unsecured other loans of HK$453.1 million. The secured bank loans were secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture; the fixed assets, prepaid land lease premiums and mining right of the manganese mine, and guarantees mostly provided by Guangxi Dameng Manganese Industry Co., Ltd. The bank trade finance facilities available to CATL are guaranteed by CITIC Resources Australia Pty Limited.

Most transactions of CATL are debt funded which means CATL is highly geared. However, in contrast to term loans, CATL's borrowings are 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.

On 17 May 2007, CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company, completed the issue of US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**"). The obligations of CR Finance under the Notes are irrevocably and unconditionally guaranteed by the Company. The net proceeds of the Notes, after deduction of underwriting discounts and commissions and related expenses, amounted to US$980.8 million (HK$7,650.2 million). The money is being held in an escrow account and is to be used to facilitate the acquisition of 50% CITIC Group's interest in the Karazhanbas oilfield (details of the transaction are set out under the heading "New Investments" below) and for general working capital requirements. Further details of the Notes are set out in the announcement of the Company dated 17 May 2007.

As at 30 June 2007, the gearing ratio of the Group was 203.9% (31 December 2006: 117.9%). Of the total outstanding borrowings, HK$1,577.4 million was repayable within one year. There was no adverse change to the financial position of the Group.

Share capital

In February and April 2007, the Company issued a total of 700,000,000 new Shares at a price of HK$2.46 per new Share. The net proceeds of the subscriptions amounted to HK$1,687.4 million and were received in cash. Further details of the subscriptions are set out in the announcement of the Company dated 9 February 2007 and in the circular of the Company dated 5 March 2007 respectively.

During the Period, the Company also issued a total of 10,500,000 new Shares as a result of the exercise of share options at an exercise price of HK$1.08 per Share. The net proceeds of the subscription amounted to HK$11.3 million and were received in cash.

At the special general meeting of the Company held on 20 March 2007, an ordinary resolution was duly passed approving an increase in the authorised share capital of the Company from HK$300,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 Shares.

Financial risk management

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

The Group enters into derivative transactions, including principally forward currency, commodity contracts and interest rate swaps. The purpose of these transactions is to hedge the Group's exposure to fluctuations in foreign exchange rate, commodity price and interest rate risks arising from the Group's operations and its sources of finance.

New investments

- On 30 April 2007, the Company conditionally agreed to acquire from CITIC Group the entire issued share capital of RNL and thereby the Kazakhstan Interests (as defined below), and the benefit of certain indebtedness owing by KEL to CITIC Group (the "**Kazakhstan Transaction**"). The aggregate consideration payable by the Company to CITIC Group in respect of the Kazakhstan Transaction is US$1,003.5 million. The Company has paid a deposit of US$200 million to CITIC Group. The Kazakhstan Transaction is expected to complete in 4Q 2007. Further details of the Kazakhstan Transaction are set out under the heading "Related Party Transactions and Connected Transactions" below and in the circular of the Company dated 12 June 2007.

  The Kazakhstan Interests comprise interests in 50% of the issued voting shares of JSC Karazhanbasmunai ("**KBM**") and 50% of Tulpar Munai Services LLP ("**TMS**") and Argymak TransService LLP ("**ATS**") in the Republic of Kazakhstan ("**Kazakhstan**"). KBM is engaged in the development and production of oil and holds the right to explore, develop and produce oil in the Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan (the "**Karazhanbas oilfield**") until 2020. As of 31 December 2006, the Karazhanbas oilfield had an estimated 363.8 million barrels of proved reserves. ATS is engaged in the provision of transportation services and other oilfield related logistics services. TMS is engaged in the provision of oil well drilling, construction and workover services.

- On 1 May 2007, CITIC Haiyue Energy Limited ("**CITIC Haiyue**"), an indirect wholly-owned subsidiary of the Company, obtained the right to purchase 90% of the issued shares of Tincy Group Energy Resources Limited ("**Tincy Group**") for a consideration of US$150 million, subject to adjustment. On the same day, CITIC Haiyue agreed to provide a loan facility of US$15 million to Far Great Investments Limited ("**Far Great**"), the holding company of Tincy Group. From such loan facility, Far Great was required to on-lend US$10 million to Tincy Group.

  Tincy Group holds the right to develop and operate, until 2034, an oilfield in the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province in the PRC. The oilfield is currently in the appraisal and development stage.

  CITIC Haiyue is conducting a due diligence review on the business, affairs, operations and financial position of Tincy Group to determine whether or not proceed with an exercise of the option. The option period expires on 28 September 2007.

  Since the Hainan-Yuedong Block is still in the appraisal and development stage, it is expected that a substantial amount of capital expenditure will be required and that there will not be an immediate contribution to the revenue to the Group. Nevertheless, the successful acquisition of the Hainan-Yuedong Block interest will further strengthen the Group's business focus and development in the oil sector.

  Further details of the transaction are set out in the announcement of the Company dated 8 May 2007 and 18 July 2007.

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 and there will be no adverse change to its financial position.

Employees and Remuneration Policies

As at 30 June 2007, the Group had around 4,000 full time employees, including management and administrative staff. Most of the Group's employees are employed in the PRC and Indonesia while the others are employed in Australia and Hong Kong.

The employees' remuneration, promotion and salary increment are assessed based on an individual's performance, professional and working experience and by reference to prevailing market practice and standards. Rent-free quarters are provided to some employees in Indonesia.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The employees of the Group's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. The Group also operates a defined contribution retirement benefits scheme (the "**RB Scheme**") under the superannuation legislation of the Australian government for those employees in Australia who are eligible to participate and a defined contribution retirement benefits scheme (the "**DPLK Scheme**") under the Government Law No. 11/1992 of the Indonesian government for those employees in Indonesia who are eligible to participate.

Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme, the RB Scheme and the DPLK Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions as an employer vest fully with the employees when contributed into the MPF Scheme, the RB Scheme and the DPLK Scheme.

The Group's PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The Company and CATL operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Code on Corporate Governance Practices

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") and the Rules on the Corporate Governance Report as set out respectively in Appendix 14 and 23 to the Listing Rules as its own code on corporate governance practices. During the Period, the Company has satisfied the code provisions of the CG Code except for the deviation in respect of the service term pursuant to paragraph A.4.1 of the CG Code.

Pursuant to paragraph A.4.1 of the CG Code provides that independent non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors are not appointed for specific terms. However, under the Company's bye-laws, one-third of all directors (whether executive or non-executive) are subject to retirement by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in paragraph A.4.1 of the CG Code.

Model Code for Securities Transactions by Directors

Throughout the Period, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by directors.

All directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the Period.

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

As at 30 June 2007, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") and which have been notified to the Company and the Stock Exchange were as follows:

Interests in the shares and underlying shares of the Company

Name of director	Nature of interest	Number of ordinary shares of HK$0.05 each held	Interests in underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Kwok Peter Viem	Corporate	471,966,000 (1)	-	9.20
Mr. Kwok Peter Viem	Directly beneficially owned	-	50,000,000	0.97
Mr. Ma Ting Hung	Corporate	471,966,000 (1)	-	9.20
Mr. Ma Ting Hung	Directly beneficially owned	-	50,000,000	0.97
Mr. Shou Xuancheng	Directly beneficially owned	-	10,000,000	0.19
Mr. Sun Xinguo	Directly beneficially owned	-	10,000,000	0.19
Ms. Li So Mui	Directly beneficially owned	-	5,000,000	0.10
Mr. Mi Zengxin	Directly beneficially owned	-	10,000,000	0.19
Mr. Qiu Yiyong	Directly beneficially owned	5,000,000	5,000,000	0.19
Mr. Zeng Chen	Directly beneficially owned	-	10,000,000	0.19
Mr. Zhang Jijing	Family	28,000 (2)	-	-
Mr. Zhang Jijing	Directly beneficially owned	-	10,000,000	0.19

Notes:

(1) The shares disclosed above are held by United Star International Inc. ("**USI**"), a company incorporated in the British Virgin Islands, which is beneficially owned as to 50% by Mr. Kwok Peter Viem and 50% by Mr. Ma Ting Hung. Accordingly, each of them is deemed to be interested in the 572,966,000 shares.

(2) The shares disclosed above are held by the spouse of Mr. Zhang Jijing. Accordingly, Mr. Zhang Jijing is deemed to be interested in the 28,000 shares.

Interests in the ordinary shares and underlying shares of an associated corporation of the Company

Name of director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Number of shares/equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Zeng Chen	CATL	Subsidiary	Ordinary shares	385,402 [1]	Family	0.45

Note:

(1) The shares disclosed above are held by the spouse of Mr. Zeng Chen. Accordingly, Mr. Zeng Chen is deemed to be interested in the 385,402 shares.

In addition to the above, one of the directors has non-beneficial personal equity 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 above, as at 30 June 2007, none of the directors or chief executive of the Company had an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the headings "Directors' and chief executive's interests in shares and underlying shares" above and "Share option scheme" below, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouse 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.

Share Option Scheme

The Company and one of its subsidiaries, CATL, operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

On 30 June 2004, a new share option scheme (the "**Scheme**") was adopted by the Company. In 2005, the Company granted share options under the Scheme to its directors, certain consultants and employees to subscribe for a total of 177,000,000 Shares.

On 7 March 2007, the Company granted share options under the Scheme in respect of 20,000,000 Shares at an exercise price of HK$3.072 per Share. The closing price of Shares immediately before the date of grant was HK$3.070 per Share.

During the Period, 10,500,000 share options were exercised at the exercise price of HK$1.08 per Share, resulting in the issue of 10,500,000 Shares, new share capital of HK$525,000 and share premium of HK$10,815,000 (before issue expenses).

Movements in the share options during the Period and options outstanding under the Scheme as at the balance sheet date are set out below:

	Number of share options						Closing price per Share		
Participant	At 1 January 2007	Granted/ (exercised) during the Period	At 30 June 2007	Date of grant*	Exercise period	Exercise price per Share HK$	Immediately before the date of grant HK$	Immediately before the exercise date HK$	At exercise date HK$
Directors									
Mr. Kwok Peter Viem	50,000,000	-	**50,000,000**	02-06-2005	02-06-2007 to 01-06-2010	1.080	1.070	N/A	N/A
Mr. Ma Ting Hung	50,000,000	-	**50,000,000**	02-06-2005	02-06-2007 to 01-06-2010	1.080	1.070	N/A	N/A
Mr. Shou Xuancheng	10,000,000	-	**10,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	N/A	N/A
Mr. Sun Xinguo	5,000,000	-	**5,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	N/A	N/A
	5,000,000	-	**5,000,000**	28-12-2005	28-12-2006 to 27-12-2010	1.060	1.050	N/A	N/A
	10,000,000	-	**10,000,000**						
Ms. Li So Mui	5,000,000	-	**5,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	N/A	N/A
Mr. Mi Zengxin	10,000,000	-	**10,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	N/A	N/A
Mr. Qiu Yiyong	10,000,000	(5,000,000)	**5,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	4.110	4.060
Mr. Zeng Chen	5,000,000	-	**5,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	N/A	N/A
	5,000,000	-	**5,000,000**	28-12-2005	28-12-2006 to 27-12-2010	1.060	1.050	N/A	N/A
	10,000,000	-	**10,000,000**						
Mr. Zhang Jijing	10,000,000	-	**10,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	N/A	N/A
	165,000,000	**(5,000,000)**	**160,000,000**						
Eligible participants	10,700,000	(5,500,000)	**5,200,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080	1.070	2.880 - 3.530	3.010 - 3.570
	-	20,000,000	**20,000,000**	07-03-2007	07-03-2007 to 06-03-2012	3.072	3.070	N/A	N/A
	10,700,000	14,500,000	**25,200,000**						
	175,700,000	**9,500,000**	**185,200,000**						

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

As at 30 June 2007, the Company had 185,200,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 185,200,000 Shares, new share capital of HK$9,260,000 and share premium of HK$230,396,000 (before issue expenses).

At the date of approval of these Financial Statements, the Company had 58,200,000 share options outstanding under the Scheme, which represented about 1.11% of Shares in issue as at that date.

CATL, in which the Group holds an indirect interest of 76.4%, is a company listed on the Australian Stock Exchange. It operates a pre-IPO share option scheme for its directors and other employees (the "**Pre-Scheme**"). The purpose of the Pre-Scheme is to provide incentives for employees to remain in their employment for the long term. CATL had granted share options under the Pre-Scheme to its directors and other employees to subscribe for a total of 4,700,000 shares in CATL at subscription prices that range from A$0.20 to A$0.35 per share. No consideration is payable by participants on the grant of the share options.

During the Period, no share option was granted, lapsed or cancelled under the Pre-Scheme.

The following share options of CATL were outstanding under the Pre-Scheme as at the balance sheet date:

	Number of share options					Closing price per share	
Participants	At 1 January 2007	Exercised during the Period	At 30 June 2007	Exercise period	Exercise price per share A$	Immediately before the exercise date A$	At exercise date A$
Directors of the Company							
Mr. Zeng Chen	166,668	(166,668)	-	19-06-2005 to 18-06-2007	0.350	0.935	0.940
Directors of CATL							
In aggregate	320,000	(320,000)	-	19-06-2005 to 18-06-2007	0.350	0.930 - 0.935	0.910 - 0.940
Eligible Participants	216,666	(216,666)	-	19-06-2003 to 18-06-2007	0.200	0.850 - 0.930	0.850 - 0.910
	333,332	(333,332)	-	19-06-2004 to 18-06-2007	0.250	0.850 - 0.935	0.850 - 0.940
	400,002	(400,002)	-	19-06-2005 to 18-06-2007	0.300	0.850 - 0.935	0.850 - 0.940
	950,000	(950,000)	-				
	1,436,668	**(1,436,668)**	**-**				

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

As at 30 June 2007, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the directors, the persons or entities who had an interest 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 or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

The Company

Name of shareholder	Nature of interest	Number of ordinary shares of HK$0.05 each held	Interests in underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	2,740,594,381 (1)	-	53.43
CITIC Projects Management (HK) Limited	Corporate	1,990,180,588 (2)	-	38.80
Keentech Group Limited	Corporate	1,990,180,588 (3)	-	38.80
CITIC Australia Pty Limited	Corporate	750,413,793 (4)	-	14.63
Temasek Holdings (Private) Limited	Corporate	567,450,000 (5)	-	11.06
Temasek Capital (Private) Limited	Corporate	365,450,000 (6)	-	7.12
Seletar Investments Pte. Ltd.	Corporate	365,450,000 (7)	-	7.12
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	365,450,000 (8)	-	7.12
Tembusu Capital Pte. Ltd.	Corporate	202,000,000 (9)	-	3.94
Bartley Investments Pte. Ltd.	Corporate	202,000,000 (10)	-	3.94
Ellington Investments Pte. Ltd.	Corporate	202,000,000 (11)	-	3.94
USI	Corporate	471,966,000 (12)	-	9.20
Mr. Kwok Peter Viem	Corporate	471,966,000 (12)	-	9.20
Mr. Kwok Peter Viem	Directly beneficially owned	-	50,000,000 (13)	0.97
Mr. Ma Ting Hung	Corporate	471,966,000 (12)		9.20
Mr. Ma Ting Hung	Directly beneficially owned	-	50,000,000 (13)	0.97

Notes:

(1) The figure represents an attributable interest of CITIC Group through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**") and CITIC Australia Pty Limited ("**CA**"). CITIC Group is a company incorporated in the PRC.

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

(3) Keentech, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Projects.

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

(5) The figure represents an attributable interest of Temasek Holdings through its interest in Temasek Capital (Private) Limited ("**Temasek Capital**") and Tembusu Capital Pte. Ltd. ("**Tembusu**"). Temasek Holdings is a company incorporated in Singapore.

(6) 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.

(7) 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.

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

(9) This figure represents an attributable interest of Tembusu through its interest in Bartley Investments Pte. Ltd. ("**Bartley**"). Tembusu, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Holdings.

(10) This figure represents an attributable interest of Bartley through its interest in Ellington Investments Pte. Ltd. ("**Ellington**"). Bartley, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Tembusu.

(11) Ellington, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Bartley.

(12) The figure represents an attributable interest of each of Mr. Kwok Peter Viem and Mr. Ma Ting Hung respectively as the beneficial owner of 50% each of USI. These interests are also included as corporate interests of Mr. Kwok Peter Viem and Mr. Ma Ting Hung, as disclosed under the heading "Directors' and chief executive's interests in shares and underlying shares" above.

(13) The share options granted to Mr. Kwok Peter Viem and Mr. Ma Ting Hung are their respective personal interests.

Other members of the Group

Name of shareholder	Name of subsidiary	Percentage of issued share capital
CITIC United Asia Investments Limited [1]	CITIC Dameng Holdings Limited	20

Note:

(1) CITIC United Asia Investments Limited, a company incorporated in Hong Kong Special Administrative Region of the PRC, is an indirect wholly-owned subsidiary of CITIC Group.

Save as disclosed herein and so far as is known to the directors, as at 30 June 2007, no person 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 or no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

Purchase, Sale and Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

Related Party Transactions and Connected Transactions

In addition to matters disclosed elsewhere in these Financial Statements, during the Period, the Group had the following transactions with its related parties:

(a) On 9 February 2007, the Company entered into a subscription agreement with Keentech, a major shareholder of the Company, pursuant to which Keentech agreed to subscribe for 130,000,000 new Shares (the "**Subscription Shares**") at a price of HK$2.46 per Subscription Share.

The transaction constituted a connected transaction under the Listing Rules. At the special general meeting of the Company held on 20 March 2007, an ordinary resolution was duly passed by the independent shareholders of the Company approving the subscription. Further details of the transaction are set out in the circular of the Company dated 5 March 2007.

The total subscription monies from the issue of the Subscription Shares amounted to HK$319,800,000 and were paid in cash on 19 April 2007.

(b) At the special general meeting of the Company held on 22 May 2007, ordinary resolutions were duly passed by the independent shareholders of the Company ratifying the trading and sale of iron ore by CITIC Australia Commodity Trading Pty. Ltd. ("**CACT**") to CITIC Metal Company Limited ("**CITIC Metal**") during the three financial years ended 31 December 2006 and approving the proposed continuing connected transactions represented by the trading and sale of iron ore by CACT to CITIC Metal for the three financial years ending 31 December 2009. Further details of the transactions are set out in the circular of the Company dated 7 May 2007.

CACT, a company incorporated in Australia, is a wholly-owned subsidiary of CATL (which is an indirect non wholly-owned subsidiary of the Company). CITIC Metal, a company incorporated in the PRC, is a wholly-owned subsidiary of CITIC Group, and constitutes a fellow subsidiary of the Company.

The maximum value of the annual sales revenue of the proposed continuing connected transactions for each of the three years ending 31 December 2009 are as follows:

31 December 2007 : US$330,000,000 (HK$2,574,000,000)
31 December 2008 : US$380,000,000 (HK$2,964,000,000)
31 December 2009 : US$420,000,000 (HK$3,276,000,000)

During the Period, the Group made total sales of HK$904,823,000 (2006: HK$529,082,000) to CITIC Metal. The sales were made on normal commercial terms and conditions.

As at 30 June 2007, there was no receivable due from CITIC Metal (31 December 2006: HK$235,785,000 which has been included in the accounts receivable balance).

(c) On 30 April 2007, the Company entered into a conditional sale and purchase agreement with CITIC Group pursuant to which the Company has agreed to purchase, and CITIC Group has agreed to sell, the entire issued share capital of RNL and the benefit of certain indebtedness owing by KEL to CITIC Group for a consideration of US$1,003,500,001 (HK$7,827,300,008).

The principal asset of RNL is an interest in 50% of the issued voting shares of KBM, a joint stock company formed under the laws of Kazakhstan, which holds the right to explore, develop and purchase oil in the Karazhanbas oilfield until 2020. The Company has paid a deposit of US$200,000,000 (HK$1,560,000,000) to CITIC Group.

The transaction constitutes a very substantial acquisition and connected transaction under the Listing Rules. At the special general meeting of the Company held on 27 June 2007, an ordinary resolution was duly passed by the independent shareholders of the Company approving the transaction. Further details of the transaction are set out in the circular of the Company dated 12 June 2007.

The transaction is expected to complete in 4Q 2007 subject to Kazakhstan regulatory approvals which the Company is currently processing.

(d) During the Period, the Group has paid rental charges of HK$1,578,000 (2006: HK$1,407,000) to 99 King Street Property Management Pty Ltd., a subsidiary of CITIC Group.

(e) As at 30 June 2007, the outstanding balances with related parties were as follows.

(i) The Group had outstanding advances payable to its minority shareholder of HK$28,536,000 (31 December 2006: HK$38,174,000). Details of the advances are included in note 18 to these Financial Statements.

(ii) The Group had receivables from its fellow subsidiaries and related companies of HK$269,000 (31 December 2006: HK$2,066,000) and HK$80,598,000 (31 December 2006: HK$51,486,000) respectively. There was no receivable from its ultimate holding company (31 December 2006: HK$34,320,000 which has been included in the amount due from the ultimate holding company).

(iii) Details of the Group's loans from the Company's former minority shareholders, a minority shareholder and the ultimate holding company are included in note 17 to these Financial Statements.

Post Balance Sheet Events

(a) On 15 June 2007, Temasek Holdings, acting through its wholly-owned subsidiary, Ellington Investments Pte. Ltd., increased its shareholding interest in the Company by subscribing for 101,000,000 new Shares of at a price of HK$4.46 per new Share. Further details of the transaction are set out in the announcement of the Company dated 18 June 2007.

The net proceeds of the subscription amounted to HK$450.4 million and were received in cash on 3 July 2007.

(b) On 2 July 2007, CITIC Australia Coal Pty Limited ("**CACL**"), an indirect wholly-owned subsidiary of the Company, agreed to purchase 15,683,735 existing fully paid ordinary shares (the "**Macarthur Shares**") in the share capital of Macarthur Coal from Talbot Group Investments Pty Limited. Macarthur Coal is a company incorporated in Australia and whose shares are listed on the Australian Stock Exchange.

The transaction was completed on 6 July 2007 and resulted in CACL increasing its shareholding in Macarthur Coal from 11.62% to 19.99% of the total Macarthur Shares in issue. Further details of the transaction are set out in the circular of the Company dated 21 September 2007.

(c) Effective 21 August 2007, there were the following changes in the directorate of the Company:

(i) Mr. Kwok Peter Viem resigned as the chairman of the Board, an executive director of the Company and a member of the nomination committee of the Board;

(ii) Mr. Kong Dan, the honorary chairman of the Company, was appointed a director of the Company and was elected chairman of the Board, and a member of the nomination committee of the Board;

(iii) Mr. Ma Ting Hung resigned as a vice chairman of the Board and a member of the remuneration committee of the Board; and became a non-executive director of the Company;

(iv) Mr. Mi Zengxin was elected a vice chairman of the Board;

(v) Mr. Tang Kui was appointed a non-executive director of the Company; and

(vi) Mr. Wong Kim Yin was appointed an alternate to Mr. Tang Kui.

Review of Accounts

The audit committee has reviewed this interim report with the management of the Company.

On behalf of the Board
Sun Xinguo
Chief Executive Officer

Hong Kong, 21 September 2007