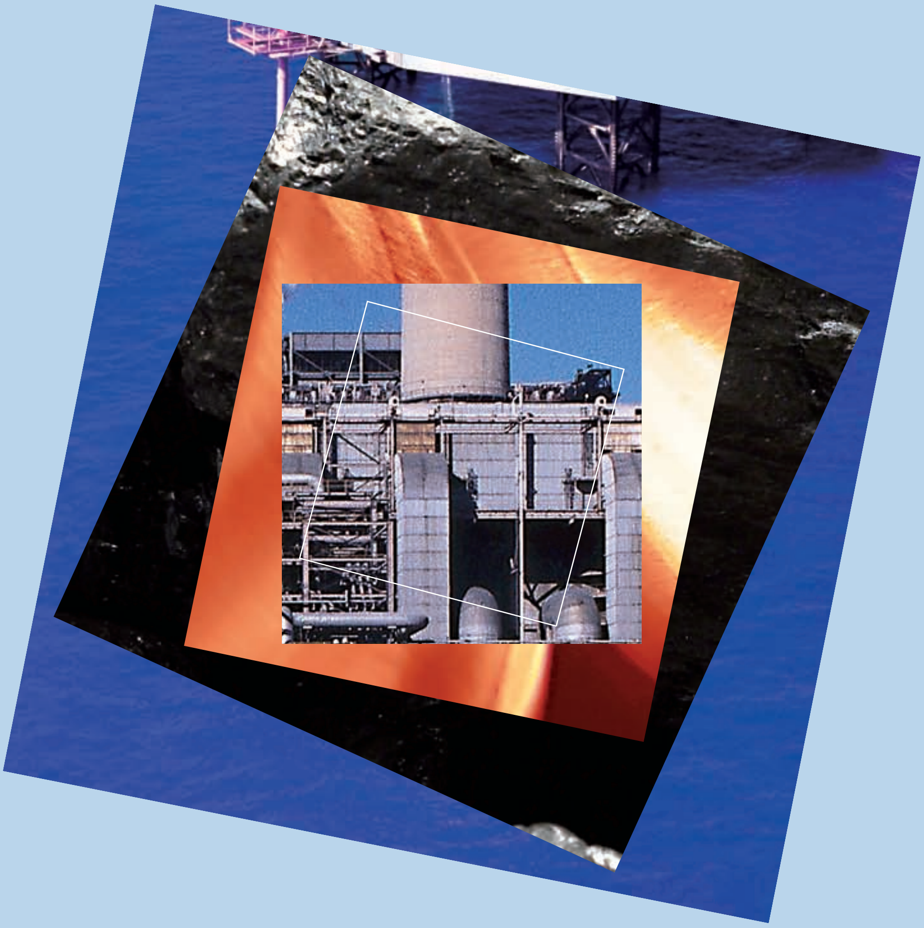
no boundary for expansion

Interim Report 2008 中期報告

Stock Code 股份代號: 1205



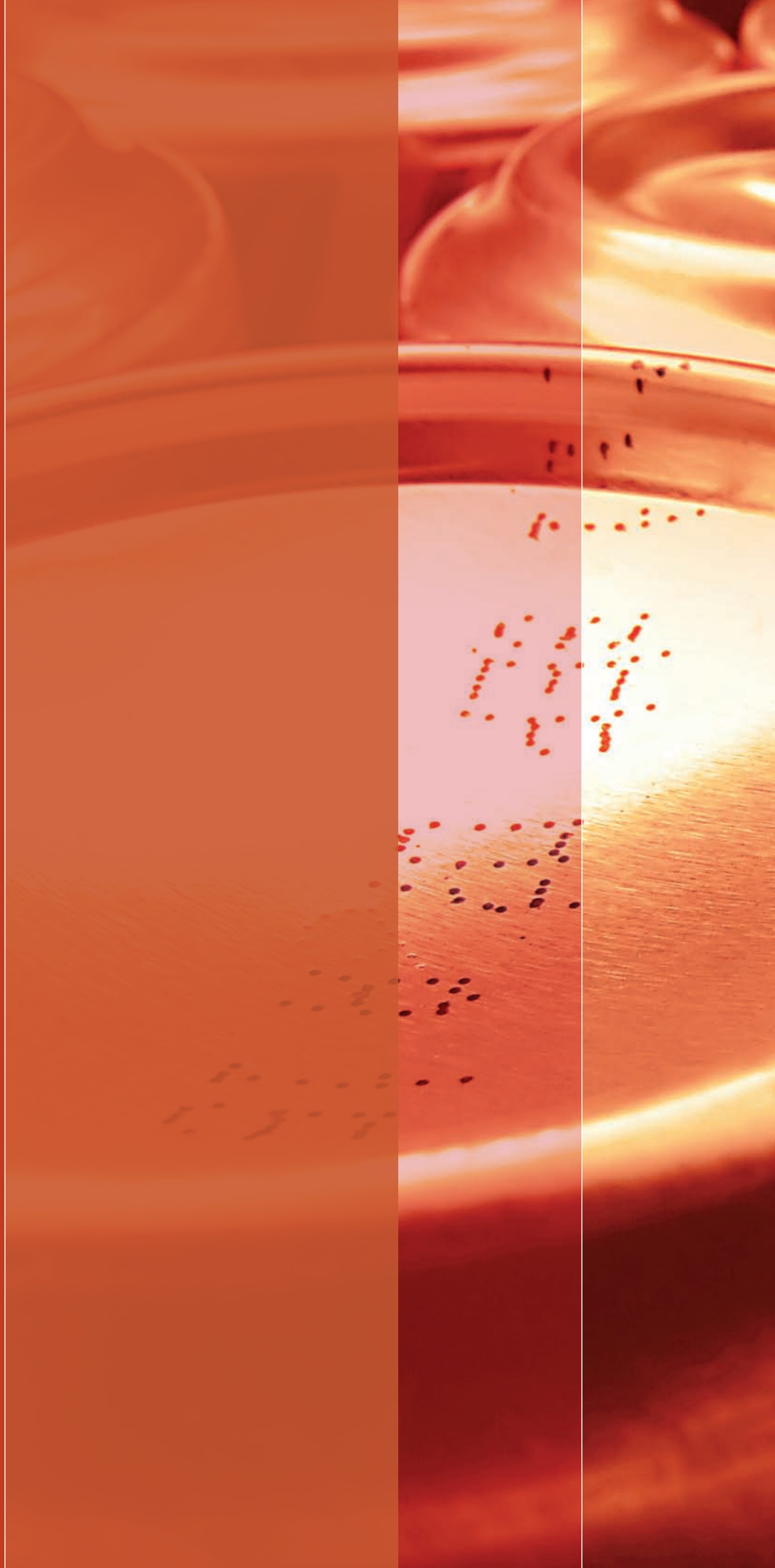
CITIC Resources Holdings Limited
中信資源控股有限公司
(incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

oil

… an energy
and minerals company
with a growing focus on oil exploration,
development and production responsible
for significant large scale volume operations
in Kazakhstan, the PRC and Indonesia.

coal

… presently the largest shareholder in Macarthur Coal Limited (ASX: MCC.AX) with whom we are partners in the Coppabella Mine and the Moorvale Mine together providing approximately 47% of the low volatile PCI coal exported from Australia to the steel mills of Asia, Europe and the Americas.

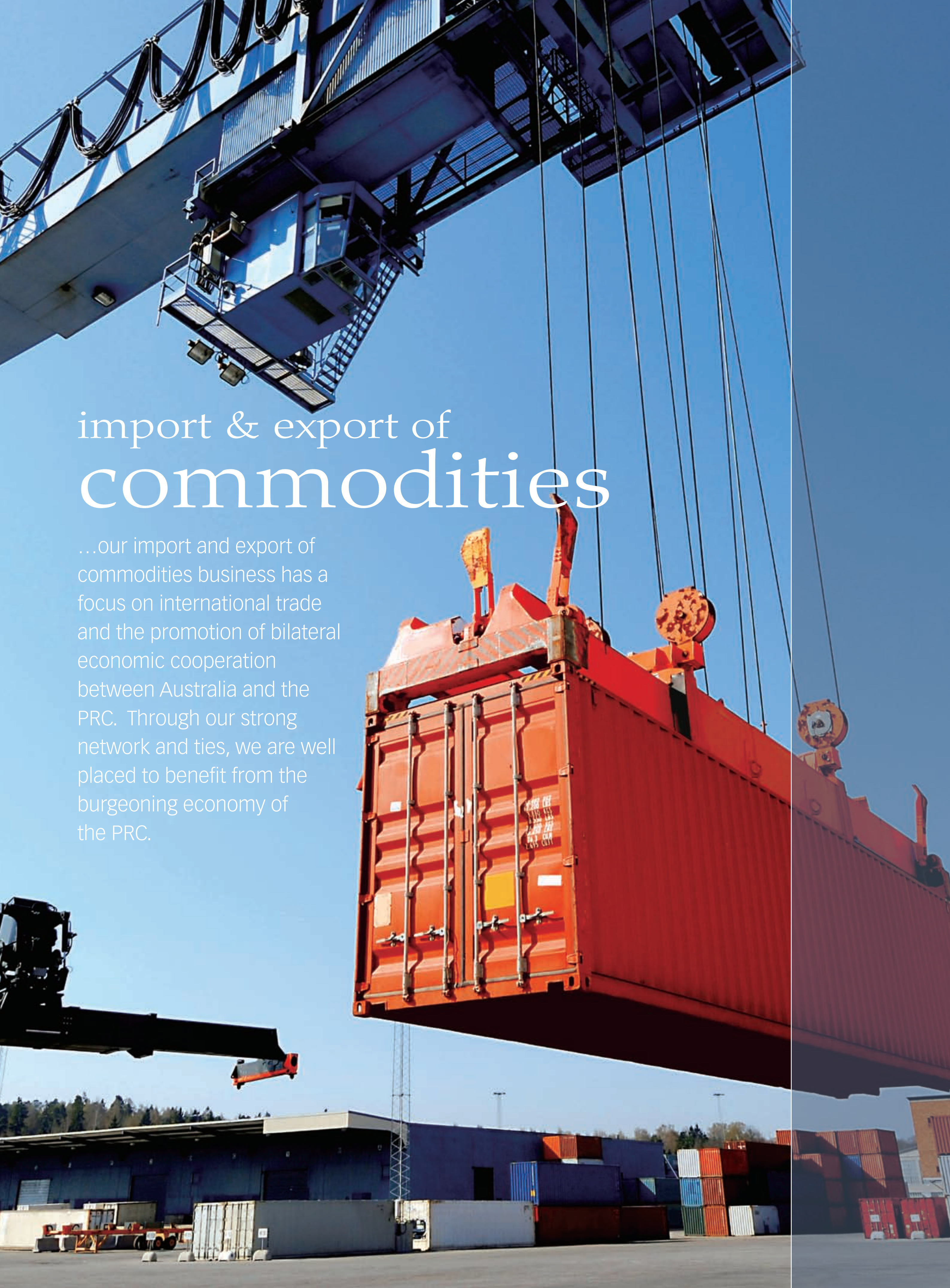


aluminium

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

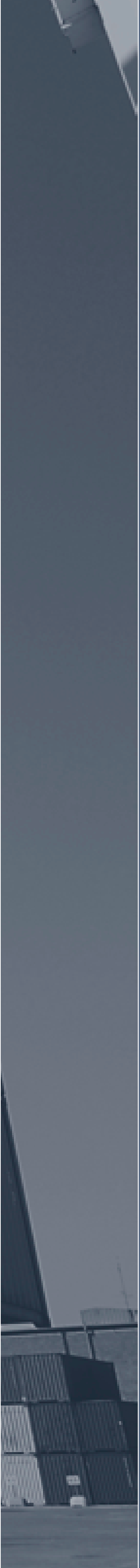
manganese

…in our Guangxi Daxin Manganese Mine and Guangxi Tiandeng Manganese Mine, we control the largest manganese mines in the PRC and are one of the largest manufacturers and suppliers of manganese products in the world.



import & export of commodities

…our import and export of commodities business has a focus on international trade and the promotion of bilateral economic cooperation between Australia and the PRC. Through our strong network and ties, we are well placed to benefit from the burgeoning economy of the PRC.



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. Wong Kim Yin
Ms. Yap Chwee Mein
(Alternate to Mr. Wong Kim Yin)

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

Remuneration Committee

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

Nomination Committee

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

Investment Committee

Mr. Mi Zengxin *(Chairman)*
Mr. Sun Xinguo
Mr. Zeng Chen
Mr. Zhang Jijing
Mr. Wong Kim Yin
Mr. Fan Ren Da, Anthony

Company Secretary

Ms. Li So Mui

Qualified Accountant

Mr. Chung Ka Fai, Alan

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

Suites 3001-3006, 30/F, One Pacific Place
88 Queensway, Hong Kong

Telephone	:	(852) 2899 8200
Facsimile	:	(852) 2815 9723
E-mail	:	ir@citicresources.com
Website	:	www.citicresources.com

Stock code : 1205

Share Registrar and Transfer Office

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

Auditors

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

Principal Bankers

China Development Bank
CITIC Ka Wah Bank Limited
Mizuho Corporate Bank, Ltd.

Six months ended 30 June | Unaudited HK$'000

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 2008 (the "**Period**").

Condensed Consolidated Income Statement

	Notes	2008	2007
REVENUE	4	**9,494,327**	5,177,379
Cost of sales		**(7,338,877)**	(4,603,061)
Gross profit		**2,155,450**	574,318
Other income and gains	5	**116,695**	110,938
Selling and distribution costs		**(141,087)**	(45,412)
Administrative expenses		**(286,748)**	(135,457)
Other operating expenses, net		**(85,611)**	(34,907)
Finance costs	6	**(465,487)**	(196,146)
Share of profit of an associate		**49,523**	—
PROFIT BEFORE TAX	7	**1,342,735**	273,334
Tax	8	**(604,345)**	(55,986)
PROFIT FOR THE PERIOD		**738,390**	217,348
ATTRIBUTABLE TO:			
Shareholders of the Company		**520,116**	138,316
Minority interests		**218,274**	79,032
		738,390	217,348
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	9		
Basic		**HK 9.89 cents**	HK 2.90 cents
Diluted		**HK 9.84 cents**	HK 2.83 cents
DIVIDEND PER SHARE	10	**Nil**	Nil

HK$'000

Condensed Consolidated Balance Sheet

	Notes	30 June 2008 Unaudited	31 December 2007 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**22,567,889**	22,187,440
Prepaid land lease premiums		**78,355**	72,451
Goodwill		**341,512**	341,512
Other intangible assets		**180,271**	142,038
Other assets		**562,764**	549,295
Interest in an associate	11	**1,314,506**	1,164,472
Available-for-sale investments	12	**137,225**	201,206
Prepayments, deposits and other receivables		**109,737**	78,860
Loan receivable		**—**	3,222
Deferred tax assets		**130,121**	156,735
Total non-current assets		**25,422,380**	24,897,231
CURRENT ASSETS			
Inventories		**1,349,733**	1,126,642
Accounts receivable	13	**2,643,694**	1,619,666
Prepayments, deposits and other receivables		**829,569**	745,518
Loan receivable		**12,555**	18,393
Equity investments at fair value through profit or loss	14	**2,653**	2,430
Derivative financial instruments	15	**30,357**	8,608
Due from a minority shareholder		**8,888**	—
Due from related companies		**68,227**	119,600
Other assets		**102,312**	70,125
Tax recoverable		**—**	92,295
Cash and bank balances		**2,171,560**	2,074,457
Total current assets		**7,219,548**	5,877,734
CURRENT LIABILITIES			
Accounts payable	16	**490,881**	613,991
Tax payable		**470,357**	408,984
Accrued liabilities and other payables		**996,182**	653,313
Derivative financial instruments	15	**219,556**	102,366
Due to a minority shareholder	17	**78,649**	—
Due to related companies		**15,240**	9,674
Bank and other loans	18	**2,889,279**	2,238,916
Bond obligations	19	**356,809**	356,868
Provisions		**58,022**	52,313
Total current liabilities		**5,574,975**	4,436,425
NET CURRENT ASSETS		**1,644,573**	1,441,309
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,066,953**	26,338,540

HK$'000

Condensed Consolidated Balance Sheet (continued)

	Notes	30 June 2008 Unaudited	31 December 2007 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,066,953**	26,338,540
NON-CURRENT LIABILITIES			
Bank and other loans	18	**1,796,621**	1,963,188
Bond obligations	19	**7,647,504**	7,635,991
Deferred tax liabilities		**9,020,337**	9,173,110
Derivative financial instruments	15	**109,583**	86,756
Provisions		**214,952**	246,612
Others payables		**101,178**	73,324
Total non-current liabilities		**18,890,175**	19,178,981
NET ASSETS		**8,176,778**	7,159,559
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	20	**262,894**	262,894
Reserves		**6,644,535**	5,808,569
		6,907,429	6,071,463
Minority interests		**1,269,349**	1,088,096
TOTAL EQUITY		**8,176,778**	7,159,559

Six months ended 30 June HK$'000

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 investments revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits	Sub-total	Minority interests	Total equity
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
Opening adjustments on interest in an associate (Note 11)	—	—	—	(5,045)	(320,668)	—	—	—	76,109	(249,604)	—	(249,604)
As restated	215,909	2,563,587	65,527	(6,083)	(53,389)	(79,416)	38,535	—	231,069	2,975,739	279,746	3,255,485
Exchange realignment	—	—	—	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	233,858	157,989	(66,007)	58,050	—	369,385	5,299,345	360,017	5,659,362
At 31 December 2007 (Audited) and 1 January 2008	**262,894**	**4,843,817**	**65,527**	**297,736**	**10,233**	**57,985**	**19,425**	**20,340**	**493,506**	**6,071,463**	**1,088,096**	**7,159,559**
Exchange realignment	**—**	**—**	**—**	**217,477**	**—**	**—**	**—**	**—**	**—**	**217,477**	**55,875**	**273,352**
Net gains on cash flow hedges	**—**	**—**	**—**	**—**	**—**	**42,426**	**—**	**—**	**—**	**42,426**	**—**	**42,426**
Change in fair value of available-for-sale investments	**—**	**—**	**—**	**—**	**52,137**	**—**	**—**	**—**	**—**	**52,137**	**—**	**52,137**
Dividend paid to minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(92,896)**	**(92,896)**
Equity-settled share option arrangements	**—**	**—**	**—**	**—**	**—**	**—**	**3,810**	**—**	**—**	**3,810**	**—**	**3,810**
Profit for the Period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**520,116**	**520,116**	**218,274**	**738,390**
At 30 June 2008 (Unaudited)	**262,894**	**4,843,817 ***	**65,527 ***	**515,213 ***	**62,370 ***	**100,411 ***	**23,235 ***	**20,340 ***	**1,013,622 ***	**6,907,429**	**1,269,349**	**8,176,778**

* These reserves accounts comprise the consolidated reserves of HK$6,644,535,000 (31 December 2007: HK$5,808,569,000) in the consolidated balance sheet.

Six months ended 30 June | Unaudited HK$'000

Condensed Consolidated Cash Flow Statement

	2008	2007
Net cash inflow from operating activities	**893,132**	57,111
Net cash outflow from investing activities	**(805,861)**	(8,207,041)
Net cash inflow from financing activities	**2,379**	8,971,190
NET INCREASE IN CASH AND CASH EQUIVALENTS	**89,650**	821,260
Cash and cash equivalents at beginning of Period	**2,074,457**	850,744
Effect of foreign exchange rate changes, net	**7,453**	(20,015)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,171,560**	1,651,989
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,368,251**	950,288
Non-pledged time deposits with original maturity of less than three months when acquired	**803,309**	701,701
	2,171,560	1,651,989

30 June 2008

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 2007.

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 2007.

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 ("**HKFRS**") (which include all HKFRSs, HKASs and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants for the first time for these Financial Statements. Except for certain cases giving rise to new and revised accounting polices and additional disclosures, the adoption of these new standards and interpretation has had no material effect on these Financial Statements.

HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. IMPACT OF 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.

HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 and HKAS 1 Amendments	Amendment to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [2]
HK (IFRIC) – Int 13	Customer Loyalty Programmes [1]

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

The effect of the adoption of HKFRS 3 (Revised) is being assessed by the Group. Besides this, the Group expects that the adoption of the above pronouncements will not have a significant impact on these Financial Statements.

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 mines 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, iron ore, steel and ilmenite, and the import of manufactured goods such as vehicle and industrial batteries, tyres, alloy wheels and steel;

(d) the manganese segment comprises the operation of manganese mining operated by CITIC Dameng Mining Industries Limited (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 oilfields and the sale of crude oil in Indonesia, the PRC and Kazakhstan.

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.

Unaudited HK$'000

4. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit for the Group's business segments for the six months ended 30 June 2008 and 2007.

Six months ended 30 June 2008	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Consolidated
Segment revenue:						
Sales to external customers	814,981	172,430	4,824,743	1,442,046	2,240,127	9,494,327
Other income	2,296	—	5,221	9,475	10,064	27,056
	817,277	172,430	4,829,964	1,451,521	2,250,191	9,521,383
Segment results	10,938	95,022	107,111	387,078	1,166,821	1,766,970
Interest income and unallocated gains						89,639
Unallocated expenses						(97,910)
Profit from operating activities						1,758,699
Unallocated finance costs						(465,487)
Share of profit of an associate	—	49,523	—	—	—	49,523
Profit before tax						1,342,735
Tax						(604,345)
Profit for the Period						738,390

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	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)
Share of profit of an associate	—	—	—	—	—	—
Profit before tax						273,334
Tax						(55,986)
Profit for the period						217,348

Six months ended 30 June | Unaudited HK$'000

5. OTHER INCOME AND GAINS

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

	2008	2007
Interest income	**40,691**	115,698
Handling service fees	**3,442**	4,420
Dividend income from available-for-sale investments	**—**	15,998
Gain on sales of coal exploration interests	**—**	7,558
Gain on disposal of available-for-sale investments	**46,268**	—
Fair value loss on derivative instruments, net	**—**	(51,112)
Sale of scraps	**3,644**	4,373
Subsidy income	**7,147**	—
Others	**15,503**	14,003
	116,695	110,938

6. FINANCE COSTS

	2008	2007
Interest expense on bank and other loans repayable:		
Within one year	**94,732**	96,257
In the second to fifth years, inclusive	**38,383**	22,178
Beyond five years	**6,479**	8,119
Floating rate bond obligations	**20,106**	—
Fixed rate senior notes, net	**264,813**	66,794
Total interest expense on financial liabilities not at fair value through profit or loss	**424,513**	193,348
Amortisation of fixed rate senior notes	**11,513**	—
	436,026	193,348
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time	**5,357**	1,285
Increase in discounted interest on receivables	**16,032**	—
Others *	**8,072**	1,513
	465,487	196,146

* Included amortisation of up-front fees of HK$6,650,000 (2007: HK$1,002,000).

Six months ended 30 June Unaudited HK$'000

7. PROFIT BEFORE TAX

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

	2008	2007
Depreciation	**524,718**	60,155
Amortisation of the Electricity Supply Agreement	**37,499**	34,039
Amortisation of other assets	**4,987**	5,750
Amortisation of prepaid land lease premiums	**852**	—
Equity-settled share option expenses	**3,810**	21,825
Impairment on the spent pot lining project *	**—**	29,100
Loss on disposal/write-off of items of property, plant and equipment *	**3,092**	—
Exchange losses, net *	**58,663**	64,610

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

8. TAX

	2008	2007
Current:		
Hong Kong	—	—
Elsewhere	**835,151**	56,131
	835,151	56,131
Deferred	**(230,806)**	(145)
Total tax charge for the Period	**604,345**	55,986

The statutory tax rate of Hong Kong profits tax is 16.5% (2007: 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 (2007: 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 respect thereof.

Provision for Australian income tax has been made at the statutory rate of 30% (2007: 30%) on the estimated assessable profits arising in Australia during the Period.

For the Period, the corporate tax rates applicable to the subsidiaries and jointly-controlled entities established and operating in the PRC, Indonesia and Kazakhstan are 25% (2007: 33%), 30% (2007: 30%) and 30% respectively.

8. TAX (continued)

Certain PRC subsidiaries of the Group are subject to a full corporate income tax exemption for the two years and a 50% reduction in the succeeding three years, commencing from the first profitable year.

Under the new PRC Corporate Income Tax Law (the "**New Corporate Income Tax Law**") and its Implementation Rules (effective on 1 January 2008), the PRC corporate income tax rates for domestic and foreign-invested enterprises (including Sino-foreign equity joint ventures) are unified to 25%. Sino-foreign equity joint ventures which were established before the New Corporate Income Tax Law was promulgated and have been entitled to the above income tax holiday can continue to enjoy the existing tax holiday until its expiry, subject to a five-year period restriction. Consequently, certain PRC subsidiaries of the Group can continue to enjoy their tax holiday, commencing from their respective first profitable year and expiring within five years from 1 January 2008.

The Group's subsidiary owning participating interest in oil and gas properties in Indonesia is subject to branch tax at the effective rate of 14% (2007: 14%).

In accordance with the subsoil use contract, the Group's jointly-controlled entities with operations domiciled in Kazakhstan shall pay excess profit tax (the "**EPT**") on its profit after corporate income tax each year, pursuant to the Tax Code of Kazakhstan. The EPT shall be paid on a basis of the cumulative real internal rate of return (the "**IRR**") exceeding 20%. The IRR is calculated based on the after-tax cash flow (the "**ATCF**") and by further discounting using the published oil machinery and equipment index. The ATCF shall be calculated as the cumulative gross income less all expenses relating to petroleum operations, including transporting expenses, operating costs, capital expenditures and all taxes. The EPT is paid at progressive rates from 4% to 30% of the profit after corporate income tax, as shown in the table below:

IRR	EPT rate	Effective EPT rate
20% - 22%	4%	2.8%
22% - 24%	8%	5.6%
24% - 26%	12%	8.4%
26% - 28%	18%	12.6%
28% - 30%	24%	16.8%
More than 30%	30%	21.0%

The current EPT rate applicable to the jointly-controlled entities is 30% resulting in an overall effective tax rate of 51%.

Six months ended 30 June Unaudited HK$'000

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 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 ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2008	2007
Earnings		
Profit attributable to ordinary shareholders of the Company, used in the basic earnings per share calculation	**520,116**	138,316

	Number of shares 2008	2007
Shares		
Weighted average number of ordinary shares in issue during the Period used in basic earnings per share calculation	**5,257,884,381**	4,762,927,475
Effect of dilution – weighted average number of ordinary shares: share options	**28,474,605**	118,522,115
	5,286,358,986	4,881,449,590

10. DIVIDEND

The Board has resolved not to pay an interim dividend for the Period (2007: Nil).

HK$'000

11. INTEREST IN AN ASSOCIATE

As at 31 December 2006, the Group had an 11.62% equity interest in Macarthur Coal Limited ("**Macarthur Coal**"), a public company listed on the Australian Stock Exchange, which had been accounted for as an available-for-sale investment of the Group and was carried at fair value with changes recognised directly in equity. On 6 July 2007, the Group completed the acquisition of an additional 8.37% equity interest in Macarthur Coal at a consideration of A$112,923,000 (HK$757,358,000), following which, Macarthur Coal was then accounted for as an associate of the Group.

The Group accounted for this step acquisition prospectively from 1 January 2007 by reverting the Group's original cost and the related fair value changes for its investment in Macarthur Coal and applied equity accounting in the previous periods based on the Group's ownership percentage in Macarthur Coal in those periods. The resulting share of post acquisition profits or losses net of any dividends receivable, and any changes in fair value of the underlying investments since the acquisition of the first tranche was adjusted through retained earnings.

In January 2008, Macarthur Coal issued additional shares for the acquisition of assets and therefore, the Group's shareholding in Macarthur Coal was diluted from 19.99% to 17.66%.

Subsequent to the balance sheet date, the Group's shareholding in Macarthur Coal has increased from 17.66% to 20.39% after the Group's acquisition of a further 2.73% interest in Macarthur Coal.

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2008 Unaudited	31 December 2007 Audited
Non-current listed equity investments, at fair value:		
Australia	**133,000**	109,703
Canada	**—**	87,126
	133,000	196,829
Unlisted equity investments, at fair value	**4,225**	4,377
	137,225	201,206
The cost of the above investments were:		
Australia	**38,460**	32,794
Canada	**—**	130,013
	38,460	162,807

During the Period, the gain on fair value of the Group's available-for-sale investments (net of deferred tax) recognised directly in equity amounted to HK$52,137,000 (2007: HK$64,199,000).

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

HK$'000

13. ACCOUNTS RECEIVABLE

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

	30 June 2008 Unaudited	31 December 2007 Audited
Within one month	**1,903,282**	1,365,118
One to two months	**297,984**	203,292
Two to three months	**349,205**	12,115
Over three months	**93,223**	39,141
	2,643,694	1,619,666

Included in the Group's total accounts receivable is an amount due from the Group's fellow subsidiary of HK$472,473,000 (31 December 2007: HK$1,516,000), which is repayable on similar credit terms to those offered to other customers of the Group.

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

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2008 Unaudited	31 December 2007 Audited
Current unlisted equity investments, at fair value:		
Australia	**2,653**	2,430

The above equity investments as at 30 June 2008 and 31 December 2007 were classified as held for trading.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2008 Unaudited	
	Assets	**Liabilities**
Forward currency contracts and currency options	**30,357**	**—**
Forward commodity contracts	**—**	**42,280**
Interest rate swaps and options	**—**	**627**
Derivative financial instruments – embedded derivative	**—**	**286,232**
	30,357	**329,139**
Portion classified as non-current:		
Derivative financial instruments – embedded derivative	**—**	**(109,583)**
Current portion	**30,357**	**219,556**

HK$'000

15. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	31 December 2007 Audited Assets	Liabilities
Forward currency contracts and currency options	6,931	—
Forward commodity contracts	—	20,933
Interest rate swaps and options	1,677	—
Derivative financial instruments – embedded derivative	—	168,189
	8,608	189,122
Portion classified as non-current:		
Derivative financial instruments – embedded derivative	—	(86,756)
Current portion	8,608	102,366

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 the exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

16. 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 2008 Unaudited	31 December 2007 Audited
Within one month	**264,632**	581,630
One to two months	**98,838**	15,534
Two to three months	**31,653**	2,520
Over three months	**95,758**	14,307
	490,881	613,991

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

17. DUE TO A MINORITY SHAREHOLDER

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

HK$'000

18. BANK AND OTHER LOANS

	Notes	**30 June 2008 Unaudited**	31 December 2007 Audited
Bank loans – secured * #	(a)	**1,509,767**	1,210,720
Bank loans – unsecured * #	(b)	**2,784,078**	2,522,840
Unsecured loan from Transport Infrastructure Corridor *	(c)	**6,387**	6,448
Unsecured loan from Exploration Permit for coal *	(d)	**6,688**	6,125
Unsecured loans from former minority shareholders ^	(e)	**11,862**	11,862
Unsecured loans from minority shareholders ^	(f)	**62,930**	139,930
Unsecured loan from CITIC Group #	(g)	**304,188**	304,179
		4,685,900	4,202,104

* Fixed rate
\# Floating rate
^ Interest-free

Notes:

(a) The secured bank loans of HK$1,509,767,000 include:

(i) a loan of US$73,000,000 (HK$569,378,000) due on 31 December 2008 (extendable in accordance with the terms of the Portland Aluminium Smelter joint venture), which is interest-bearing at LIBOR and is secured by a 22.5% participating interest in the Portland Aluminium Smelter joint venture;

(ii) the loans of RMB698,000,000 (HK$794,115,000) with due dates from 29 July 2008 to 30 September 2015, which are interest-bearing at rates ranging from 6.72% to 8.22% per annum and are secured by property, plant and equipment of HK$157,409,000 (31 December 2007: HK$80,727,000), prepaid land lease premiums of HK$58,082,000 (31 December 2007: HK$52,347,000) and a guarantee provided by a minority shareholder (31 December 2007: in addition, the mining right of HK$119,518,000); and

(iii) a loan of 2,264,062,500 Tenge (HK$146,274,000) due on 1 July 2011, which is interest-bearing at 11.8% per annum and is secured by property, plant and equipment of JSC Karazhanbasmunai ("**KBM**") in an amount of 4,250,000,000 Tenge (HK$274,577,000) (31 December 2007: 4,550,000,000 Tenge (HK$294,008,000)).

(b) The unsecured bank loans of HK$2,784,078,000 include mainly:

(i) a term loan of US$150,000,000 (HK$1,170,000,000), which is interest-bearing at LIBOR plus 0.58% per annum;

(ii) trade finance facilities of A$149,962,000 (HK$1,125,915,000), which are interest-bearing at LIBOR and are guaranteed by CITIC Resources Australia Pty Limited;

(iii) a bank loan borrowed by KBM of 6,121,000,000 Tenge (HK$395,456,000), which is interest-bearing at 9.5% per annum and due on 12 April 2009; and

(iv) the loans of RMB70,000,000 (HK$79,639,000) with due dates from 20 November 2008 to 20 January 2009, which are interest-bearing at rates ranging from 7.29% to 7.47% per annum.

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

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

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

HK$'000

18. BANK AND OTHER LOANS (continued)

(f) The loan of HK$62,930,000 was obtained 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), which is unsecured, interest-free and not repayable within one year.

(g) The loan of US$39,000,000 (HK$304,188,000) was granted by CITIC Group, the ultimate holding company of the Group, which is unsecured, interest-bearing at LIBOR plus 1.5% per annum and repayable in equal annual instalments by 7 September 2012.

	30 June 2008 Unaudited	31 December 2007 Audited
Bank loans repayable:		
Within one year or on demand	**2,871,356**	2,143,225
In the second year	**52,680**	730,531
In the third to fifth years, inclusive	**1,261,727**	783,189
Beyond five years	**108,082**	76,615
	4,293,845	3,733,560
Other loans repayable:		
Within one year	**2,324**	2,092
In the second year	**2,461**	2,217
In the third to fifth years, inclusive	**7,007**	7,089
Beyond five years	**1,283**	1,175
	13,075	12,573
Loans from former minority shareholders:		
Beyond one year	**11,862**	11,862
Loans from minority shareholders:		
Within one year	**—**	78,000
Beyond one year	**62,930**	61,930
	62,930	139,930
Loan from CITIC Group:		
Within one year	**15,599**	15,599
In the second year	**15,599**	15,599
In the third to fifth years, inclusive	**46,797**	46,797
Beyond five years	**226,193**	226,184
	304,188	304,179
Total bank and other loans	**4,685,900**	4,202,104
Portion classified as current liabilities	**(2,889,279)**	(2,238,916)
Non-current portion	**1,796,621**	1,963,188

HK$'000

19. BOND OBLIGATIONS

	Notes	**30 June 2008 Unaudited**	31 December 2007 Audited
Senior notes, listed in Singapore	(a)	**7,647,504**	7,635,991
Bonds, listed in Kazakhstan	(b)	**356,809**	356,868
Total bond obligations		**8,004,313**	7,992,859
Portion classified as current liabilities		**(356,809)**	(356,868)
Non-current portion		**7,647,504**	7,635,991

Notes:

(a) On 17 May 2007, CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company, completed the issuance 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 2008, the fair value of the Notes was estimated at US$958,800,000 (HK$7,478,640,000) (31 December 2007: US$944,500,000 (HK$7,367,100,000)) which was determined based on the closing market price of the Notes on that date.

(b) The bonds are 11,100,000 non-callable coupon bonds in the aggregate amount of 11.1 billion Tenge issued and registered with the Kazakhstan Stock Exchange in December 2003 with a five-year maturity. The bonds bear interest at the rate of 8% per annum during the first six months of their tenor and a floating rate for the rest of their tenor by referring to the inflation index as reported by the Agency of Statistics of the Republic of Kazakhstan. The maximum floating rate is capped at 14% per annum. The interest is payable semi-annually.

As at 30 June 2008, the fair value of the bonds was estimated at HK$378,050,000 (31 December 2007: HK$369,327,000), which was determined based on the closing market price of the bonds on that date.

20. SHARE CAPITAL

	30 June 2008 Unaudited	31 December 2007 Audited
Authorised:		
10,000,000,000 (31 December 2007: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid:		
5,257,884,381 (31 December 2007: 5,257,884,381) ordinary shares of HK$0.05 each	**262,894**	262,894

Subsequent to the balance sheet date, the Company completed a rights issue of 788,682,657 ordinary shares of HK$0.05 each at the subscription price of HK$3.20 per rights share.

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 (the "**Guangdong High Court**").

In August 2003, certain members of the Plaintiff's management team were sentenced to imprisonment for creating forged documents, including those presented by them in relation to the Claim. Despite this, the Guangdong High Court 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 a further appeal to the State Supreme Court requesting the withdrawal of the Second Judgment and a decision that Dongguan Xinlian was not liable to the Plaintiff in respect of the Second Judgment. In December 2004, the Guangdong High Court overturned the Second Judgment and issued a decision that it would re-hear the case.

In December 2005, the Guangdong High Court 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. Although the Guangdong High Court acknowledged the criminal liabilities of certain members of the Plaintiff's management team (including forging the contracts connected to the Claim), the Guangdong High Court 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 to the State Supreme Court 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.

In November 2006, the Supreme People's Procuratorate of the PRC confirmed the grounds of the petition and filed the protest with the State Supreme Court for retrial. In February 2007, the State Supreme Court issued a written civil ruling to retry the case. The hearing was set for October 2007 but the Plaintiff did not attend. A new date for the hearing has not been fixed as at the date of this interim report.

In March 2007, the Group's legal advisers re-confirmed the conflicts and discrepancies with regard to the Second Judgment and the Third Judgment.

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 2008.

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.

21. LITIGATION (continued)

(b) In September 2005, Thomas de Shazo ("**de Shazo**") filed a summons and complaint in the Southern District of Texas in the United States District Court against CITIC Canada Petroleum Limited ("**CCPL**"), Ecolo Investments Limited, Aequitas Energy, S.A., Novomundo Trading Ltd., Hashim Djojohadikusumo, Philip Hirschler and Patrick O'Mara. de Shazo was claiming an amount of US$200,000,000 (HK$1,560,000,000) and additional punitive damages. The United States Federal Court dismissed de Shazo's claim in March 2007 and de Shazo appealed in April 2007. Oral argument in respect of the appeal was heard by the United States Court of Appeals in March 2008. The United States Court of Appeals affirmed the dismissal of de Shazo's claim on 29 May 2008. de Shazo had the right to appeal to the United States Supreme Court by 27 August 2008. As at 27 August 2008, de Shazo had not filed an appeal to the United States Supreme Court. The Group's legal advisers have confirmed to CCPL that the case has been finally concluded in favour of CCPL.

(c) (i) During 2007, the books and records of KBM were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of withholding tax from the source of payment for the years 2002-2006. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of 244,790,000 Tenge (HK$15,813,000) and penalty of 98,032,000 Tenge (HK$6,333,000).

In May 2008, KBM received a revised claim from Courts of Astana City to pay additional tax of 220,952,000 Tenge (HK$14,273,000) and penalty of 98,032,000 Tenge (HK$6,333,000). On 2 June 2008, KBM sent an appeal to the Supreme Court of the Republic of Kazakhstan.

During the Period, KBM has made provisions in respect of the additional tax of 220,952,000 Tenge (HK$14,273,000) and the penalty of 98,032,000 Tenge (HK$6,333,000).

(ii) During 2007, the books and records of KBM were also audited by the Kazakhstan tax authorities with regard to the calculation and accrual of excess profit tax for the years 2002-2004. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of 11,781,577,000 Tenge (HK$761,090,000), fines of 5,890,789,000 Tenge (HK$380,545,000) and penalty of 6,891,013,000 Tenge (HK$445,159,000).

On 11 March 2008, KBM appealed to the Courts of Astana City against the excess profit tax claims. On 1 August 2008, KBM received the first instance decision from the Courts of Astana City requiring KBM to pay additional tax of 221,765,000 Tenge (HK$14,326,000), fines of 747,390,000 Tenge (HK$48,281,000) and penalty of 1,090,955,000 Tenge (HK$70,476,000).

On 15 August 2008, KBM appealed to the Supreme Court of the Republic of Kazakhstan against the first instance decision of the Courts of Astana City. No decision by the Supreme Court of the Republic of Kazakhstan has been issued as of the date of this interim report.

In the opinion of KBM's management, the amounts of additional tax, fines and penalty are either not probable, not reasonably determinable, or both. No provision has therefore been made in respect of such amounts.

HK$'000

22. OPERATING LEASE ARRANGEMENTS

As at 30 June 2008, 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 2008 Unaudited	31 December 2007 Audited
Within one year	**33,383**	15,829
In the second to fifth years, inclusive	**37,215**	14,389
Beyond five years	**199**	949
	70,797	31,167

23. COMMITMENTS

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

	30 June 2008 Unaudited	31 December 2007 Audited
Contracted, but not provided for:		
Capital expenditure in respect of:		
Infrastructure and acquisition of property, plant and equipment, and oil and gas properties	**656,191**	514,872
Acquisition of prepaid land lease payments	**88,060**	—
Acquisition of equity interests in subsidiaries	**51,466**	—
	795,717	514,872
Authorised, but not contracted for:		
Minimum work programme for the year 2008	**460,259**	855,693
Acquisition of property, plant and equipment	**192,385**	—
Investment in subsidiaries	**15,928**	—
	668,572	855,693

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

	30 June 2008 Unaudited	31 December 2007 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of property, plant and equipment	**398,276**	200,290

Save as aforesaid, at the balance sheet date, the Group had no other significant commitments (31 December 2007: Nil).

Business Review and Outlook

The Group has performed satisfactorily during the first half of 2008 following the completion of a number of significant oil acquisitions during the last quarter of 2007 including, in particular, the Group's interest in the Karazhanbas oilfield in Kazakhstan. These acquisitions reflect the achievement by the Group of its objective to diversify into oil investments and to integrate and consolidate its natural and energy resources platform. Contributions from the oil investments now supplement revenue and net profit contributions from the Group's existing aluminium smelting, coal, import and export of commodities and manganese businesses and investments.

The Group's oil investments currently comprise an almost 50% interest in the Karazhanbas oilfield in Kazakhstan, a 90% interest in the contractor's rights in the Hainan-Yuedong Block in the PRC and a 51% interest in the Seram Island Non-Bula Block ("**Seram**") production sharing contract in Indonesia. The Group exercises a significant involvement in the operations of all its oil interests and during 1H 2008, has begun concentrating resources to improve the efficiency and productivity of these assets.

Production from the Karazhanbas oilfield will exert the single largest influence on the Group's overall production volumes in the short term until production commences at the Hainan-Yuedong Block. One key objective at the Karazhanbas oilfield is to promote more effective oil production techniques to enhance production and to prolong well life. To achieve this, cyclic steam stimulation has been partially employed and the Group will seek to use this and other suitable technology on a more extensive scale in the Karazhanbas oilfield and, as a result, rely less on cold heavy oil production with sand which has a greater adverse impact on well deterioration. These new oil recovery technologies are being introduced with the aim of extending well life for as long as is feasible and to allow the production of oil at more efficient and sustainable rates. This has had an impact resulting in lower oil production generally in 1H 2008 but, notwithstanding, the Group remains positive that overall production at Karazhanbas oilfield will increase in the medium to long term.

The Group's operations at the Hainan-Yuedong Block are now in the appraisal and development stage and the Group continues to work with China National Petroleum Corporation ("**CNPC**"), making steady progress and to move to the production stage as soon as is feasible.

In Seram, the Group successfully discovered the Lower Nief and Manusela carbonate oil reservoirs at the Nief Utara A-1 drilling which has resulted in an increase in proved and probable reserves of 6 million barrels with production from this new well expected to enhance production volumes from Indonesia going forward. The Group's performance in Indonesia demonstrates the Group's capability in operating its oil assets productively. The Group expects further exploration work in Seram to be undertaken in 2H 2008 and in 2009.

The Group's aluminium smelting operations performed strongly but underlying profit was affected by foreign exchange movements with the Australian dollar appreciating strongly against the US dollar in 1H 2008 and, more significantly, by a loss of HK$98.8 million arising from the revaluation of "embedded derivatives" in the Electricity Supply Agreement relating to the business. These factors contributed significantly to the poorer returns from aluminium smelting.

The performance of the Group's import and export of commodities business was again positive with iron ore exports in particular continuing to perform strongly justifying the Group's decision to establish this trading line.

The Group's coal investments are made up of shareholdings in Macarthur Coal Limited ("**Macarthur Coal**") and direct holdings in the Coppabella and Moorvale coal mines in Australia which, together, have made a positive contribution to the Group's net profit. Macarthur Coal is regarded as a strategic investment for the Group. Much speculation centred on Macarthur Coal during 1H 2008, with a number of suitors reported to have shown interest in Macarthur Coal. Eventually, ArcelorMittal and POSCO purchased sizeable shareholdings in Macarthur Coal although the Group remains the single largest shareholder in Macarthur Coal. Macarthur Coal is the largest producer of low volatile "pulverised coal injection" coal exported from Australia and is well placed to take advantage of the strong world steel market and growth in worldwide demand for coal. The Group has been a cornerstone investor in Macarthur Coal since the time of its listing on the Australian Stock Exchange in 2001 and the Board believes there is further value in the Group's continued investment in Macarthur Coal.

The Group's manganese business delivered a robust performance during 1H 2008, resulting principally from the expansion in the production of manganese products and high carbon ferrochromium. This business has been augmented by the Group's acquisition in August 2008 of a 51% indirect interest in Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon), which holds certain pre-operating exploration and mining rights in Gabon, Western Africa. To further develop the Group's manganese business, the Group plans to spin off and seek a separate listing of CITIC Dameng Holdings Limited on the Main Board of The Stock Exchange of Hong Kong Limited. This proposal is subject to, amongst other things, the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited and shareholders of the Company.

An important step undertaken by the Group during 1H 2008 was to improve the financial well being of the Group by addressing its gearing ratio which had increased substantially following the issue of the US$1,000,000,000 6.75% senior notes issued by CITIC Resources Finance (2007) Limited, a wholly-owned subsidiary of the Company. In May 2008, the Group announced a rights issue of 788,682,657 shares on the basis of three rights shares for every twenty existing shares raising about HK$2,523.8 million before expenses. The proceeds of the rights issue have helped improve the Group's gearing ratio. The rights issue was underwritten by CITIC Group and Temasek Holdings (Private) Limited, the Group's two largest shareholders, which the Board believes demonstrates their strong support for the Group.

Moving forward, the Group will continue with its endeavours to develop and enhance its relationships with its partners, including JSC KazMunaiGas Exploration Production, CNPC and Kuwait Foreign Petroleum Exploration Company KSC, for the benefit of the Group. The Group will continue to seek to maximise its performance and return on investments, to further broaden its business portfolio and to enhance shareholder value. The Board sees this as involving more exploration and assessment of new investment opportunities, particularly in the oil sector. In conjunction, there will be an emphasis on improving returns from the Group's existing businesses; in particular, striving to improve efficiency and increasing production from the Group's existing oil interests in Kazakhstan, the PRC and Indonesia as well as reviewing methods to unlock or realise the real worth of the Group's investments.

Energy and commodities markets look likely to remain competitive and financial markets to be volatile in the near term and these factors will present a number of challenges which the Board sees the Group as being well positioned to deal with.

As a whole, the Group is financially sound and well positioned to implement and support its business strategy. The Group has a strong cash position and is able to leverage on the support of its major shareholders when necessary to assist in the development of its businesses.

Financial Review

HK$'000

Group's financial results:

Operating results and ratios

	Six months ended 30 June 2008 Unaudited	2007 Unaudited	Increase
Revenue	**9,494,327**	5,177,379	83.4%
Gross profit	**2,155,450**	574,318	275.3%
EBITDA [1]	**2,376,278**	569,424	317.3%
Profit attributable to shareholders	**520,116**	138,316	276.0%
Earnings per share (Basic)	**HK 9.89 cents**	HK 2.90 cents	241.0%
Gross profit margin [2]	**22.7%**	11.1%	
Inventory turnover [3]	**5.9 times**	4.3 times	

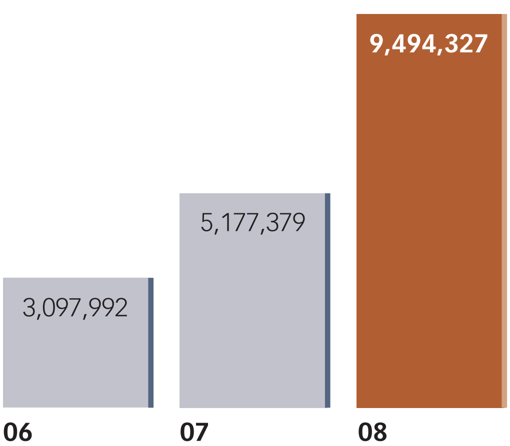
Financial position and ratios

	30 June 2008 Unaudited	31 December 2007 Audited	Increase
Cash and bank balances	**2,171,560**	2,074,457	4.7%
Total assets	**32,641,928**	30,774,965	6.1%
Bank and other loans	**4,685,900**	4,202,104	11.5%
Bond obligations	**8,004,313**	7,992,859	0.1%
Equity attributable to shareholders	**6,907,429**	6,071,463	13.8%
Current ratio [4]	**1.3 times**	1.3 times	
Gearing ratio [5]	**183.7%**	200.9%	
Net gearing ratio [6]	**152.3%**	166.7%	

1 profit before tax + finance costs + depreciation + amortisation
2 gross profit / revenue x 100%
3 cost of sales / [(opening inventories + closing inventories) / 2]
4 current assets / current liabilities
5 (bank and other loans + bond obligations) / equity attributable to shareholders x 100%
6 (bank and other loans + bond obligations - cash and bank balances) / equity attributable to shareholders x 100%

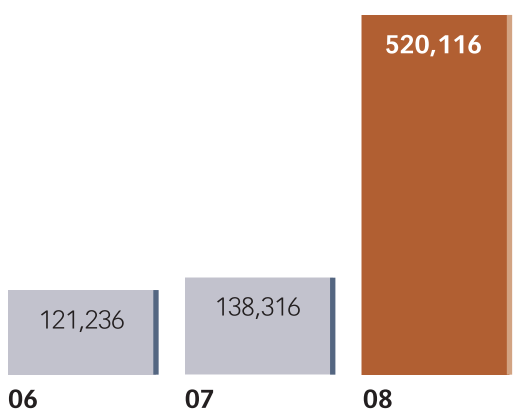
Revenue

Six months ended 30 June



Profit attributable to shareholders

Six months ended 30 June



The Group has achieved a satisfactory financial performance for the six months ended 30 June 2008 (the "**Period**"). The significant growth in both revenue and profit was mainly attributable to the Group's almost 50% interest in the Karazhanbas oilfield in Kazakhstan acquired in December 2007. For the Period, the Group was able to include the contribution from the Karazhanbas oilfield for the whole Period and such contribution has become the No.1 profit contributor to the Group. The businesses of aluminium smelting, coal and import and export of commodities in Australia, the manganese business in the People's Republic of China (the "**PRC**") and the oil business in Indonesia also continue to make positive contributions to the Group's profits.

The following is a comparison of the results of each segment during the Period and the corresponding period in 2007.

Aluminium smelting

- Revenue ▼ 22%
  Net profit after tax (from ordinary activities) ▼ 97%

- Revenue was partly affected by an 8% decrease in sales volume compared to 1H 2007.

- During the Period, operations performed strongly, however, unfavourable exchange rates between the appreciating Australian dollar and the US dollar more than eroded the gains in US dollar prices. As the aluminium smelting business is a net US dollar denominated asset, the higher Australian dollar resulted in an exchange loss of HK$31.7 million and a reduction of its net profit.

- Another key reason for the significant cut in both revenue and net profit was due to a loss of HK$98.8 million (2007: gain of HK$12.2 million) arising 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 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 2008, the aluminium price forward curves increased as compared to that on 31 December 2007 and the revaluation of the embedded derivatives resulted in an unrealised loss and was accounted for in "Revenue" in the consolidated income statement (2007: the gain was included in "Other income and gains: fair value loss on derivative instruments, net"). Such evaluation has no cash flow consequences for operations but introduces volatility into the income statement.

Coal

- Revenue ▲ 93%
  Net profit after tax (from ordinary activities) ▲ 342%

- Increase in revenue was mainly due to a significant increase of 45% in selling prices and a 23% increase in sales volume compared to 1H 2007. However, the appreciation of the Australian dollar against the US dollar partially off-set the benefit of increases in selling prices.

  During the Period, mining operations at the Coppabella and Moorvale coal mines were disrupted by heavy rainfall. The Group was able, however, to maintain sales from coal from existing stocks and take advantage of sales prices which had doubled due to the falling supply worldwide. The excess inventory had built up from the previous year as a result of infrastructure constraints, including rail service restrictions and port congestion.

- The substantial increase in selling prices was caused by supply constraints and strong demand. It was also a result of higher coal prices concluded for contracts signed in April 2008.

  Production costs remained high due to a shortage of skilled labour, infrastructure constraints and demurrage.

  In July 2007, the Group acquired an additional 8.37% in the equity of Macarthur Coal Limited ("**Macarthur Coal**"), which pushed the Group's interest up to 19.99% at that time. As a result, Macarthur Coal became an associate company of the Group. Since then, equity accounting has been applied to this investment.

  In January 2008, the Group's shareholding of 19.99% in Macarthur Coal was diluted to 17.66% when Macarthur Coal issued additional shares for the acquisition of assets. The share of profit attributable to the Group for the Period was HK$49.5 million and included in "Share of profit of an associate" in the consolidated income statement resulting in net profit increasing relatively higher than revenue.

Import and export of commodities

- Revenue ▲ 45%
  Net profit after tax (from ordinary activities) ▲ 47% (already deducted minority interest)

  The following table shows a breakdown of revenue and net profit before tax for the Period and a comparison with 1H 2007:

			Exports				
		Total	**Iron ore**	**Alumina**	**Steel**	**Others**	**Imports**
Revenue	HK$ million	**4,824.7**	3,228.7	698.8	218.0	3.7	675.5
	Compared to 1H 2007	**▲ 45%**	▲ 137%	▲ 22%	▼ 42%	▼ 98%	▼ 22%
Net profit before tax	HK$ million	**96.0**	62.6	11.9	2.7	1.7	17.1
	Compared to 1H 2007	**▲ 42%**	▲ 654%	▼ 54%	▼ 49%	▲ 29%	▼ 33%

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

  The significant growth in revenue was largely due to much higher iron ore prices and increased sales volume. Sales volumes increased 33% compared to 1H 2007 with continued strong demand from steel mills in the PRC. Export iron ore demand was partially sourced from the Koolan Island project of Mount Gibson Iron Limited under a long term off-take contract and from India.

  Alumina spot price increased compared to 1H 2007. Sales volumes also increased as a new long term contract was signed during the Period.

  The steel exports division experienced a lower turnover compared to 1H 2007 due to lower sales volumes caused by longer lead-time for transactions and shortage of carrying vessels.

- The iron ore division, being the largest net profit contributor (65%) in the Group's import and export business, had a substantial increase in its net profit compared to 1H 2007. This was mainly due to an increase in sales volume and higher iron ore prices.

  The net profit from alumina exports was lower due to lower average profit margins than in 1H 2007.

- Imported products include steel, battery, tyres and wheels from the PRC into Australia.

  The imports division showed a decrease in revenue and profit due primarily to a drop in sales volume. Difficulties were faced in sourcing steel leading to insufficient supply while the battery division's net profit was lower as purchases are denominated in Australian dollars and was affected by the appreciation in the Australian dollar which increased costs and could not be recovered in sales.

Manganese

- Revenue ▲ 147%
  Net profit after tax (from ordinary activities) ▲ 193% (already deducted minority interest)

  The business of CITIC Dameng Mining Industries Limited ("**CITIC Dameng JV**") grew well during the Period resulting in a strong performance and results. Growth has been achieved through the expansion of the production of manganese products and high carbon ferrochromium.

- Revenue was mainly driven by higher selling prices and increased sales volume of manganese products and high carbon ferrochromium. Sales volume also increased through the sale of electrolytic manganese metal sourced within the PRC and sold mostly to overseas customers.

  The average selling price of electrolytic manganese metal (self-produced) and silicomanganese alloy increased by 61% and 89% respectively and the sales of these two products accounted for 48% of the total revenue of the manganese business.

- The surge in net profit was in line with increased revenue and was also a result of an improved profit margin attributable to the increased selling price and effective cost control. The increased revenue outweighed the increase in production costs associated with raw materials, electricity and labour costs.

  The rapid increase in direct costs exerted pressure on CITIC Dameng JV. As a result, CITIC Dameng JV has been implementing stringent control over the unit's consumption and initiated conservation activities to ensure that the targeted savings set for 2008 can be achieved.

- CITIC Dameng JV continues to expand its production capacity of electrolytic manganese metal. Besides having new projects in the PRC, an acquisition of manganese mining interests in Gabon, Western Africa was completed in August 2008.

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 (the "**Seram Interest**") relating to the Seram Island Non-Bula Block, Indonesia (the "**Seram Non-Bula Block**"), of which CITIC Seram is the operator.

- Only the Group's share of revenue, expenses, assets and liabilities in the Seram Interest are taken into the consolidated accounts. During the Period, the contribution of CITIC Seram to the Group was as follows:

Sales volume	260,000 barrels	
Revenue	HK$186.2 million	▲ 48%
Segment results	HK$96.1 million	
Net profit after tax (from ordinary activities)		▲ 33%

- The revenue and net profit were driven by higher selling prices compared to 1H 2007.

  During the Period, the production of the Seram Non-Bula Block was about 3,900 barrels (2007: 4,300 barrels) per day. The decrease in production follows the natural declining production rate in the existing wells. CITIC Seram has placed an emphasis in keeping production of existing wells at a lower declining rate.

- The drilling of an exploration well, Nief Utara A-1, was completed in May 2008. There was a successful discovery of the Lower Nief and Manusela carbonate oil reservoirs at the Nief Utara A-1 which increased proved and probable reserves in the area of Nief Utara A to more than 6 million barrels. Production from the Seram Non-Bula Block is expected to increase as production commenced in Nief Utara A-1 in 2H 2008.

  In 2H 2008, the Group expects to continue exploration drilling activities including three exploration wells in the area of Nief Utara A and Nief Utara B, and a 293km 2D seismic survey. The drilling of two development wells has been rescheduled to 2009.

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

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

  Tincy Group, being the appointed contractor under a petroleum contract (the "**Hainan-Yuedong PSC**") entered into with China National Petroleum Corporation ("**CNPC**") in February 2004, holds the right to explore, develop and operate, until 2034, the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the PRC (the "**Hainan-Yuedong Block**"). The existing contract area is around 110 sq. km. Tincy Group manages and operates the Hainan-Yuedong Block in cooperation with CNPC.

- The Yuedong oilfield, the principal field within the Hainan-Yuedong Block, is currently in the appraisal and development stage. It is expected that a substantial amount of capital expenditure will be required in respect of this investment with no immediate contribution to the Group's revenue. This will cause a decrease in net cash flows of the Group from operations at the Hainan-Yuedong Block until full production is commenced.

- A joint management committee (the "**JMC**") has been formed pursuant to the Hainan-Yuedong PSC. The first JMC meeting was held in May 2008 to approve the work programme and the financial budget for 2008.

  Completion of the construction of the first platform of the Yuedong oilfield and compilation of the overall development plan has been targeted by the end of 2008.

Crude oil (the Karazhanbas oilfield, Kazakhstan)

- In December 2007, CITIC Oil & Gas Holdings Limited ("**CITIC Oil & Gas**"), an indirect wholly-owned subsidiary of the Company, completed the acquisition of the entire issued share capital of Renowned Nation Limited, and thereby the Kazakhstan Interests (as defined below), and the benefit of certain indebtedness owing by KBM Energy Limited to CITIC Group (the "**Kazakhstan Transaction**").

  The **Kazakhstan Interests** comprise 50% of the issued voting shares of JSC Karazhanbasmunai ("**KBM**") (which represents 47.3% of the total issued shares of KBM) and 50% of the participation rights in each of Argymak TransService LLP ("**ATS**") and Tulpar Munai Services LLP ("**TMS**"). 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**") until 2020. ATS is engaged in the provision of transportation services and other oilfield related logistics services while TMS is engaged in the provision of oil well drilling, construction and workover services.

  JSC KazMunaiGas Exploration Production ("**KMG EP**") holds an identical interest in KBM, ATS and TMS. KMG EP is a subsidiary of JSC National Company KazMunaiGas, the national oil and gas company of Kazakhstan, and is listed on the Kazakhstan and London stock exchanges.

  The Group and KMG EP manage and operate the Karazhanbas oilfield jointly through their respective 50% ownership interests in CITIC Canada Energy Limited, a company incorporated in Alberta, Canada.

  As at 31 December 2007, the Karazhanbas oilfield had estimated proved oil reserves of 341.1 million barrels.

- As from 13 December 2007, the financial results of CITIC Oil & Gas, including the results of the Kazakhstan Interests, have been consolidated into the accounts of the Group. For 2008, the Group will be able to include a full year's contribution from the Kazakhstan Interests. During the Period, the contribution of CITIC Oil & Gas to the Group was as follows:

Sales volume	2,783,000 barrels
Revenue (after royalty payment)	HK$2,053.9 million
Segment results	HK$1,080.2 million

  Capital expenditure and operating expenses associated with the Karazhanbas oilfield increased the Group's overall capital commitments and operating costs.

- For comparison purposes, the following table shows the performance of the Karazhanbas oilfield (100%) for 1H 2008 and 1H 2007:

		1H 2008 100%	1H 2007 100%	Change
Total production	(barrel)	5,749,000	6,822,000	▼ 16%
Daily production	(barrel)	31,600	37,700	▼ 16%
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	105.3	59.5	▲ 77%
Dated Brent crude oil	(US$ per barrel)	109.4	63.2	▲ 73%

  The average daily production rate for the Period was lower than that in 1H 2007. Although production in 1H 2007 was higher, the production rates for 2007 trended downwards from 39,100 barrels on 1 January 2007 to 28,200 barrels on 31 December 2007. In comparison, the production rates for 2008 have been trending upwards to 34,100 barrels on 30 June 2008 and 35,300 barrels on 31 August 2008. The downward trend for production in 2007 was caused by the delay in employing cyclic steam stimulation ("**CSS**") which can supplement natural energy in the reservoir so as to increase the production rate. The approval of the Kazakhstan government to the 2007 work programme involving the usage of CSS was only obtained in mid September 2007. As such, cold heavy oil production with sand, which has an impact on the reservoir pressure, continued to be used most of the time in 2007 resulting in a decrease in production volume.

  The Group has been taking the following measures to improve the production rate:

  (a) accelerating the adoption of CSS and steam flooding;
  (b) improving the effectiveness of well workovers;
  (c) monitoring more closely reservoir performance; and
  (d) replacing equipment and facilities to fit the use of CSS and steam flooding.

  During the Period, the lifting cost (excluding depreciation, depletion and amortisation) was US$17.3 per barrel, representing a 54% increase as compared to 1H 2007. The per barrel cost increase was mainly caused by lower production volume during the Period and increases in salaries & wages, repairs & maintenance and the cost of material supplies resulting from the higher oil prices during the Period.

Liquidity, Financial Resources and Capital Structure

Cash

As at 30 June 2008, the Group had a cash balance of HK$2,171.6 million. During the Period, the Company obtained funds of US$22.5 million (HK$175.5 million) through the disposal of common shares in the share capital of Ivanhoe Energy Inc.

Borrowings

As at 30 June 2008, the Group had outstanding borrowings of HK$12,690.2 million, which comprised:

- secured bank loans of HK$1,509.8 million;
- unsecured bank loans of HK$2,784.1 million;
- unsecured other loans of HK$392.0 million; and
- bond obligations of HK$8,004.3 million.

The secured bank loans were secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture; property, plant and equipment, and prepaid land lease premiums of CITIC Dameng JV; a guarantee provided by Guangxi Dameng Manganese Industry Co., Ltd. ("**Guangxi Dameng**"); and property, plant and equipment of KBM. The bank trade finance facilities available to CITIC Australia Trading Limited ("**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 self liquidating, transaction specific and of short durations, matching the term of the underlying trade. When sale proceeds are received at the completion of a transaction, the related borrowings are repaid accordingly.

In January 2008, the Company, as borrower, entered into a facility agreement with a group of financial institutions as lenders in respect of an unsecured 5-year term loan facility of US$280 million (HK$2,184 million) (the "**Loan**"). A sum of US$150 million (HK$1,170 million) was borrowed under the Loan to refinance in full the then existing term loan of US$150 million pursuant to a facility agreement dated 30 September 2005. The remaining sum of US$130 million (HK$1,014 million) under the Loan will be used by the Company for its general corporate funding requirements.

Further details of the bank and other loans are set out in note 18 to these Financial Statements.

The bond obligations include the issue of US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**") by CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company, in May 2007. The obligations of CR Finance under the Notes are irrevocably and unconditionally guaranteed by the Company. The net proceeds of the Notes were used to facilitate the acquisition of the Kazakhstan Transaction and for general working capital requirements. Further details of the bond obligations are set out in note 19 to these Financial Statements.

As at 30 June 2008, the gearing ratio of the Group was 183.7% (31 December 2007: 200.9%). Of the total outstanding borrowings, HK$3,246.1 million was repayable within one year. There was no material adverse change to the financial position of the Group.

Share capital

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

Financial risk management

The Group's diversified business is exposed to a variety of risks, such as market risks (including foreign currency 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 minimise potential adverse effects to the Group. The policies and procedures have proven to be effective.

The Group uses derivative financial instruments such as forward currency and commodity contracts and interest rate swaps to hedge its risks associated with foreign currency, commodity price and interest rate fluctuations arising from the Group's operations and its sources of finance.

New investments

There was no investment concluded during the Period.

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 2008, the Group had around 9,100 full time employees, including management and administrative staff. Most of the Group's employees are employed in the PRC, Kazakhstan and Indonesia while the others are employed in Australia and Hong Kong.

The Group's remuneration policy seeks to provide a 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. The emoluments are also based on individual's knowledge, skill, time commitment, responsibilities and performance and are determined by reference to the Group's profits and performance. Rent-free quarters are provided to some employees in Kazakhstan and Indonesia.

The employees of the Group's PRC subsidiaries 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 benefits schemes for its employees:

(a) a defined scheme under the Pension Provisioning Law in Kazakhstan for those employees in Kazakhstan who are eligible to participate;

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

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

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

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

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Code on Corporate Governance Practices

The Company has applied the principles and complied with the application provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviation in respect of the service term pursuant to paragraph A.4.1 of the CG Code.

Paragraph A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for specific terms. However, under the Company's bye-laws, one-third of its directors are subject to retirement by rotation provided that every director (including those appointed for a specific term) is subject to retirement at least once every three years. 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 for Securities Transactions by Directors of Listed Issuers (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 the 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 2008, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which 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 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 pursuant to the Model Code and which have been notified to the Company and the Stock Exchange were as follows:

Long positions 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	Number of underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Kong Dan	Directly beneficially owned	—	20,000,000	0.38
Mr. Mi Zengxin	Directly beneficially owned	—	10,000,000	0.19
Mr. Shou Xuancheng	Directly beneficially owned	7,000,000	—	0.13
Mr. Sun Xinguo	Directly beneficially owned	7,500,000	—	0.14
Ms. Li So Mui	Directly beneficially owned	1,000,000	4,000,000	0.10
Mr. Qiu Yiyong	Directly beneficially owned	8,500,000	—	0.16
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.19
Mr. Zhang Jijing	Family	28,000 (1)	—	—
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.19
Mr. Ma Ting Hung	Directly beneficially owned	111,966,000	—	2.13

Note:

(1) 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.

Long positions in share options of the Company

Name of director	Number of options directly beneficially owned
Mr. Kong Dan	20,000,000
Mr. Mi Zengxin	10,000,000
Ms. Li So Mui	4,000,000
Mr. Zeng Chen	10,000,000
Mr. Zhang Jijing	10,000,000
	54,000,000

Long positions in the ordinary shares and underlying shares of the associated corporations 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	Exercise period of share options	Exercise price per share HK$	Percentage of the total issued share capital of the associated corporation
Mr. Kong Dan	CITIC International Financial Holdings Limited	Associated corporation	Share options	400,000	Directly beneficially owned	17-11-2005 to 16-11-2013	3.540	0.08
				400,000		06-04-2006 to 05-04-2014	3.775	
				400,000		13-06-2007 to 12-06-2015	2.925	
				400,000		18-05-2008 to 17-05-2016	4.275	
				1,600,000		06-07-2009 to 05-07-2017	6.570	
				1,600,000		06-07-2010 to 05-07-2017	6.570	
Mr. Zeng Chen	CITIC Australia Trading Limited	Subsidiary	Ordinary shares	385,402 [1]	Family	N/A	N/A	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 herein and so far as is known to the directors, as at 30 June 2008, none of the directors or chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 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 which 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 in the section "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above and in the section "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 operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

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

	Number of share options						
Name and category of participant	At 1 January 2008	Granted during the Period	(Exercised)/ (lapsed)/ (forfeited) during the Period	At 30 June 2008	Date of grant (1)	Exercise period	Exercise price per share (2) HK$
Directors of the Company							
Mr. Kong Dan	20,000,000	—	—	20,000,000	07-03-2007	07-03-2008 to 06-03-2012	3.072
Mr. Mi Zengxin	10,000,000	—	—	10,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.080
Ms. Li So Mui	4,000,000	—	—	4,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.080
Mr. Zeng Chen	5,000,000	—	—	5,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.080
Mr. Zeng Chen	5,000,000	—	—	5,000,000	28-12-2005	28-12-2006 to 27-12-2010	1.060
Mr. Zhang Jijing	10,000,000	—	—	10,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.080
	54,000,000	—	—	**54,000,000**			
Eligible participants	3,000,000	—	—	**3,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.080
	57,000,000	—	—	**57,000,000**			

Notes:

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

(2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The Company completed a rights issue in July 2008 and the exercise price of the share options was adjusted accordingly. These adjustments are not shown in the above table.

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

As at 30 June 2008, 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 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 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 as long positions	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	2,740,594,381 (1)	52.12
CITIC Projects Management (HK) Limited	Corporate	1,990,180,588 (2)	37.85
Keentech Group Limited	Corporate	1,990,180,588 (3)	37.85
CITIC Australia Pty Limited	Corporate	750,413,793 (4)	14.27
Temasek Holdings (Private) Limited	Corporate	587,450,000 (5)	11.17
Temasek Capital (Private) Limited	Corporate	385,450,000 (6)	7.33
Seletar Investments Pte. Ltd.	Corporate	385,450,000 (7)	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	385,450,000 (8)	7.33

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 established 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 (Private) Limited ("**Temasek Holdings**") through its interest in Temasek Capital (Private) Limited ("**Temasek Capital**") and an indirect interest in Ellington Investments Pte. Ltd. ("**Ellington**") which holds 202,000,000 shares representing 3.84% 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.

(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.

In May 2008, the Group announced a rights issue of 788,682,657 ordinary shares in the share capital of the Company ("**Shares**") on the basis of three (3) rights Shares for every twenty (20) existing Shares. The rights issue was underwritten by Keentech and Ellington, and their respective commitment was 649,468,279 and 139,214,378 Shares.

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, 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 2008, 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, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the 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 5 September 2008, an amendment was made to a cooperation agreement (the "**Cooperation Agreement**") which was signed between CITIC Australia Commodity Trading Pty. Ltd. ("**CACT**") and CITIC Metal Company Limited ("**CITIC Metal**") on 5 April 2007 relating to the promotion and development of iron ore sales to the PRC. CACT is a direct wholly-owned subsidiary of CATL, which is an indirect non-wholly-owned subsidiary of the Company. CITIC Metal is a direct wholly-owned subsidiary of CITIC Group, and constitutes a connected person of the Company.

The transactions concern the sale of iron ore by CACT to CITIC Metal, which constitute continuing connected transactions for the Company. The prices paid by CITIC Metal in respect of its purchase of iron ore from CACT are determined on an arm's length basis and with reference to prevailing market prices.

At the special general meeting of the Company held on 27 June 2008, ordinary resolutions were duly passed by the independent shareholders of the Company approving:

(i) the increase of the annual caps for existing iron ore sales between CACT and CITIC Metal for the two years ending 31 December 2009;

(ii) the extension of the duration of the Cooperation Agreement by one year to 31 December 2010; and

(iii) the entering into of further iron ore sales by CACT to CITIC Metal in accordance with the terms of the Cooperation Agreement during the year ending 31 December 2010 subject to an annual cap.

Details of the transactions and annual caps are set out in the announcement and the circular of the Company dated 19 May 2008 and 10 June 2008 respectively.

During the Period, the aggregate sales of iron ore by CACT to CITIC Metal have not exceeded the approved annual cap of US$750 million (HK$5,850 million).

(b) On 10 January 2008, CITIC Dameng JV, an indirect non-wholly-owned subsidiary of the Company, entered into contracts with Guangxi Dameng, a substantial shareholder of CITIC Dameng JV in accordance with the Listing Rules, and associates of Guangxi Dameng, which constitute continuing connected transactions for the Company.

The transactions are in relation to the purchase of raw materials, manganese products, tools and equipment from and/or the sale of raw materials, manganese products and the provision of services to Guangxi Dameng and its associates in the ordinary course of business. The prices paid by and charged by CITIC Dameng JV in respect of its purchases and sales respectively are determined on an arm's length basis and with reference to prevailing market prices.

Details of the contracts, transactions and annual caps for the three years ending 31 December 2010 are set out in the announcement and the circular of the Company dated 10 January 2008 and 1 February 2008 respectively. In May 2008, certain annual caps were increased to meet the rising prices and some new annual caps were added. The changes are set out in the announcement of the Company on 20 May 2008. The latest approved annual caps for the year 2008 are shown in the following table.

Guangxi Dameng and its associates	Products purchased from/sold to and provision of services to Guangxi Dameng and its associates	2008 annual caps RMB'000	equivalent to HK$'000
大新桂南化工有限責任公司 (Daxin Guinan Chemical Industrial Limited)	Purchase of sulphuric acid and steam	81,536	90,089
	Sale of sulphur	25,500	28,175
廣西大錳錳業有限公司 (Guangxi Dameng)	Sale of natural discharge manganese dioxide	6,475	7,154
廣西桂林大錳錳業投資有限責任公司 (Guangxi Guilin Dameng Manganese Investment Co., Ltd.)	Purchase of electrolytic manganese metal	400,000	441,960
	Sale of manganese carbonate powder	19,200	21,214
	Sale of metallurgical manganese ore powder	8,000	8,839
	Provision of services, including mine selection, powder milling and manganese carbonate powder processing	1,400	1,547
廣西柳州大錳機電設備制造有限公司 (Guangxi Liuzhou Dameng Machinery & Electronic Equipment Manufacturer Co., Ltd.)	Purchase of negative plate and vertical mill	43,000	47,511
	Purchase of electrolytic bath	3,000	3,315
	Sale of metallurgical manganese ore	30,000	33,147
	Sale of natural discharge manganese dioxide sand	24,000	26,518
南寧市電池廠 (Nanning Battery Plant)	Purchase of packaging bags for manganese products	7,298	8,064
廣西賀州大錳銀鶴電池工業有限公司 (Guangxi Hezhou Dameng Yinhe Battery Industry Co., Ltd.)	Sale of natural discharge manganese dioxide	11,000	12,154
廣西梧州新華電池股份有限公司 (Guangxi Wuzhou Sunwatt Battery Co., Ltd.)	Sale of natural discharge manganese dioxide	25,000	27,623

During the Period, the purchases, sales and the provision of services have not exceeded their applicable approved annual caps.

(c) On 1 April 2008, CITIC Dameng JV entered into a contract with Guangxi Dameng, which represents a de minims connected transaction.

The transaction relates to a guarantee fee payable to Guangxi Dameng at 1.5% per annum in respect of the bank borrowings of CITIC Dameng JV which are guaranteed by Guangxi Dameng. The bank borrowings were incurred in the ordinary course of business and based on normal commercial terms. The amount of the guarantee fee is determined on normal commercial terms.

During the Period, the bank borrowings of CITIC Dameng JV guaranteed by Guangxi Dameng were RMB608,000,000 (HK$691,722,000) and the guarantee fee payable to Guangxi Dameng was RMB1,668,000 (HK$1,843,000).

(d) During the Period, the Group paid rental charges of HK$1,533,000 (2007: HK$1,578,000) to 99 King Street Property Management Pty Ltd., a subsidiary of CITIC Group.

(e) During the Period, the Group paid rental charges of RMB576,000 (HK$636,000) (2007: Nil) to CITIC Group.

(f) As at 30 June 2008, outstanding balances with related parties were as follows.

(i) The Group had outstanding advances due to its minority shareholder and related companies of HK$78,649,000 (31 December 2007: Nil) and HK$15,240,000 (31 December 2007: HK$9,674,000) respectively.

(ii) The Group had receivables from its fellow subsidiary, minority shareholder and related companies of HK$472,473,000 and nil (31 December 2007: HK$1,516,000 and HK$51,000), HK$8,888,000 (31 December 2007: Nil) and HK$68,227,000 (31 December 2007: HK$119,600,000) respectively. Details of the Group's receivables from its fellow subsidiary are included in note 13 to these Financial Statements.

(iii) Details of the Group's loans from its former minority shareholders, minority shareholders and the ultimate holding company are included in note 18 to these Financial Statements.

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

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

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

(c) in accordance with their respective contracts on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In respect of its continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules.

Post Balance Sheet Events

(a) In July 2008, the Company completed a rights issue (the "**Rights Issue**") of 788,682,657 Shares at the subscription price of HK$3.20 per rights Share on the basis of three (3) rights Shares for every twenty (20) existing Shares held as at the close of business on 19 June 2008 payable in full on acceptance.

The proceeds of HK$2,523.8 million before expenses will be applied by the Group towards funding its future investments, working capital requirements and for general corporate purposes. The Rights Issue has also enabled the Group to improve its gearing ratio.

Further details of the Rights Issue are set out in the announcements of the Company dated 30 May 2008 and 14 July 2008 and the circular of the Company dated 20 June 2008.

(b) In July 2007, the Group acquired an additional 8.37% in the equity of Macarthur Coal (listed on the Australian Stock Exchange), which pushed the Group's shareholding up to 19.99% at that time. As a result, the Group became one of the largest shareholders in Macarthur Coal and Macarthur Coal became an associate company of the Group. Macarthur Coal provides about 47% of low volatile "pulverised coal injection" coal exported from Australia.

In January 2008, the Group's shareholding of 19.99% was diluted to 17.66% when Macarthur Coal issued additional shares for the acquisition of assets.

In July 2008, the Group acquired a further 2.73% in the equity of Macarthur Coal at a consideration of A$100.0 million (HK$750.9 million). With this acquisition, the Group's shareholding in Macarthur Coal now stands at 20.39% and the Group is the largest shareholder in Macarthur Coal.

(c) In August 2008, CITIC Dameng JV, a 48% owned subsidiary of the Group, completed its acquisition of a 51% indirect interest in Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) ("**Compagnie Industrielle**"), a company incorporated in Gabon, Western Africa, through the acquisition of a 60% share interest in Huazhou Mining Investment Limited, a company incorporated in the British Virgin Islands, at a consideration of US$15.9 million (HK$124.0 million). Compagnie Industrielle holds certain pre-operating exploration and mining rights in Gabon. The agreement was signed on 23 November 2007 with Future Idea Investments Limited, a third party company. Part of the consideration was paid during the Period with final payment in August 2008.

(d) In September 2008, the Group announced the proposed spin off and separate listing of CITIC Dameng Holdings Limited, currently 80% owned by the Group, on the Main Board of the Stock Exchange. The Board views that the manganese business has grown to a size sufficient to command a separate listing and believes that the separate listing will be beneficial to the Group and CITIC Dameng Holdings Limited. Details of the transaction are set out in the announcement of the Company dated 5 September 2008. The proposed spin off and separate listing of CITIC Dameng Holdings Limited is subject to approval of the Listing Committee of the Stock Exchange and shareholders of the Company.

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, 12 September 2008

Design and Production: i.Link Financial Printing Services Limited www.ilinkfin.com