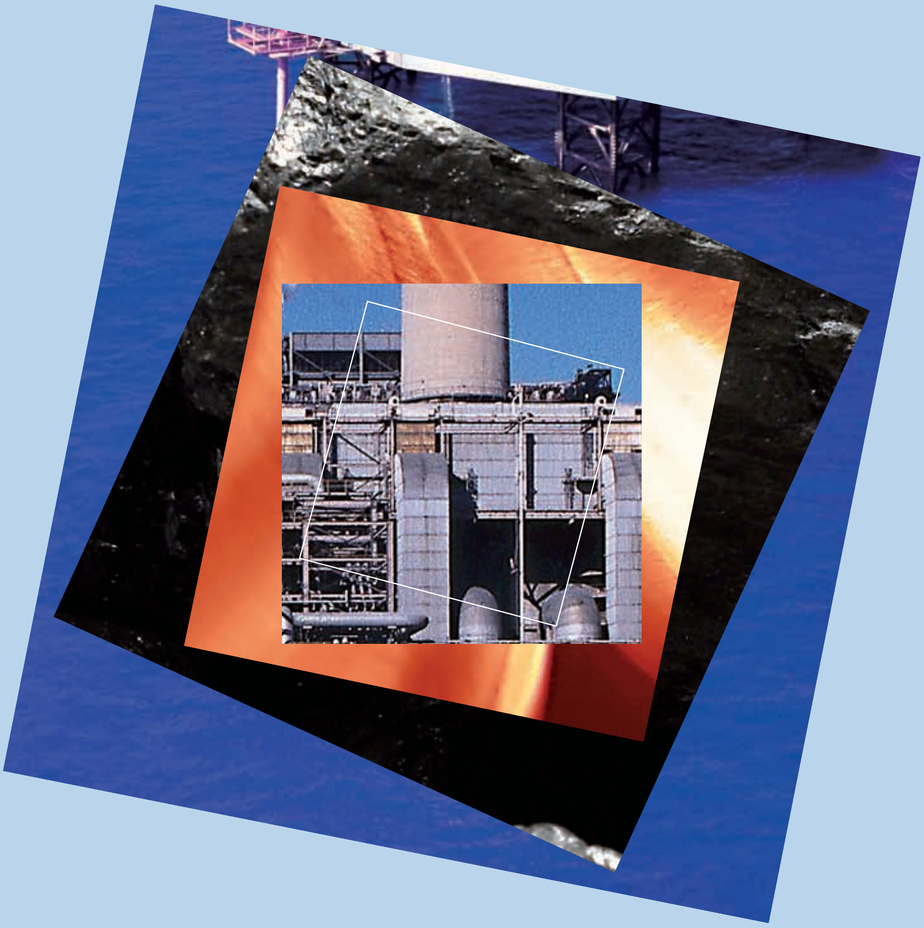
no boundary for expansion

Annual Report 2008 年報

Stock Code 股份代號: 1205



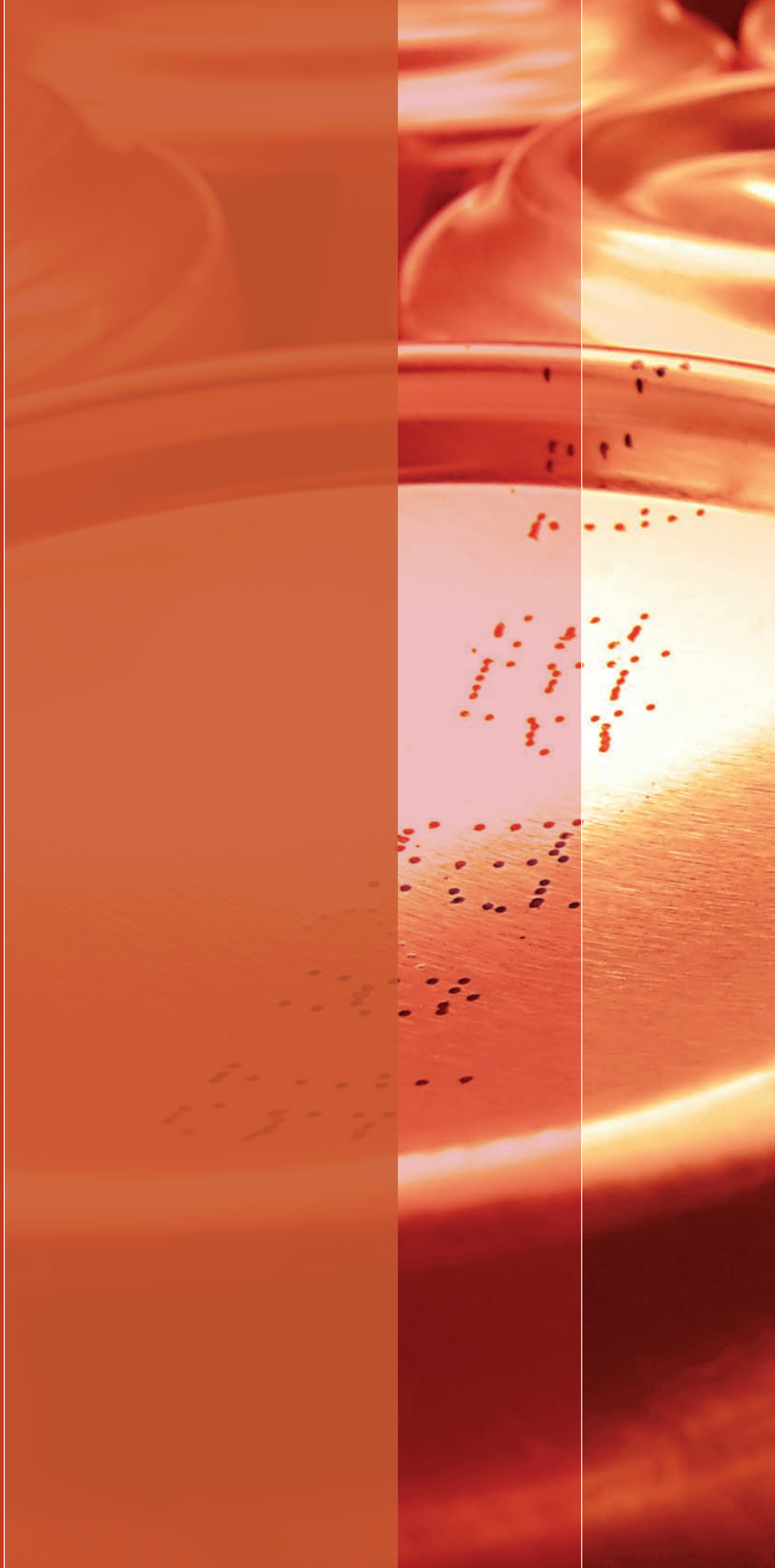
CITIC Resources Holdings Limited
中信資源控股有限公司
(incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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.

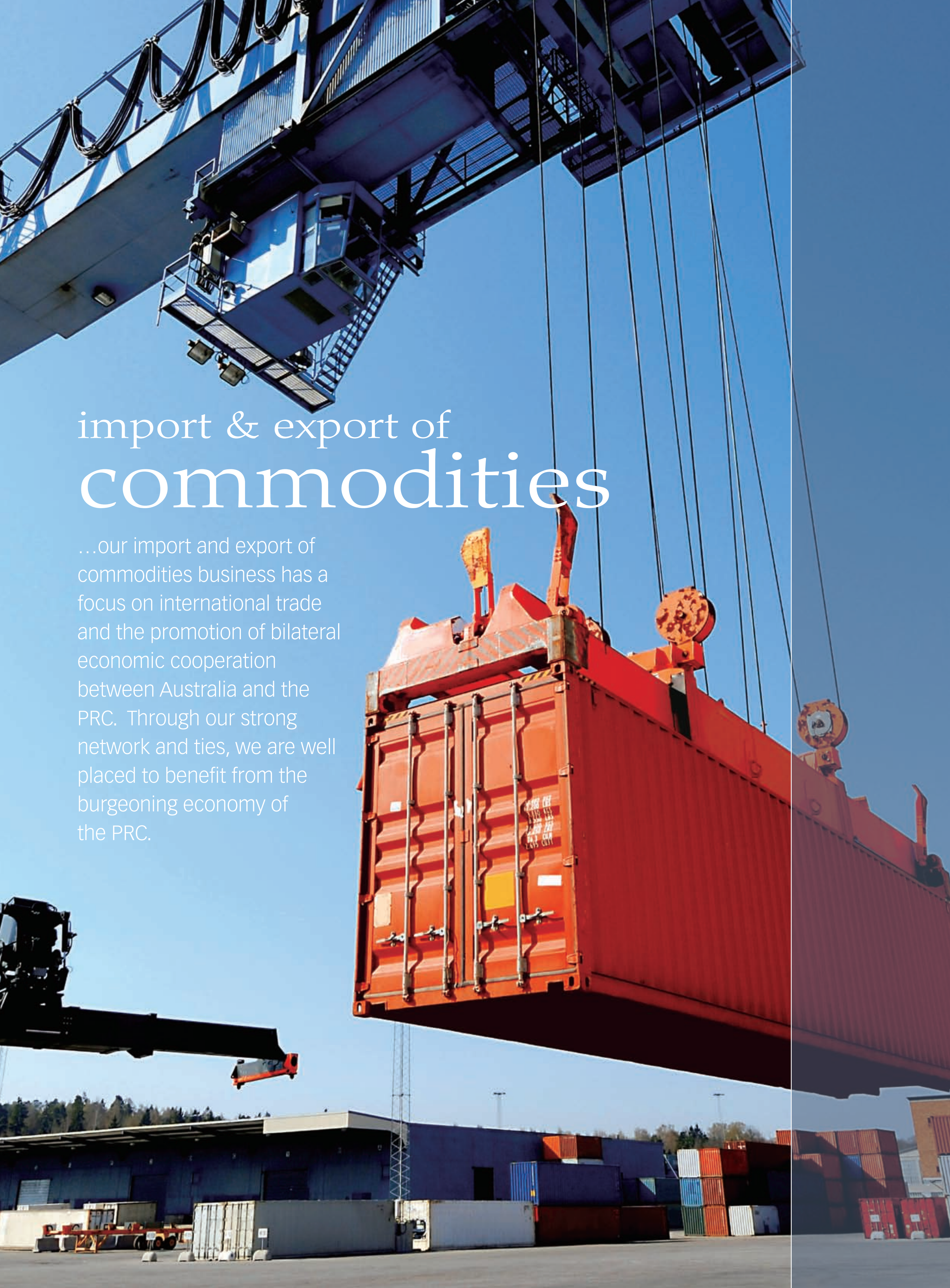


aluminium

… 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.

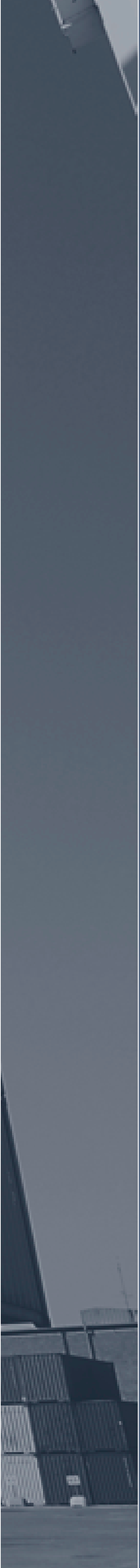
manganese

…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.



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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. Zhang Jijing

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li So Mui

REGISTERED OFFICE

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SHARE REGISTRAR AND TRANSFER OFFICE

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Stock Code : 1205

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.

Financial Highlights

The board of directors (the "Board") of **CITIC Resources Holdings Limited** (the "Company") presents the 2008 annual results of the Company and its subsidiaries (collectively the "Group"). Financial highlights include:

- the Group's businesses all made contributions to the Group's profits;
- revenue increased by 87.5% to HK$18,761.5 million;
- gross profit increased by 124.6% to HK$3,213.9 million;
- earnings before finance costs, tax, depreciation, amortisation and provision for impairment of items of property, plant and equipment (EBITDA) increased by 153.2% to HK$4,217.0 million;
- profit before provision for impairment of items of property, plant and equipment and tax increased by 115.9% to HK$1,720.0 million; and
- profit attributable to shareholders of the Company amounted to HK$204.3 million, after including provision for impairment of items of property, plant and equipment.


Kong Dan
Chairman

Chairman's Statement

On behalf of your Board, I present to you the Group's results for the year ended 31 December 2008.

The effects of the global financial crisis that arose in 2008 began to impact on the Group's business operations in the final quarter of 2008. As a result of the financial crisis, energy and commodities prices have experienced a deep decline which has had a negative impact on the Group's operations. Due to the deterioration in market conditions and the weakened economic and financial environment, the Group's operations have faced significant stress and challenges. This is expected to continue and have adverse implications for the Group in the short term. Nevertheless, we view the long term performance prospects of the Group's businesses positively. We believe the Group is more than capable and well-positioned to overcome the existing difficulties and continue with the implementation of the Group's business strategy by utilising its inherent advantages derived from its superior position.

FINANCIAL RESULTS

The Group's businesses all made contributions to the Group's profits in 2008. The Group's performance was satisfactory after taking into account a substantial non-cash provision due to an asset impairment loss in respect of certain oil investments held by the Group.

In 2008, the Group's revenue increased by 87.5% to HK$18,761.5 million. Profit attributable to shareholders was HK$204.3 million, representing a decrease of 27.8% from the previous year. Earnings per share was HK 3.61 cents, compared with HK 5.63 cents per share in 2007.

BUSINESS REVIEW

The oil business would have been the Group's largest net profit contributor in 2008 but for the asset impairment loss in respect of certain oil investments of the Group.

For the first time in 2008, the Group has been able to account for a full year's contribution from the Karazhanbas oilfield. The Group's focus is on improving effective production from its oil assets, particularly the Karazhanbas oilfield which currently wields a large influence on the Group's performance. The deployment of cyclic steam stimulation and steam flooding in place of cold heavy oil production with sand continues with the aim of extending well life and stabilising production volume at a higher level. We believe that the current decline in the oil prices does not represent the market trend in the long term. We expect operations at the Karazhanbas oilfield will contribute more to the Group's performance when oil prices recover.

During the year, proved reserves at the Seram Island Non-Bula Block, Indonesia increased by 4.6 million barrels following the Group's successful discovery of the area of Nief Utara A and the re-entry in the area of East Nief.

The Group continues to work with China National Petroleum Corporation in respect of the Yuedong oilfield at the Hainan-Yuedong Block to make steady progress and endeavors to move to the production stage as soon as feasible.

The Group's Australian assets comprising aluminium smelting, coal and import and export of commodities businesses all contributed significantly to the Group's results.

Chairman's Statement

In January 2009, the Group successfully delisted its Australian listed unit, CITIC Australia Trading Limited ("CATL"). As a result, CATL is able to operate more effectively and competitively as a non-listed entity with greater management flexibility to conduct its business more efficiently.

Our manganese business continued to perform robustly and the Group expanded the production of manganese products and high carbon ferrochromium during the year. The Group has also acquired an interest in certain pre-operating exploration and mining rights in Gabon, Western Africa following the purchase of a 51% indirect interest in Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon). In order to further develop the manganese business, the Group is continuing to work on a proposal in respect of its spin-off and separate listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The listing proposal remains subject to, amongst other things, the approval of the Listing Committee of the Stock Exchange and shareholders of the Company before it can proceed.

In 2008, the Company improved the financial well being and gearing ratio of the Group by raising about HK$2,500 million through a rights issue on the basis of three rights shares for every twenty existing shares.

BUSINESS OUTLOOK

The Group's priority and emphasis continue to be improving oil production in Kazakhstan and Indonesia and to commence production at the Yuedong oilfield as soon as possible.

The energy and commodities sectors in which the Group operates will continue to be competitive and demanding for the Group due to the worsened global economic situation. However, we are confident that the Board and management are able to meet the challenges, tackle the difficulties and seize upon suitable business opportunities to deliver to shareholders positive economic benefits consistent with the Group's business development goals.

APPRECIATION

I wish to thank my fellow directors, management and staff for their unremitting efforts and hard work for the business development of the Company.

On behalf of the Board, I express our sincere gratitude to our shareholders, customers, suppliers, bankers and business associates for their continued support of the Group.

Kong Dan
Chairman

Hong Kong, 9 April 2009

Management's Discussion and Analysis

FINANCIAL REVIEW

Group's financial results: HK$'000

Operating results and ratios

	Year ended 31 December 2008	2007	Increase/ (decrease)
Revenue	**18,761,463**	10,007,656	87.5%
Gross profit	**3,213,880**	1,431,104	124.6%
EBITDA [1]	**4,216,977**	1,665,777	153.2%
Profit before provision for impairment of items of property, plant and equipment and tax	**1,719,965**	796,610	115.9%
Profit attributable to shareholders	**204,256**	282,777	(27.8%)
Earnings per share (Basic)	**HK 3.61 cents**	HK 5.63 cents	(35.9%)
Gross profit margin [2]	**17.1 %**	14.3 %	
Inventory turnover [3]	**11.6 times**	8.9 times	

Financial position and ratios

	31 December 2008	2007 (restated)	Increase/ (decrease)
Cash and bank balances	**4,770,747**	2,074,457	130.0%
Total assets	**28,558,207**	31,007,638	(7.9%)
Bank and other loans	**5,890,819**	4,124,104	42.8%
Bond obligations	**7,945,147**	7,992,859	(0.6%)
Equity attributable to shareholders	**7,891,935**	6,071,463	30.0%
Current ratio [4]	**1.7 times**	1.3 times	
Gearing ratio [5]	**175.3%**	199.6%	
Net gearing ratio [6]	**114.9%**	165.4%	

1 profit before provision for impairment of items of property, plant and equipment and 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%

In 2008, the Group's businesses all made contributions to the Group's profits. The Group's performance was satisfactory during the year with revenue increasing by 87.5% to HK$18,761.5 million. The Group's operating cash flows were strong with EBITDA jumping by 153.2% to HK$4,217.0 million. Profit attributable to shareholders amounted to HK$204.3 million after the inclusion of a substantial non-cash provision in respect of an asset impairment loss relating to certain oil investments held by the Group.

Management's Discussion and Analysis

The significant growth in revenue and operating cash flows was mainly attributable to the Group's almost 50% interest in the Karazhanbas oilfield (as defined below). For the first time in 2008, the Group has been able to account for a full year's contribution from the Karazhanbas oilfield. 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 continued to contribute to the Group's profits.

The following is a comparison of the 2008 results of each business segment with their corresponding results in 2007.

Aluminium smelting

Revenue	▼	5%
Net profit after tax (from ordinary activities)		0%

- Although operations performed strongly in the first three quarters of 2008 due to rising selling prices for aluminium in US dollar, these prices fell back in 4Q 2008 due to the worldwide economic downturn. As a result, revenue was affected by an overall decrease in selling prices and sales volume when compared to 2007.

- Increased production costs, including costs of alumina and electricity which are linked to the market price of aluminium, also affected the profits of this business.

  An appreciation in the Australian dollar during 1H 2008 also resulted in a reduction in profits. Though the Australian dollar fell sharply during 4Q 2008, the benefits were not fully reflected until the beginning of 2009.

  As the aluminium smelting business is a net US dollar denominated asset, the lower Australian dollar resulted in an exchange gain of HK$89.1 million (2007: loss of HK$59.6 million).

- Included in both revenue and net profit is a gain of HK$46.5 million (2007: HK$36.3 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 31 December 2008, the aluminium price forward curve decreased as compared to that on 31 December 2007 and the revaluation of the embedded derivatives resulted in an unrealised gain. Such evaluation has no cash flow consequences for operations but introduces volatility into the income statement.

- An exchange loss of HK$60.8 million (2007: Nil) had to be recognised in the consolidated income statement at the maturity of a US dollar denominated term loan which was duly refinanced at the end of 2008. Such exchange loss was not considered as an expense arising from ordinary activities of the Group.

  A provision of HK$49.4 million (2007: Nil) was made in respect of employee retirement entitlements as the value of the related investments dropped significantly as a result of the global economic and financial crisis. This provision was not considered as an expense arising from ordinary activities of the Group.

Management's Discussion and Analysis

Coal

Revenue	▲	164%
Net profit after tax (from ordinary activities)	▲	1,514%

- Increase in revenue was mainly due to significant increases in both selling prices and sales volume compared to 2007. However, for the most of the year, the appreciation of the Australian dollar against the US dollar partially off-set the benefit of increases in selling prices.

  During 1H 2008, mining operations at the Coppabella and Moorvale coal mines were disrupted by heavy rainfall. The Group was able, however, to maintain sales from existing coal stocks and take advantage of selling prices which had doubled due to worldwide supply shortages. The excess inventory had been built up from 2007 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.

  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 increased the Group's shareholding to 19.99% at that time. As a result, Macarthur Coal became an associate company of the Group and equity accounting has been applied to this investment since then.

  The Group's shareholding of 19.99% was diluted to 17.66% in January 2008 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$757.4 million), increasing the Group's overall interest to 20.39%. With this acquisition, the Group is now the largest shareholder in Macarthur Coal.

  The share of profit attributable to the Group for the year was HK$288.6 million (2H 2007: HK$15.7 million) and included in "Share of profit of an associate" in the consolidated income statement resulting in net profit increasing significantly higher than revenue.

Management's Discussion and Analysis

Import and export of commodities

- Revenue ▲ 63%
  Net profit after tax (from ordinary activities) ▼ 18% (minority interests already deducted)

  The following table shows a breakdown of revenue of 2008 and a comparison with 2007:

	Exports	Imports	Total
HK$ million	7,958.9	1,614.1	9,573.0
Compared to 2007	▲ 82%	▲ 8%	▲ 63%

- Exported products include alumina, iron ore and aluminium ingot sourced from Australia and other countries to the PRC. The significant growth in revenue was largely due to increases in sales volumes.

  Sales volumes of alumina exports increased as a new long term contract was signed during 1H 2008. However, the alumina spot prices in US dollar were affected by the onset of the global financial crisis in 2008. Coupled with the increased costs, this had a negative impact on the average profit margin.

  In 1H 2008, iron ore prices rose and sales volumes increased with continued strong demand from steel mills in the PRC. Export iron ore demand was primarily sourced from the Koolan Island project of Mount Gibson Iron Limited under a long term off-take contract and from India. However, iron ore exports to the PRC started to slow down from 3Q 2008 and both prices and volumes fell. The situation worsened due to a change to the export tax law in India and a sharp downturn in the economy in 2H 2008. Profit margins were thus adversely affected.

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

  The imports division showed an increase in revenue but a sharp decrease in net profit due to the depreciation of the Australian dollar in 2H 2008.

- CITIC Australia Trading Limited ("**CATL**") conducts the Group's import and export of commodities business. In January 2009, CATL was successfully privatised and delisted from the Australian Securities Exchange (the "**ASX**") through a minority shareholder interest buyback and became an indirect wholly-owned subsidiary of the Company. Management believes this will allow CATL to operate more effectively and competitively as a non-listed entity with greater management flexibility to conduct its business more efficiently.

  Details of the privatisation of CATL are set out in the announcements of the Company dated 3 November and 19 December 2008 and the circular of the Company dated 21 November 2008.

Management's Discussion and Analysis

Manganese

- Revenue ▲ 70%
  Net profit after tax (from ordinary activities) ▲ 7% (minority interests already deducted)

- Increase in revenue was mainly driven by higher selling prices compared to 2007.

  The manganese business grew well in 1H 2008 and stronger than anticipated. Growth has been achieved through an expansion in the production of manganese products and high carbon ferrochromium reflecting the business's change in product emphasis. The manganese business is now using more manganese ore for downstream processing and producing manganese products which can generate higher profits. Due to the continuous increase in the demand for high value-added products, the average selling prices of electrolytic manganese metal (self-produced) and silicomanganese alloy increased and the sales of these two products accounted for almost half of the total revenue.

- The performance in 4Q 2008 was affected by a decrease in both prices of and demand for manganese products as a result of the global financial crisis. In addition, the rapid increase in direct costs throughout the year, including raw materials, labour costs, electricity and certain overheads, exerted pressure on the business. Stringent control over the unit's consumption and conservation activities was implemented. However, gross profit margins still suffered a decrease of around 9%.

  The increase in administrative expenses and finance costs, arising from the expansion of the business in the PRC and Gabon, also affected the net profit for the year.

  A provision of HK$120.3 million net of deferred tax credit (2007: Nil) was made to the closing inventories to reflect the drop in estimated net realisable value at the balance sheet date.

- CITIC Dameng Mining Industries Limited ("**CITIC Dameng JV**") expanded its production capacity for electrolytic manganese metal in the PRC in 1H 2008. Apart from other new projects in the PRC, an acquisition of manganese mining interests in Gabon, Western Africa was completed in August 2008.

  A technical team was sent to Gabon to supervise the infrastructure and civil works. The construction has started and it is expected that production will commence in 2010.

- In April 2009, the Company's effective equity interest in CITIC Dameng JV has increased from 48% to 52.4% at a consideration of RMB204.5 million (HK$232.3 million). The consideration has provided CITIC Dameng JV with additional funds to finance the capital and operating expenses of CITIC Dameng JV and its subsidiaries. Details of the capital increase are set out in the announcement of the Company dated 4 February 2009 and the circular of the Company dated 25 February 2009.

- Management views the manganese business to have grown to a size sufficient to command a separate listing. The Group is continuing to work on a proposal in respect of the spin-off and separate listing of the manganese business on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The listing proposal remains subject to, amongst other things, approval of the Listing Committee of the Stock Exchange and shareholders of the Company before it can proceed. Details of the proposed spin-off are set out in the announcement of the Company dated 5 September 2008.

Management's Discussion and Analysis

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 year, the contribution of CITIC Seram to the Group was as follows:

Sales volume	546,000 barrels	▼	25%
Revenue	HK$318.9 million	▼	1%
Segment results	HK$ 76.5 million	▼	41%
Net profit after tax (from ordinary activities)		▼	38%

- In 2008, sales volume dropped as a result of lower production compared to 2007 with daily production at the Seram Non-Bula Block averaging about 3,300 barrels (2007: 4,100 barrels). The decrease in production follows the natural declining production rate in the existing wells.

  Revenue did not drop in line with the sales volume because the average selling price in 2008 was higher than that of 2007.

- The substantial decrease in the segment results and the net profit was due to the significant increase in exploration expenses incurred in the 293 km 2D seismic survey conducted during the year. A provision of HK$15.7 million net of deferred tax credit (2007: Nil) was made to the closing inventories to reflect the drop in estimated net realisable value at the balance sheet date.

- The exploration result in 2008 was considered successful with the new discovery in the area of Nief Utara A and the re-entry in the area of East Nief resulting in an increase in the proved reserves by 4.6 million barrels. According to the report of DeGolyer and MacNaughton, an independent technical adviser, as at 31 December 2008, the estimated gross reserves of the Seram Non-Bula Block were 49.1 million barrels of oil, comprising:

Proved reserves	10.9 million barrels
Probable reserves	17.5 million barrels
Possible reserves	20.7 million barrels

  For the time being, CITIC Seram does not have any drilling plan in 2009 given the current uncertain operating environment, particularly the direction of future oil price. However, several workovers will be implemented to optimise the performance of existing wells and CITIC Seram will continue with the 293 km 2D seismic survey in 2009.

Management's Discussion and Analysis

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

- In October 2007, CITIC Haiyue Energy Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of 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 produce petroleum from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the PRC (the "**Hainan-Yuedong Block**") until 2034. Tincy Group manages and operates the Hainan-Yuedong Block in cooperation with CNPC.

- The compilation of the overall development plan (the "**ODP**") of the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, has basically completed pending final revisions to meet certain environmental requirements.

- The Yuedong oilfield is still in the appraisal and development stage though the construction of the first artificial island (a platform) was completed during the year, including the foundation for the drilling and the production facilities.

  The construction of production facilities commenced at the end of 2008 and the drilling of production wells will commence in 4Q 2009. Tincy Group continues to work with CNPC to make steady progress and endeavors to move to the production stage as soon as feasible in respect of the Yuedong oilfiled. However, due to delay in obtaining the required approvals for the ODP, production is now expected to commence in 2010.

  A substantial amount of capital expenditure will be required in respect of the construction which will result in a decrease in net cash flows of the Group until full production commences in the Yuedong oilfield.

Management's Discussion and Analysis

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 Service 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 KBM, ATS and TMS jointly through their respective 50% ownership interests in CITIC Canada Energy Limited, a company incorporated in Alberta, Canada.

  As at 31 December 2008, the Karazhanbas oilfield had estimated proved oil reserves of 301.9 million barrels (31 December 2007: 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 the first time in 2008, the Group has been able to account for a full year's contribution from the Kazakhstan Interests. During the year, the contribution of CITIC Oil & Gas to the Group was as follows:

Revenue (after royalty payment)	HK$3,890.7 million
Segment results	HK$1,346.4 million

  In 2008, an impairment loss of HK$6,416.5 million (2007: Nil) was provided on the oil and gas properties of the Karazhanbas oilfield mainly as a result of the drop in oil prices and changes in the tax legislation and production volume which had a negative impact on the estimates of the quantities of oil commercially recoverable from the Karazhanbas oilfield.

  Effective from 1 January 2009, new rent tax on the exported crude oil and mineral extraction tax were introduced in Kazakhstan. However, the corporate income tax rate will be reduced from 30% to 20% in 2009 and further reduced to 17.5% in 2010 and 15% from 2011 onwards. A new calculation methodology on the excess profit tax is also introduced based on annual, not cumulative, profitability. Such decrease in the corporate income tax rates has had a positive effect of HK$4,758.3 million on the deferred tax credit.

Management's Discussion and Analysis

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

		2008 100%	2007 100%	Change
Total production	(barrels)	**12,217,000**	12,972,000	▼ 6%
Daily production	(barrels)	**33,500**	35,500	▼ 6%
Revenue (after royalty payment)	(HK$ million)	**7,781.5**	6,018.6	▲ 29%
Net profit after tax (from ordinary activities)				▲ 68%
Average crude oil realised price	(US$ per barrel)	**85.0**	63.1	▲ 35%
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**93.8**	69.4	▲ 35%
Dated Brent crude oil	(US$ per barrel)	**97.3**	72.8	▲ 34%

Although the average daily production rate for 2008 was lower than that in 2007, a rising trend for daily production was achieved in the year as compared to 2007 indicating the introduction and deployment of production methods such as cyclic steam stimulation ("**CSS**") and steam flooding were effective.

Period	**Average daily production**
June 2007	35,900 barrels
December 2007	30,300 barrels
June 2008	33,900 barrels
December 2008	35,700 barrels

The downward trend for production in 2007 was caused by a delay in employing CSS and steam flooding which 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 use of CSS and steam flooding 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.

Since 2008, 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 on reservoir performance; and
(d) replacing equipment and facilities to fit the use of CSS and steam flooding.

The deployment of CSS and steam flooding continues with the aim of extending well life and achieving oil production at more efficient and sustainable rates. The introduction of new oil recovery techniques resulted initially in a slightly lower production but production has increased during the year.

Average lifting cost (excluding depreciation, depletion and amortisation) was US$19.3 per barrel, representing a 36% increase compared to 2007. The per barrel cost increase was mainly due to increases in salaries and wages, repairs and maintenance and the cost of material supplies resulting from higher oil prices during the year. Although oil prices dropped dramatically in 4Q 2008, the reduction in costs did not occur until the beginning of 2009. Meanwhile, to cater for declining oil prices, the Group has embarked on a cost cutting program to control the lifting cost.

Management's Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash

As at 31 December 2008, the Group had a cash balance of HK$4,770.7 million. During the year, the Company obtained funds of:

- HK$177.4 million through the disposal of common shares in the share capital of Ivanhoe Energy Inc.; and
- HK$2,523.8 million before expenses through a rights issue (the "**Rights Issue**") of shares of HK$0.05 each in the share capital of the Company ("**Shares**") (details are set out under the heading "Share capital" below).

Borrowings

As at 31 December 2008, the Group had outstanding borrowings of HK$13,836.0 million, which comprised:

- secured bank loans of HK$1,407.7 million;
- unsecured bank loans of HK$3,951.0 million;
- unsecured other loans of HK$532.2 million; and
- bond obligations of HK$7,945.1 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; and a guarantee provided by Guangxi Dameng Manganese Industry Co., Ltd. The bank trade finance facilities available to CATL are guaranteed by CITIC Resources Australia Pty Limited.

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

In January 2008, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured 5-year term loan facility of US$280 million (HK$2,184 million) (the "**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 33 to the financial statements.

The bond obligations comprise 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 by the Group 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 34 to the financial statements.

Management's Discussion and Analysis

As at 31 December 2008, the gearing ratio and the net gearing ratio of the Group were 175% and 115% (2007: 200% and 165%) respectively. Of the total outstanding borrowings, HK$3,227.3 million was repayable within one year, the majority of which being of periodic renewal nature. There was no material adverse change to the financial position of the Group.

Share capital

In July 2008, the Company completed the issue of 788,682,657 Shares by way of the Rights Issue at the subscription price of HK$3.20 per rights Share on the basis of three rights Shares for every twenty existing Shares held as at the close of business on 19 June 2008. 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.

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

Financial risk management

The Group's diversified business is exposed to a variety of risks, such as market risks (including interest rate risk, foreign currency risk and commodity price 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 enters into derivative transactions, including principally interest rate swap, forward currency and commodity contracts. The purpose is to manage the interest rate, currency and commodity price risks arising from the Group's operations and its sources of finance. Further details are set out in note 49 to the financial statements.

New investments

- 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$757.4 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. Macarthur Coal is a company listed on the ASX and provides about 47% of the low volatile "pulverised coal injection" coal exported from Australia.
- 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) ("**Huazhou (Gabon)**"), 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$124.8 million). Huazhou (Gabon) holds certain pre-operating exploration and mining rights in Gabon. The agreement was signed in November 2007 with Future Idea Investments Limited, a third party company. Part of the consideration was paid during 1H 2008 with final payment made in August 2008.

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.

Management's Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had around 10,000 full time employees, including management and administrative staff. Most of the Group's employees are employed in the PRC, Kazakhstan, Indonesia while the others are employed in Australia, Gabon 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 an 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, Indonesia and Gabon.

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

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

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

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

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

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

Contributions are made based on a percentage of the employees' basic salaries. The assets of the above schemes are held separately from those of the Group in 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.

Board of Directors and Senior Management

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	*Executive Director*
Mr. Qiu Yiyong	*Executive Director*
Mr. Zeng Chen	*Executive Director*
Mr. Zhang Jijing	*Executive Director*
Mr. Ma Ting Hung	*Non-executive Director*
Mr. Wong Kim Yin	*Non-executive Director*
Ms. Yap Chwee Mein (Alternate to Mr. Wong Kim Yin)	*Non-executive Director*
Mr. Fan Ren Da, Anthony	*Independent Non-executive Director*
Mr. Ngai Man	*Independent Non-executive Director*
Mr. Tsang Link Carl, Brian	*Independent Non-executive Director*

DIRECTORS - BIOGRAPHIES

Mr. Kong Dan, aged 61, is the Chairman of the Company. He has been an Executive Director of the Company since 2007. He is also a member of the nomination committee of the Company. Mr. Kong is responsible for the strategic planning and corporate development of the Group. He holds a Master's Degree in Economics from the China Academy of Social Sciences Graduate School. He is the chairman of CITIC Group, CITIC International Financial Holdings Limited (Stock Code: 183, but delisted on the Main Board of the Stock Exchange in November 2008), CITIC United Asia Investments Limited ("**CITIC United Asia**") and CITIC Hong Kong (Holdings) Limited, the chairman and a non-executive director of China CITIC Bank Corporation Limited ("**China CITIC Bank**") (Stock Code: 998) listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, and a non-executive director of CITIC Ka Wah Bank Limited. Prior to joining CITIC Group, Mr. Kong held a number of high-level positions in the China Everbright group of companies between 1984 and 2000, including vice chairman and president of China Everbright Group Limited and China Everbright Holdings Company Limited. Mr. Kong has extensive business connections and over 24 years' experience in investment and finance.

Mr. Mi Zengxin, aged 58, is a Vice Chairman of the Company. He has been an Executive Director of the Company since 2004. He is also a director of several subsidiaries of the Group. Mr. Mi is responsible for the strategic development of the Group. He holds a Master's Degree in Science from Beijing University of Science and Technology. He is an executive director and a vice president of CITIC Group, the chairman of CITIC USA Holdings Limited and CITIC Australia Pty Limited ("**CA**"), the chairman and a non-executive director of Asia Satellite Telecommunications Holdings Limited (Stock Code: 1135) listed on the Main Board of the Stock Exchange, and a director of CITIC United Asia. He also holds executive management positions in several other subsidiaries of CITIC Group. Mr. Mi has over 25 years' experience in multi-national business, corporate management and various industries.

Board of Directors and Senior Management

Mr. Shou Xuancheng, aged 59, is a Vice Chairman of the Company. He has been an Executive Director of the Company since 2005. He is also a director of several subsidiaries of the Group. Mr. Shou is responsible for the planning and development of the Group's oil investments and portfolio. He holds a Master's Degree and a Doctoral Degree in Engineering from Petroleum University of China. He held a number of high-level positions in the China National Petroleum Corporation group of companies between 1985 and 2004, including China National Oil & Gas Exploration and Development Corporation, CNPC International (Kazakhstan) Co. Ltd., PetroChina Company Limited (Stock Code: 857) listed on the Main Board of the Stock Exchange and PetroChina International Limited. Mr. Shou has over 38 years' experience in the oil and gas industry.

Mr. Sun Xinguo, aged 58, is the President and Chief Executive Officer of the Company. He has been an Executive Director of the Company since 2002. He is also a director of several subsidiaries of the Group. Mr. Sun is responsible for the corporate development of the Group. He holds a Bachelor of Arts Degree from Fudan University and graduated from the Advanced Management Program (AMP167) of Harvard Business School in 2004. He is a director of CITIC Group and Keentech Group Limited ("**Keentech**"). He also holds directorships in several other subsidiaries of CITIC Group. Mr. Sun has over 33 years' experience in project investment, marketing and operation, import and export, securities investment and corporate finance.

Ms. Li So Mui, aged 54, joined in 2000 as an Executive Director and the Company Secretary of the Company. She is also a director of several subsidiaries of the Group. Ms. Li is responsible for the financial management and general administration of the Group. She holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Association of International Accountants. Ms. Li has over 31 years' experience in the accounting and banking field.

Mr. Qiu Yiyong, aged 52, joined in 2002 as an Executive Director of the Company. He is also a director of several subsidiaries of the Group. Mr. Qiu is responsible for the corporate development of the Group. He holds a Bachelor of Economics Degree from Xiamen University and is a qualified senior statistician in the PRC. He is the managing director of CITIC United Asia, a director of CITIC Group and Keentech. He also holds directorships in several other subsidiaries of CITIC Group. In October 2008, he resigned as a director of DVN (Holdings) Limited (Stock Code: 500) listed on the Main Board of the Stock Exchange. Prior to joining CITIC Group, he was a director of two companies listed on the Stock Exchange. Mr. Qiu has over 27 years' experience in investment management and the natural resources industry.

Mr. Zeng Chen, aged 45, joined in 2004 as an Executive Director of the Company. He is also a director of several subsidiaries of the Group. Mr. Zeng is responsible for the management and operations of the Group. He holds a Master's Degree in International Finance from Shanghai University of Finance and Economics. He is the managing director of CA and a non-executive director of Macarthur Coal and Marathon Resources Limited (the latter two companies are listed on the ASX). He is the chairman and a non-executive director of CATL which was delisted from the ASX in January 2009. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Zeng has over 20 years' experience in business operations and development, project investment, asset restructuring and the aluminium and coal industry.

Board of Directors and Senior Management

Mr. Zhang Jijing, aged 53, joined in 2002 as an Executive Director of the Company. He is also a member of the remuneration committee and nomination committee of the Company and a director of several subsidiaries of the Group. Mr. Zhang is responsible for the corporate development of the Group. He holds a Bachelor of Engineering Degree from Hefei Polytechnic University in Anhui Province and a Master's Degree in Economics from the Graduate School of Chinese Academy of Social Sciences in Beijing. He is a director, an assistant president and the head of the Strategy & Planning Department of CITIC Group, the deputy chairman of CA, a director of Keentech, and a non-executive director of CITIC Securities Co., Ltd. listed on the Shanghai Stock Exchange, China CITIC Bank and CITIC Pacific Limited (Stock Code: 267) listed on the Main Board of the Stock Exchange. Mr. Zhang has over 23 years' experience in corporate management, industrial investment, business finance and the aluminium industry.

Mr. Ma Ting Hung, aged 45, was re-designated in 2007 as a Non-executive Director of the Company. He was a Vice Chairman and an Executive Director of the Company between 2000 and 2007. He holds a Bachelor of Arts Degree majoring in Economics from the University of Southern California. In November 2008, he retired as an independent non-executive director of Universe International Holdings Limited (Stock Code: 1046) listed on the Main Board of the Stock Exchange. Mr. Ma has over 21 years' experience in the banking, finance and the natural resources industry.

Mr. Wong Kim Yin, aged 38, joined in 2008 as a Non-executive Director of the Company. He holds an Executive Master's Degree in Business Administration from the University of Chicago Graduate School of Business. He is a managing director of Temasek Holdings (Private) Limited ("**Temasek Holdings**") responsible for investments in the energy industry. Prior to joining Temasek Holdings in 2004, he worked for The AES Corporation, a power company listed on the New York Stock Exchange, and was responsible for merger and acquisition and greenfield project development in Asia Pacific. Mr. Wong has over 11 years' experience in investment management.

Ms. Yap Chwee Mein, aged 38, joined in 2008 as an alternate to Mr. Wong Kim Yin. She holds a Master's Degree in Business Administration from the University of Michigan and is a Chartered Financial Analyst. She is a managing director of Temasek Holdings responsible for investments in China, and a director of Temasek Holdings (HK) Limited. Prior to joining Temasek Holdings in 2004, she worked for investment banking division of JPMorgan Singapore, covering clients in the Asia. Before that, she worked for JPMorgan's New York office, in the capital markets team and the mergers and acquisition group. Ms. Yap has over 9 years' experience in investment management.

Mr. Fan Ren Da, Anthony, aged 48, joined in 2000 as an Independent Non-executive Director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions. Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Raymond Industrial Limited (Stock Code: 229), Chinney Alliance Group Limited (Stock Code: 385), Renhe Commercial Holdings Company Limited (Stock Code: 1387) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Board of Directors and Senior Management

Mr. Ngai Man, aged 63, joined in 2006 as an Independent Non-executive Director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He has been a senior adviser to the Chairmen of Charoen Pokphand Group and Chia Tai Group since 1988. He is also a director of Longtime Company Limited and Orient Telecom & Technology Holdings Limited. Mr. Ngai has over 36 years' experience in various industries in South-east Asia including telecommunications, trading, hotels and leisure, petrochemicals, real estate and agriculture. In 1995, he was recognised as an "honorary citizen" by the Shenzhen Municipal Government.

Mr. Tsang Link Carl, Brian, aged 45, joined in 2000 as an Independent Non-executive Director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He is a practising solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li. He holds a LLB Degree from the King's College, London. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. Mr. Tsang is an independent non-executive director of Pacific Century Premium Developments Limited (Stock Code: 432) and Walker Group Holdings Limited (Stock Code: 1386), and a non-executive director of Midland IC&I Limited (Stock Code: 459), all listed on the Main Board of the Stock Exchange. In 2005, he was appointed as an adjudicator of the Registration of Persons Tribunal. In 2006, he was appointed as a member of Disciplinary Panel of HKICPA and a member of the Appeal Panel on Housing.

SENIOR MANAGEMENT - BIOGRAPHIES

Mr. Cha Johnathan Jen Wah, aged 44, joined in 2005 as General Counsel of the Company. He is a solicitor admitted in Hong Kong and in England and Wales. Mr. Cha has over 18 years' experience in mergers and acquisitions, corporate finance, regulatory and general commercial work.

Mr. Chung Ka Fai, Alan, aged 41, joined in 1996 as a Chief Accountant of the Company. He is an associate member of the Australian Society of Certified Practising Accountants. Prior to joining the Company, he worked for various multinational companies. Mr. Chung has over 18 years' experience in the accounting field.

Mr. Luk Kar Yan, aged 41, joined in 2005 as a Vice President of the Company. He is responsible for the financial management of the Group. He holds a Bachelor of Social Sciences Degree from the University of Hong Kong and a Master's Degree in Business Administration from the Hong Kong University of Science and Technology. He is an associate member of HKICPA. Mr. Luk has over 19 years' experience in the banking, corporate finance and the natural resources industry.

Mr. Tian Yuchuan, aged 44, was appointed as an Executive Vice President of the Company in April 2008. He is also a director of several subsidiaries of the Group. He holds a Bachelor of Arts Degree from the Beijing Foreign Studies University. He was an executive director of the Company between 2001 and 2004. He also held a number of senior positions in several other subsidiaries of CITIC Group between 1986 and 2004. Mr. Tian has over 23 years' experience in multi-national businesses, corporate management, international equity investments and corporate finance.

Corporate Governance Report

The Company is committed to maintaining a good and sensible framework of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has, for the year ended 31 December 2008, applied the principles and complied with the applicable 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 (the "**Listing Rules**"), except for the deviation to paragraphs A.4.1 and E.1.2 of the CG Code as respectively set out in the sections "Non-executive Directors" and "Investor Relations and Shareholders' Rights" below.

BOARD OF DIRECTORS

The Board currently comprises a total of 13 members, with eight executive directors, two non-executive directors and three independent non-executive directors:

Executive directors:

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

Non-executive directors:

Mr. Ma Ting Hung		
Mr. Tang Kui		(resigned on 1 April 2008)
Mr. Wong Kim Yin		(appointed on 1 April 2008)
Ms. Yap Chwee Mein	(alternate to Mr. Wong Kim Yin)	(appointed on 1 April 2008)

Independent non-executive directors:

Mr. Fan Ren Da, Anthony
Mr. Ngai Man
Mr. Tsang Link Carl, Brian

Corporate Governance Report

The Board has a balanced composition of executive, non-executive and independent non-executive directors so that it can effectively exercise independent judgement. The composition of the Board is disclosed in all corporate communications. In the Company's website, there is an updated list of the directors identifying their role and function and whether they are independent non-executive directors.

The Board possesses a balance of skills and experience appropriate for the requirements of the business of the Company. Directors take decisions objectively in the interests of the Company. The directors, individually and collectively, are aware of their responsibilities and accountability to shareholders and for the manner in which the affairs of the Company are managed and operated.

The Group has management expertise in the energy resources and commodities sectors, including oil, aluminium, coal and manganese. The Board has the required knowledge, experience and capabilities to operate and develop the Group's businesses and implement the Company's business strategies.

In April 2008, due to other business commitments, Mr. Tang Kui, the director nominated by Temasek Holdings (a substantial shareholder of the Company), stepped down as a non-executive director of the Company. Temasek Holdings has nominated Mr. Wong Kim Yin as his successor. Mr. Wong brings invaluable experience to the Board from his diverse business and professional backgrounds. The biographies of the directors and senior management are set out on pages 19 to 22 of this report.

On appointment, each new director is briefed by senior executives on the Group's corporate goals and objectives, activities and business, strategic plans and financial situations. He is also provided with a package of orientation materials in respect of his duties and responsibilities under the Listing Rules, the Company's bye-laws, corporate governance and financial reporting standards. The company secretary is responsible for keeping all directors updated on the Listing Rules and other regulatory and reporting requirements.

All directors are subject to re-election at regular intervals. The Company's bye-laws provide that any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office only until the next following special general meeting of the Company or until the next following annual general meeting of the Company, whichever shall be the earlier, and such director shall be eligible for election at that meeting. In addition, at each annual general meeting, one-third of the directors shall retire from office by rotation provided that every director is subject to retirement at least once every three years.

To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationship among members of the Board or between the chairman and the chief executive officer.

The Company provides directors with directors' and officers' liability insurance coverage to protect them from loss as a result of any legal proceeding against the Company.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the chairman is separate from that of the chief executive officer so as to delineate their respective areas of responsibility, power and authority. The chairman focuses on the Group's strategic planning while the chief executive officer has overall executive responsibility for the Group's development and management. They receive significant support from the directors and the senior management team.

The chairman has a clear responsibility to ensure that the whole Board receives complete and reliable information in a timely manner. He has been continually improving the quality and timeliness of the information distributed to the directors. The Board, led by the chairman, sets the overall direction, strategy and policies of the Company.

The chairman provides leadership for the Board to ensure that it works effectively, discharges its responsibilities and acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings. He also encourages the directors to make full and active contributions to the Board's affairs.

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

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

Important matters are reserved to the Board for its decision, including long-term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the board committees, annual internal controls assessment, annual budgets, material acquisitions and disposals, material connected transactions, material banking facilities, announcements of interim and final results and payment of dividends.

NON-EXECUTIVE DIRECTORS

The non-executive directors (including the independent non-executive directors) are seasoned individuals from diversified backgrounds and industries and one member has an appropriate accounting qualification and related financial management expertise as required by the Listing Rules. With their expertise and experience, they serve the relevant function of bringing independent judgement and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. Their responsibilities include maintaining a balance between the interests of minority shareholders and the Company as a whole.

All independent non-executive directors serve on the remuneration, nomination and audit committees. They are invited to participate in board meetings so that they are able to provide at such meetings their experience and judgement on matters discussed in the meetings.

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 the directors (including those appointed for a specific term) for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be 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.

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

BOARD MEETINGS

Meetings of the Board are held regularly and at least four times a year at about quarterly intervals to approve, inter alia, the financial results of the Company. Regular board meetings are scheduled in advance to give the directors an opportunity to attend. Directors can attend board meetings either in person or by electronic means of communication.

There was satisfactory attendance for board meetings, which evidence prompt attention of the directors to the affairs of the Company. A total of four board meetings were held in 2008.

All directors are invited to include matters in the agenda for regular board meetings. The Company generally gives 14 days prior written notice of a regular board meeting and reasonable prior notice for all other board meetings.

Corporate Governance Report

If a substantial shareholder or a director has a conflict of interest in a material matter, a board meeting will be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction will be present at such board meeting. The voting and quorum requirements specified in the Company's bye-laws conform with the requirements of the CG Code.

Directors have timely access to adequate information to enable them to make an informed decision and to discharge their duties and responsibilities. An agenda and the presentation material are usually sent to the directors 3 days before the meeting.

The company secretary is responsible for taking the minutes. Drafts of minutes are sent to the directors for comment within a reasonable time after each meeting. The minutes are kept by the company secretary and they are open for inspection by the directors and the members of the board committees. Board papers and related materials are available to the directors whenever requested. Efforts are made to ensure that queries of the directors are dealt with promptly.

All directors have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. The directors also have separate and independent access to the senior management of the Company to make further enquiries or to obtain more information where necessary. The Company provides an agreed procedure enabling the directors to seek independent professional advice at the Company's expense.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Throughout the year, 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 standards set out in the Model Code throughout the year.

BOARD COMMITTEES

The Board has established a remuneration committee, a nomination committee and an audit committee. They were each established with specific written terms of reference which deal clearly with the committees authority and responsibilities.

The terms of reference for each committee include the minimum prescribed responsibilities. They are published on the website of the Company.

There was satisfactory attendance for the board committees meetings. The minutes of the committee meetings are circulated to all members of the Board unless a conflict of interest arises. The committees are required to report back to the Board on key findings, recommendations and decisions during the year.

REMUNERATION COMMITTEE

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

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

The committee consults with the chairman and/or the chief executive officer about its proposals relating to the remuneration of other executive directors. It is authorised by the Board to obtain such legal, remuneration or other professional advice as it shall deem appropriate in the discharge of its duties.

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

Members of the committee are:

Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)	(Chairman)
Mr. Ngai Man	(Independent Non-executive Director)	
Mr. Tsang Link Carl, Brian	(Independent Non-executive Director)	
Mr. Sun Xinguo	(Executive Director)	(resigned on 1 January 2009)
Mr. Zhang Jijing	(Executive Director)	(appointed on 1 January 2009)

One meeting was held in the year. The committee reviewed and approved the performance-based remuneration package of each individual executive director. No director was involved in deciding his/her own remuneration.

Details of the emoluments and options of each director, on a named basis, are set out in notes 7, 8 and 38 respectively to the financial statements.

NOMINATION COMMITTEE

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

The committee is responsible for reviewing the structure, size and composition (including skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes, identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee is also responsible for assessing the independence of independent non-executive directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and plans for succession of directors.

The committee consults with the chairman and/or the chief executive officer about its proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

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

Members of the committee are:

Mr. Ngai Man	(Independent Non-executive Director)	(Chairman)
Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)	
Mr. Tsang Link Carl, Brian	(Independent Non-executive Director)	
Mr. Kong Dan	(Executive Director)	
Mr. Zhang Jijing	(Executive Director)	

No formal meeting was considered necessary during the year.

AUDIT COMMITTEE

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

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

The committee reports to the Board any suspected fraud and irregularities, failure of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board. It is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary. The committee is provided with sufficient resources to discharge its duties.

Corporate Governance Report

Members of the committee are:

Mr. Tsang Link Carl, Brian	(Independent Non-executive Director)	(Chairman)
Mr. Fan Ren Da, Anthony	(Independent Non-executive Director)	
Mr. Ngai Man	(Independent Non-executive Director)	

The members of the committee possess appropriate professional qualifications and/or experience in financial matters. None of the committee members is or was a partner of the existing external auditors.

The committee meets as and when required to discharge its responsibilities, and at least twice in each financial year. Two meetings were held in the year and all members attended the meetings. The committee reviewed, together with the senior management and the external auditors, the financial statements for the year ended 31 December 2007 and the financial statements for the six months ended 30 June 2008, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters and internal control systems.

The minutes are kept by the company secretary. Drafts of minutes are sent to committee members for comment within a reasonable time after each meeting.

The committee recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the forthcoming annual general meeting, Ernst & Young be re-appointed as the external auditors for the Company for 2009.

ATTENDANCE AT MEETINGS OF THE BOARD AND THE BOARD COMMITTEES

		Number of meetings during the year Attended / Eligible to attend			
		Board	Remuneration committee	Nomination committee	Audit committee
Executive directors:					
Mr. Kong Dan		4 / 4		0 / 0	
Mr. Mi Zengxin		4 / 4			
Mr. Shou Xuancheng		4 / 4			
Mr. Sun Xinguo		4 / 4	1 / 1		
Ms. Li So Mui		4 / 4			
Mr. Qiu Yiyong		4 / 4			
Mr. Zeng Chen		4 / 4			
Mr. Zhang Jijing		4 / 4		0 / 0	
Non-executive directors:					
Mr. Ma Ting Hung		2 / 4			
Mr. Tang Kui	(resigned on 1 April 2008)	0 / 0			
Mr. Wong Kim Yin	(appointed on 1 April 2008)	4 / 4			
Independent non-executive directors:					
Mr. Fan Ren Da, Anthony		4 / 4	1 / 1	0 / 0	2 / 2
Mr. Ngai Man		4 / 4	1 / 1	0 / 0	2 / 2
Mr. Tsang Link Carl, Brian		4 / 4	1 / 1	0 / 0	2 / 2

FINANCIAL REPORTING

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

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

The statement of the external auditors of the Company regarding their responsibilities for the financial statements of the Group is set out in the independent auditors' report on pages 45 and 46 of this report.

INTERNAL CONTROLS

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

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

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

During the year, the Board conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries.

AUDITORS' REMUNERATION

Ernst & Young were re-appointed by shareholders at the 2007 annual general meeting held on 27 June 2008 as the Company's external auditors until the next annual general meeting. They are primarily responsible for providing audit services in connection with annual financial statements of the Group for the year ended 31 December 2008.

For the year under review, the total remuneration in respect of statutory audit services amounted to HK$12,920,000 and in respect of non-audit services amounted to HK$5,950,000.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

To enhance transparency, the Company endeavours to maintain an on-going dialogue with shareholders and, in particular, use annual general meetings and other general meetings to communicate with shareholders and encourage their participation.

A separate resolution is proposed for each substantially separate issue at a general meeting by the chairman of that meeting, including the re-election of a director. The chairman of the Board, the chairman of each of the board committees and external auditors attend and answer questions at the annual general meeting. The chairman of the independent board committee is available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Paragraph E.1.2 of the CG Code provides that the chairman of the Board should attend the annual general meeting. Mr. Kong Dan, the chairman of the Board, was unable to attend the annual general meeting and a special general meeting of the Company, both held on 27 June 2008, due to other important business engagements. In accordance with bye-law 63 of the bye-laws of the Company, the directors present at each meeting elected Mr. Sun Xinguo, the president and chief executive officer of the Company, to chair the meetings.

Mr. Ngai Man, the chairman of the nomination committee, was unable to attend the annual general meeting and a special general meeting of the Company, both held on 27 June 2008, due to personal reasons. Other members of the nomination committee were present and available to answer questions at the meetings.

The Company ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Company's bye-laws. The representative of the share registrar of the Company is normally appointed as scrutineer of the votes cast by way of a poll. In relation to votes taken by way of a poll, results are published on the websites of the Stock Exchange and the Company.

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

The Company holds press conferences and briefing meetings with investment analysts from time to time particularly following the announcement of financial results. Management also participates in investor conferences, one-on-one meetings, forums, luncheons, conference calls and non-deal road shows which enable the Company to better understand investors' concerns and expectations.

The Company maintains effective two-way communications with shareholders and other investors whose feedback is valuable to the Company in enhancing corporate governance, management and competitiveness. Comments and suggestions are welcome and can be sent to the principal place of business of the Company for the attention of the Head of Investor Relations or e-mailed to "ir@citicresources.com".

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in notes 1 and 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year. During the year, the Group completed the following transactions:

(a) a rights issue of 788,682,657 shares (the "**Rights Issue**") at the subscription price of HK$3.20 per rights share on the basis of three rights shares for every twenty existing shares held as at the close of business on 19 June 2008 payable in full on acceptance;

(b) the acquisition of an additional 2.73% in the equity of Macarthur Coal Limited, a company listed on the Australian Securities Exchange and engaged in the operation, exploration, development and mining of coal, at a consideration of A$100.0 million (HK$757.4 million); and

(c) the acquisition of a 51% indirect interest in Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) ("**Huazhou (Gabon)**") at a consideration of US$15.9 million (HK$124.8 million). Huazhou (Gabon) holds certain pre-operating exploration and mining rights in Gabon, Western Africa.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2008 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 47 to 152.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 153. This summary does not form part of the audited financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 37 and 38 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws/articles of association or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company had no reserves available for distribution. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution or the payment of dividends to shareholders provided that the Company is able to pay off its debts as and when they fall due. The Company's share premium account, with a balance of HK$7,314,719,000 as at 31 December 2008, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$3,818,000 (2007: HK$2,142,000).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 48.2% of the total sales for the year and sales to the largest customer included therein amounted to 17.2%. Purchases from the Group's five largest suppliers accounted for 24.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to 10.0%.

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

DIRECTORS

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

Executive directors:

Mr. Kong Dan
Mr. Mi Zengxin
Mr. Shou Xuancheng
Mr. Sun Xinguo
Ms. Li So Mui
Mr. Qiu Yiyong
Mr. Zeng Chen
Mr. Zhang Jijing

Non-executive directors:

Mr. Ma Ting Hung	
Mr. Tang Kui	(resigned on 1 April 2008)
Mr. Wong Kim Yin	(appointed on 1 April 2008)
Ms. Yap Chwee Mein	(appointed on 1 April 2008 as alternate to Mr. Wong Kim Yin)

Independent non-executive directors:

Mr. Fan Ren Da, Anthony
Mr. Ngai Man
Mr. Tsang Link Carl, Brian

Report of the Directors

The non-executive directors of the Company are not appointed for specific terms and all of the directors, including executive directors, are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's bye-laws.

In accordance with bye-laws 87(1) and (2) of the Company's bye-laws, Mr. Mi Zengxin, Ms. Li So Mui, Mr. Ma Ting Hung, Mr. Fan Ren Da, Anthony and Mr. Ngai Man will retire by rotation and, being eligible, will, except Mr. Ma Ting Hung, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Company are set out on pages 19 to 22 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Directors' remuneration is determined by the Board with reference to the recommendations made by the remuneration committee. The Group's remuneration policy seeks to provide 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.

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

DIRECTORS' COMPETING INTERESTS

On 1 April 2009, Mr. Zhang Jijing ("**Mr. Zhang**") was appointed as a non-executive director of CITIC Pacific Limited ("**CITIC Pacific**") (Stock Code: 267) listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). CITIC Pacific is engaged in a diversified range of businesses, including, but not limited to, manufacturing of special steel, iron ore mining, property development and investment, basic infrastructure (such as power generation, aviation, tunnels and communications) and marketing and distribution. Further details of the nature, scope and size of the businesses of CITIC Pacific as well as its management can be found in the latest annual report of CITIC Pacific. In the event that there are transactions between CITIC Pacific and the Company, Mr. Zhang will abstain from voting. Save as disclosed above, Mr. Zhang is not directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are 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	0.33
Mr. Mi Zengxin	Directly beneficially owned	—	10,000,000	0.17
Mr. Shou Xuancheng	Directly beneficially owned	8,300,000	—	0.14
Mr. Sun Xinguo	Directly beneficially owned	7,325,000	—	0.12
Ms. Li So Mui	Directly beneficially owned	1,150,000	4,000,000	0.09
Mr. Qiu Yiyong	Directly beneficially owned	400,000	—	0.01
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.17
Mr. Zhang Jijing	Family	28,000 (1)	—	—
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.17

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.

Report of the Directors

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 an associated corporation of the Company

Name of director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Number of shares/equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Tsang Link Carl, Brian	Dah Chong Hong Holdings Limited	Associated corporation	Ordinary shares	18,000	Directly beneficially owned	—

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

Save as disclosed herein and so far as is known to the directors:

(a) as at 31 December 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;

(b) as at 31 December 2008, none of the directors was a director or employee of a company which has 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;

(c) as at 31 December 2008, none of the directors or their respective associates was materially interested in any subsisting contract or arrangement which is significant in relation to the businesses of the Group taken as a whole; and

Report of the Directors

(d) as at 31 December 2008, none of the directors or their respective associates had any interest in a business apart from the businesses of the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' 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 year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the share option scheme are disclosed in note 38 to the financial statements.

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

Name and category of participant	Number of share options: At 1 January 2008	Granted during the year	Exercised/ expired/ forfeited during the year	At 31 December 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	3.065
Mr. Mi Zengxin	10,000,000	—	—	10,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.077
Ms. Li So Mui	4,000,000	—	—	4,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.077
Mr. Zeng Chen	5,000,000	—	—	5,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.077
Mr. Zeng Chen	5,000,000	—	—	5,000,000	28-12-2005	28-12-2006 to 27-12-2010	1.057
Mr. Zhang Jijing	10,000,000	—	—	10,000,000	02-06-2005	02-06-2006 to 01-06-2010	1.077
	54,000,000	—	—	**54,000,000**			
Eligible participants	3,000,000	—	—	**3,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.077
	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) Following the completion of the Rights Issue in July 2008, the exercise price of all outstanding share options had been adjusted in accordance with the share option scheme of the Company.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 are 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	3,266,416,123 (1)	54.02
CITIC Projects Management (HK) Limited	Corporate	2,516,002,330 (2)	41.61
Keentech Group Limited	Corporate	2,516,002,330 (3)	41.61
CITIC Australia Pty Limited	Corporate	750,413,793 (4)	12.41
Temasek Holdings (Private) Limited	Corporate	693,776,341 (5)	11.47
Temasek Capital (Private) Limited	Corporate	443,267,500 (6)	7.33
Seletar Investments Pte. Ltd.	Corporate	443,267,500 (7)	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	443,267,500 (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 People's Republic of China (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 250,508,841 shares representing 4.14% of the total issued share capital of the Company. Temasek Holdings is a company incorporated in Singapore. Ellington, a company incorporated in Singapore, is an indirect wholly-owned subsidiary of Temasek Holdings.

Report of the Directors

(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.

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

Other member 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 the Hong Kong Special Administrative Region of the PRC, is an indirect wholly-owned subsidiary of CITIC Group.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the continuing connected transactions which are subject to waivers previously granted by the Stock Exchange are set out in note 47 to the financial statements.

In addition to matters disclosed elsewhere in the financial statements, during the year, 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 CITIC Australia Trading Limited ("**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.

Report of the Directors

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 of the Company dated 19 May 2008 and the circular of the Company dated 10 June 2008.

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

(b) On 10 January 2008, CITIC Dameng Mining Industries Limited ("**CITIC Dameng JV**"), an indirect non wholly-owned subsidiary of the Company, entered into contracts with 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industry Co., Ltd.) ("**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 and are conducted in the ordinary course of business of CITIC Dameng JV. 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 of the Company dated 10 January 2008 and the circular of the Company dated 1 February 2008. 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 dated 20 May 2008. The latest approved annual caps for the year 2008 are shown in the following table.

Report of the Directors

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
Guangxi Dameng	Sale of natural discharge manganese dioxide	6,475	7,257
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	448,320
	Sale of manganese carbonate powder	19,200	21,519
	Sale of metallurgical manganese ore powder	8,000	8,966
	Provision of services, including mine selection, powder milling and manganese carbonate powder processing	1,400	1,569
廣西柳州大錳機電設備制造有限公司 (Guangxi Liuzhou Dameng Electrical and Mechanical Equipment Manufacturer Co., Ltd.)	Purchase of negative plate and vertical mill	43,000	48,194
	Purchase of electrolytic bath	3,000	3,362
	Sale of metallurgical manganese ore	30,000	33,624
	Sale of natural discharge manganese dioxide sand	24,000	26,899
南寧市電池廠 (Nanning Battery Plant)	Purchase of packaging bags for manganese products	7,298	8,180
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	12,329
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	28,020

During the year, the purchases, sales and the provision of services with Guangxi Dameng and its associates did not exceed their applicable approved annual caps.

(c) On 1 April 2008, CITIC Dameng JV entered into a contract with Guangxi Dameng, which represents a de minimis 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 of CITIC Dameng JV and based on normal commercial terms. The amount of the guarantee fee is determined on normal commercial terms.

During the year, the bank borrowings of CITIC Dameng JV guaranteed by Guangxi Dameng were RMB808,000,000 (HK$917,726,000) and the guarantee fee payable to Guangxi Dameng was RMB5,313,000 (HK$5,955,000).

Report of the Directors

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 shareholders of the Company as a whole.

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 50 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDIT COMMITTEE

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

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

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Kong Dan
Chairman

Hong Kong, 9 April 2009

Independent Auditors' Report

ERNST & YOUNG
安 永

To shareholders of CITIC Resources Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of CITIC Resources Holdings Limited set out on pages 47 to 152, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditors' Report

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

9 April 2009

Year ended 31 December 2008 HK$'000

Consolidated Income Statement

	Notes	2008	2007
REVENUE	5	**18,761,463**	10,007,656
Cost of sales		**(15,547,583)**	(8,576,552)
Gross profit		**3,213,880**	1,431,104
Other income and gains	5	**216,842**	430,672
Selling and distribution costs		**(312,080)**	(103,132)
Administrative expenses		**(717,775)**	(310,118)
Other operating expenses, net		**(31,603)**	(125,031)
Finance costs	9	**(937,945)**	(542,583)
Share of profit of an associate		**288,646**	15,698
		1,719,965	796,610
Provision for impairment of items of property, plant and equipment	6	**(6,420,737)**	(65,598)
PROFIT/(LOSS) BEFORE TAX	6	**(4,700,772)**	731,012
Tax	10	**5,164,147**	(209,630)
PROFIT FOR THE YEAR		**463,375**	521,382
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**204,256**	282,777
Minority interests		**259,119**	238,605
		463,375	521,382
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	12		
Basic		**HK 3.61 cents**	HK 5.63 cents
Diluted		**HK 3.60 cents**	HK 5.60 cents
DIVIDEND PER SHARE		**Nil**	Nil

31 December 2008 HK$'000

Consolidated Balance Sheet

	Notes	2008	2007 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**16,329,307**	22,420,113
Prepaid land lease premiums	14	**77,433**	72,451
Goodwill	15	**341,512**	341,512
Other intangible assets	16	**318,875**	142,038
Other assets	17	**376,455**	549,295
Investment in an associate	21	**1,617,052**	1,164,472
Available-for-sale investments	22	**17,871**	201,206
Prepayments, deposits and other receivables	23	**137,371**	78,860
Loan receivable	24	**—**	3,222
Deferred tax assets	36	**139,399**	156,735
Total non-current assets		**19,355,275**	25,129,904
CURRENT ASSETS			
Inventories	25	**1,546,048**	1,126,642
Accounts receivable	26	**1,715,307**	1,619,666
Prepayments, deposits and other receivables	23	**844,563**	745,518
Loan receivable	24	**3,222**	18,393
Equity investments at fair value through profit or loss	27	**1,909**	2,430
Derivative financial instruments	28	**37,586**	8,608
Due from related companies	29	**67,754**	119,600
Other assets	17	**55,113**	70,125
Tax recoverable		**160,683**	92,295
Cash and bank balances	30	**4,770,747**	2,074,457
Total current assets		**9,202,932**	5,877,734
CURRENT LIABILITIES			
Accounts payable	31	**823,088**	613,991
Tax payable		**538,806**	482,105
Accrued liabilities and other payables	32	**695,744**	641,516
Derivative financial instruments	28	**43,221**	102,366
Due to related companies	29	**67,745**	9,674
Bank and other loans	33	**2,871,609**	2,160,916
Bond obligations	34	**355,649**	356,868
Provisions	35	**56,553**	52,313
Total current liabilities		**5,452,415**	4,419,749
NET CURRENT ASSETS		**3,750,517**	1,457,985
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,105,792**	26,587,889

31 December 2008 HK$'000

Consolidated Balance Sheet

	Notes	2008	2007 (restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,105,792**	26,587,889
NON-CURRENT LIABILITIES			
Bank and other loans	33	**3,019,210**	1,963,188
Bond obligations	34	**7,589,498**	7,635,991
Deferred tax liabilities	36	**2,759,529**	9,410,664
Derivative financial instruments	28	**94,456**	86,756
Provisions	35	**253,045**	246,612
Other payables		**64,716**	73,324
Total non-current liabilities		**13,780,454**	19,416,535
NET ASSETS		**9,325,338**	7,171,354
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	37	**302,328**	262,894
Reserves	39(a)	**7,589,607**	5,808,569
		7,891,935	6,071,463
Minority interests		**1,433,403**	1,099,891
TOTAL EQUITY		**9,325,338**	7,171,354

Sun Xinguo
Director

Li So Mui
Director

Year ended 31 December 2008 **HK$'000**

Consolidated Statement of Changes in Equity

	Notes	Attributable to shareholders of the Company											
		Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 39(a))	Retained profits	Subtotal	Minority interests (restated)	Total equity (restated)
At 1 January 2007		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		–	–	–	303,819	–	–	–	–	–	303,819	5,071	308,890
Net gains on cash flow hedges #		–	–	–	–	–	136,232	–	–	–	136,232	–	136,232
Change in fair value of available-for-sale investments #		–	–	–	–	64,199	–	–	–	–	64,199	–	64,199
Total income and expense recognised directly in equity		–	–	–	303,819	64,199	136,232	–	–	–	504,250	5,071	509,321
Profit for the year		–	–	–	–	–	–	–	–	282,777	282,777	238,605	521,382
Total income and expense for the year		–	–	–	303,819	64,199	136,232	–	–	282,777	787,027	243,676	1,030,703
Acquisition of subsidiaries	40(a) to (c)	–	–	–	–	–	–	–	–	–	–	630,687	630,687
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(54,218)	(54,218)
Share of reserves of an associate		–	–	–	–	(577)	1,169	–	–	–	592	–	592
Issue of new shares	37, 39(b)	40,050	2,132,410	–	–	–	–	–	–	–	2,172,460	–	2,172,460
Share issue expenses	37, 39(b)	–	(34,610)	–	–	–	–	–	–	–	(34,610)	–	(34,610)
Issue of new shares upon exercise of share options	37, 39(b)	6,935	182,430	–	–	–	–	(39,669)	–	–	149,696	–	149,696
Equity-settled share option arrangements	37, 39(b)	–	–	–	–	–	–	20,559	–	–	20,559	–	20,559
Transfer from retained profits		–	–	–	–	–	–	–	20,340	(20,340)	–	–	–
At 31 December 2007		262,894	4,843,817 *	65,527 *	297,736 *	10,233 *	57,985 *	19,425 *	20,340 *	493,506 *	6,071,463	1,099,891	7,171,354

Year ended 31 December 2008 **HK$'000**

Consolidated Statement of Changes in Equity

	Notes	Attributable to shareholders of the Company										Minority interests	Total equity
		Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 39(a))	Retained profits	Subtotal		
At 1 January 2008													
As previously reported		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
Prior year adjustments	40(a),(b)	–	–	–	–	–	–	–	–	–	–	11,795	11,795
As restated		262,894	4,843,817	65,527	297,736	10,233	57,985	19,425	20,340	493,506	6,071,463	1,099,891	7,171,354
Exchange realignment		–	–	–	(805,318)	–	–	–	–	–	(805,318)	71,976	(733,342)
Net losses on cash flow hedges #	28	–	–	–	–	–	(48,063)	–	–	–	(48,063)	–	(48,063)
Change in fair value of available-for-sale investments #	22	–	–	–	–	(10,233)	–	–	–	–	(10,233)	–	(10,233)
Total income and expense recognised directly in equity		–	–	–	(805,318)	(10,233)	(48,063)	–	–	–	(863,614)	71,976	(791,638)
Profit for the year		–	–	–	–	–	–	–	–	204,256	204,256	259,119	463,375
Total income and expense for the year		–	–	–	(805,318)	(10,233)	(48,063)	–	–	204,256	(659,358)	331,095	(328,263)
Acquisition of subsidiaries	41	–	–	–	–	–	–	–	–	–	–	82,130	82,130
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(99,439)	(99,439)
Capital injection from a minority shareholder		–	–	–	–	–	–	–	–	–	–	19,726	19,726
Share of reserves of an associate		–	–	–	–	–	(34,316)	–	–	–	(34,316)	–	(34,316)
Issue of new shares	37(a), 39(b)	39,434	2,484,350	–	–	–	–	–	–	–	2,523,784	–	2,523,784
Share issue expenses	37, 39(b)	–	(13,448)	–	–	–	–	–	–	–	(13,448)	–	(13,448)
Equity-settled share option arrangements	37, 39(b)	–	–	–	–	–	–	3,810	–	–	3,810	–	3,810
Transfer from retained profits		–	–	–	–	–	–	–	20,591	(20,591)	–	–	–
At 31 December 2008		302,328	7,314,719 *	65,527 *	(507,582) *	– *	(24,394) *	23,235 *	40,931 *	677,171 *	7,891,935	1,433,403	9,325,338

* These reserve accounts comprise the consolidated reserves of HK$7,589,607,000 (2007: HK$5,808,569,000) in the consolidated balance sheet.

Amounts net of deferred tax impact.

Year ended 31 December 2008 HK$'000

Consolidated Cash Flow Statement

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(4,700,772)**	731,012
Adjustments for:			
Interest income	5	**(92,358)**	(342,174)
Interest income from CITIC Group	5	**—**	(3,096)
Dividend income from available-for-sale listed investments	5	**—**	(15,670)
Gain on disposal of coal exploration interests	5	**—**	(7,358)
Gain on disposal of available-for-sale listed investments	5	**(46,133)**	—
Gain on purchase of bond obligations	5	**(25,623)**	—
Equity-settled share option expenses	6	**3,810**	20,559
Depreciation	6	**1,481,079**	248,952
Amortisation	6	**77,988**	77,632
Loss on disposal/write-off of items of property, plant and equipment	6	**36,250**	6,586
Provision for impairment of items of property, plant and equipment	6	**6,420,737**	65,598
Provision for long service and leave payments	6	**49,374**	906
Provision for impairment of accounts receivable	6	**1,322**	5,126
Provision for inventories	6	**174,827**	27,731
Provision for rehabilitation cost		**—**	13,808
Provision for abandonment cost		**—**	1,556
Provision for impairment of available-for-sale listed investments	6	**14,952**	—
Fair value gains on embedded derivatives		**(46,545)**	(36,466)
Net unrealised gains on derivative financial instruments	28	**23,446**	33,646
Finance costs	9	**937,945**	542,583
Share of profit of an associate		**(288,646)**	(15,698)
Excess over the cost of a business combination	5	**—**	(11,933)
Write-off of payables	5	**(3,618)**	(13,443)
		4,018,035	1,329,857
Decrease/(increase) in inventories		**(726,643)**	7,491
Increase in accounts receivable		**(407,597)**	(73,608)
Increase in prepayments, deposits and other receivables		**(155,098)**	(123,413)
Decrease/(increase) in amounts due from related companies		**101,706**	(68,114)
Decrease in amount due from ultimate holding company		**—**	34,320
Increase/(decrease) in accounts payable		**209,097**	(42,373)
Increase/(decrease) in accrued liabilities and other payables		**84,276**	(20,398)
Decrease in amounts due to related companies		**(21,165)**	(28,500)
Decrease in provisions		**(4,494)**	(11,451)
Cash generated from operations		**3,098,117**	1,003,811
Australian income tax paid		**(44,963)**	(126,158)
Kazakhstan income tax paid		**(1,149,406)**	(26,655)
PRC income tax paid		**(62,877)**	(12,061)
Net cash inflow from operating activities		**1,840,871**	838,937

Year ended 31 December 2008 HK$'000

Consolidated Cash Flow Statement

	Notes	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**92,358**	342,174
Interest received from CITIC Group		**—**	67,600
Dividends received from available-for-sale listed investments	5	**—**	15,670
Purchases of items of property, plant and equipment		**(2,067,179)**	(527,085)
Purchase of other intangible assets	16	**(204)**	(377)
Purchases of prepaid land lease premiums	14	**(105)**	(310)
Purchases of available-for-sale investments		**—**	(4,377)
Proceeds from disposal of items of property, plant and equipment		**2,895**	34,255
Proceeds from disposal of available-for-sale listed investments		**177,449**	—
Net cash outflow from acquisition of subsidiaries	40(a) to (c), 41	**(116,887)**	(7,844,081)
Acquisition of an additional equity interest in an associate		**(757,357)**	(757,358)
Repayment of a loan receivable	24	**18,393**	17,327
Net cash outflow from investing activities		**(2,650,637)**	(8,656,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital, net of expenses	37	**2,510,336**	2,287,546
Proceeds from issue of senior notes		**—**	7,621,666
Purchase of bond obligations	34(a)	**(46,137)**	—
Dividends paid to minority shareholders		**(99,439)**	(54,218)
Capital injection from a minority shareholder		**19,726**	—
New bank and other loans		**8,558,033**	6,098,247
Repayment of bank and other loans		**(6,489,498)**	(6,409,437)
Interest paid		**(855,389)**	(520,063)
Finance charges paid		**(7,446)**	(4,561)
Interest paid for earnest money		**—**	(64,504)
Net cash inflow from financing activities		**3,590,186**	8,954,676
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,780,420**	1,137,051
Cash and cash equivalents at beginning of year		**2,074,457**	850,744
Effect of foreign exchange rate changes, net		**(84,130)**	86,662
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,770,747**	2,074,457
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**853,342**	757,871
Non-pledged time deposits with original maturity of less than three months when acquired	30	**3,917,405**	1,316,586
		4,770,747	2,074,457

31 December 2008 HK$'000

Balance Sheet

	Notes	2008	2007
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,041**	426
Interests in subsidiaries	18	**6,072,325**	5,053,089
Prepayments, deposits and other receivables	23	**8,418**	3,508
Total non-current assets		**6,082,784**	5,057,023
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**9,700**	5,362
Cash and bank balances	30	**2,107,647**	747,114
Total current assets		**2,117,347**	752,476
CURRENT LIABILITIES			
Accrued liabilities and other payables		**3,492**	25,240
Bank loan	33	**—**	234,000
Total current liabilities		**3,492**	259,240
NET CURRENT ASSETS		**2,113,855**	493,236
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,196,639**	5,550,259
NON-CURRENT LIABILITY			
Bank loan	33	**1,170,000**	936,000
NET ASSETS		**7,026,639**	4,614,259
EQUITY			
Issued capital	37	**302,328**	262,894
Reserves	39(b)	**6,724,311**	4,351,365
TOTAL EQUITY		**7,026,639**	4,614,259

Sun Xinguo
Director

Li So Mui
Director

31 December 2008

Notes to Financial Statements

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding.

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

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

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

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

(d) the operation of manganese mining and the sale of refined manganese products in the People's Republic of China (the "**PRC**");

(e) the exploration, development, production and sale of naphtha and high sulphur fuel oil produced from the Seram Island Non-Bula Block, Indonesia;

(f) the exploration of oil in the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the PRC (the "**Hainan-Yuedong Block**");

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

(h) the exploration of manganese mining in Gabon, Western Africa.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is CITIC Group, a company established in the PRC.

During the year, the Group continued to explore other investment opportunities in the field of energy and natural resources.

31 December 2008

Notes to Financial Statements

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of businesses during the prior year has been accounted for using the purchase method of accounting. This method involves allocating the cost of business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements:

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets
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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

2.3 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.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [5]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [3]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Vesting Conditions and Cancellations [3]
HKFRS 3 (Revised)	Business Combinations [5]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments [3]
HKFRS 8	Operating Segments [3]
HKAS 1 (Revised)	Presentation of Financial Statements [3]
HKAS 23 (Revised)	Borrowing Costs [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [5]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation [3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items [5]
HK(IFRIC) - Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) - Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives [4]
HK(IFRIC) - Int 13	Customer Loyalty Programmes [1]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate [3]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation [2]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners [5]
HK(IFRIC) - Int 18	Transfer of Assets from Customers [6]

1 Effective for annual periods beginning on or after 1 July 2008
2 Effective for annual periods beginning on or after 1 October 2008
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2009
6 Effective for transfers of assets from customers received on or after 1 July 2009

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* Improvements to HKFRSs include amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised), HK(IFRIC) - Int 9 and HKAS 39 Amendments may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

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

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

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

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

Jointly-controlled assets

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

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

Jointly-controlled entities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. The Group's equity voting rights in Macarthur Coal Limited ("**Macarthur Coal**") was less than 20% during the period from 1 January 2008 to 13 July 2008. However, the Group was able to exercise significant influence over the company and the investment was accounted for as an associate of the Group. On 14 July 2008, the Group completed the acquisition of an additional 2.73% equity interest in Macarthur Coal. The Group's equity voting rights in Macarthur Coal thereby increased to 20.39%.

The Group's investment in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

Impairment of non-financial assets other than goodwill

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Leasehold improvements	10 - 12 years or over the unexpired lease terms, whichever is shorter
Motor vehicles, plant, machinery, tools and equipment	5 - 26 years
Furniture and fixtures	4 - 5 years
Buildings and structures	10 - 30 years

Freehold land is not depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

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

Construction in progress represents building and structure under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Oil and gas properties

For oil and gas properties, the successful effort method of accounting is adopted. The Group capitalises initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells are all classified as development costs, including those renewals and betterment which extend the economic lives of the assets. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Oil and gas properties (continued)

Oil and gas properties are stated at cost less accumulated depreciation and depletion. The depreciation and depletion of oil and gas properties with a life longer than or equal to the licence life is estimated on a unit-of-production basis, in the proportion of actual production for the period to the total estimated remaining reserves of the field. The remaining reserves figure is the amount estimated up to the licence expiration date plus the production for the period. Oil and gas properties with a useful life less than the licence life is calculated based on a straight-line basis over each asset's estimated useful life that ranges from 3 to 10 years. Costs associated with significant development projects are not depleted until commercial production commences and the reserves related to those costs are excluded from the calculation of depletion.

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

The Group estimates future dismantlement costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement required in accordance with the current legislation and industry practices. The associated cost is capitalised and the liability is discounted and an accretion expense is recognised using the credit-adjusted risk-free rate in effect when the liability is initially recognised. No market-risk premium has been included in the calculation of asset retirement obligation balances since no reliable estimate can be made.

Capital works

Capital works represent exploration and development expenditure in relation to the Group's mining activities, which are carried forward to the extent that:

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

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

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

Other intangible assets

Other intangible assets represent mining rights and are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised using the unit-of-production method based on the proven and probable mineral reserves, which are reviewed at least at each balance sheet date. The intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other assets

Other assets represent the amounts paid for an electricity supply agreement (the "**ESA**"), a 30-year base power contract entered into with the State Electricity Commission of Victoria, Australia. The ESA provides steady electricity supply at a fixed tariff to the Portland Aluminium Smelter for a period to 31 October 2016. Other assets are stated at cost less accumulated amortisation, provided on a straight-line basis over the term of the base power contract, and any impairment losses.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the consolidated income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the consolidated income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities including accounts payable, other payables, due to related companies, bank and other loans and bond obligations are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the consolidated income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Derivative financial instruments and hedging

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. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

The fair value of forward currency and commodity contracts is calculated by reference to current forward exchange rates and commodity prices for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to applicable interest rates in the market.

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

31 December 2008

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the consolidated income statement.

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

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised immediately in equity remain in equity until the forecast transaction or firm commitment occurs.

Inventories

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

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

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

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

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure at the manganese mines in the PRC in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

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

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

Leases

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payment transactions

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

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using the Black-Scholes option pricing model, further details of which are given in note 38 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (the "**market conditions**"), if applicable.

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Share-based compensation to directors and employees is recognised as an expense in respect of the services received measured on a fair value basis.

Share options granted after 7 November 2002 and vested on or after 1 January 2005

The fair value of the options granted under the director and employee option plans is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value of the options at the grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the options, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised during each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share option reserve relating to those options is transferred to the share premium account. The market value of any shares issued to employees for no cash consideration under the employee share option scheme is recognised as an employee benefit expense with a corresponding increase in equity when the employees become entitled to the shares.

Pension schemes

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes (continued)

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

The Group operates a defined contribution retirement benefit scheme (the "**RB Scheme**") under the superannuation legislation of the Australian government for those employees in Australia who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the RB Scheme. The assets of the RB Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions as an employer vest fully with the employees when contributed into the RB Scheme.

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

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

Paid leave carried forward

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled assets and entities and an associate are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries, jointly-controlled assets and entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries, jointly-controlled assets and entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE (continued)

Judgements

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

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Employee benefits - share-based payment transactions

The valuation of the fair value of share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to become exercisable, details of which are set in note 38 to the financial statements. Where the actual outcome of the number of exercisable options is different from the previously estimated number of exercisable options, such difference will have impact on the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK$341,512,000 (2007: HK$341,512,000). More details are given in note 15 to the financial statements.

Oil and gas reserves and mining reserves

The most significant estimates in the oil and gas operation pertain to the volumes of oil and gas reserves and mining reserves volumes and the future development, purchase price allocation, provision for rehabilitation cost and abandonment cost, as well as estimates relating to certain oil and gas reserves and mining revenues and expenses. Actual amounts could differ from those estimates and assumptions. More details are given in notes 13, 35, 40 and 41 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical 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 the 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 and steel; and the import of other commodities and manufactured goods such as vehicle and industrial batteries, tyres, alloy wheels and various metals such as steel and aluminium extrusion products in Australia;

(d) the manganese segment comprises the operation of manganese mining in the PRC and Gabon and the sale of refined manganese products in the PRC;

(e) the crude oil segment comprises the operation of oilfields and the sale of crude oil and related products, in Indonesia, the PRC and Kazakhstan; and

(f) the others segment comprises other operating activities of the Group.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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.

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4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

Year ended 31 December 2008	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Others	Consolidated
Segment revenue:							
Sales to external customers	1,666,954	449,039	9,572,962	2,862,864	4,209,644	—	18,761,463
Other income	7,860	—	4,800	18,731	490	—	31,881
	1,674,814	449,039	9,577,762	2,881,595	4,210,134	—	18,793,344
Segment results	95,927	188,526	149,181	504,112	1,360,769	(17,940)	2,280,575
Interest income and unallocated gains							184,961
Reversal of impairment/(impairment) of property, plant and equipment	—	(4,911)	—	655	(6,416,481)	—	(6,420,737)
Unallocated expenses							(96,272)
Loss from operating activities							(4,051,473)
Unallocated finance costs							(937,945)
Share of profit of an associate	—	288,646	—	—	—	—	288,646
Loss before tax							(4,700,772)
Tax							5,164,147
Profit for the year							463,375
Assets and liabilities							
Segment assets	2,015,091	296,798	1,448,436	2,745,208	15,327,690	—	21,833,223
Investment in an associate	—	1,617,052	—	—	—	—	1,617,052
Unallocated assets							5,107,932
Total assets							28,558,207
Segment liabilities	187,159	137,159	204,963	295,596	829,722	5,670	1,660,269
Unallocated liabilities							17,572,600
Total liabilities							19,232,869
Other segment information:							
Depreciation and amortisation	123,446	13,294	1,780	88,985	1,314,361	14,092	1,555,958
Unallocated amounts							3,109
							1,559,067
Impairment losses/(reversal of impairment) recognised in the income statement	—	4,911	—	(655)	6,416,481	—	6,420,737
Other non-cash expenses	—	—	—	148,191	27,958	—	176,149
Unallocated amounts							14,952
							191,101
Capital expenditure	118,234	40,292	724	592,397	1,319,415	8,846	2,079,908
Unallocated amounts							6,159
							2,086,067

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

Year ended 31 December 2007	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil (restated)	Others	Consolidated (restated)
Segment revenue:							
Sales to external customers	1,761,416	169,895	5,873,555	1,684,457	518,333	—	10,007,656
Other income	9,635	7,436	7,680	7,002	3,580	13,443	48,776
	1,771,051	177,331	5,881,235	1,691,459	521,913	13,443	10,056,432
Segment results	210,997	14,645	152,686	439,017	221,766	(33,929)	1,005,182
Interest income and unallocated gains							381,896
Unallocated expenses							(129,181)
Profit from operating activities							1,257,897
Unallocated finance costs							(542,583)
Share of profit of an associate	—	15,698	—	—	—	—	15,698
Profit before tax							731,012
Tax							(209,630)
Profit for the year							521,382
Assets and liabilities							
Segment assets	2,493,820	106,106	1,285,740	1,556,915	21,691,628	14,776	27,148,985
Investment in an associate	—	1,164,472	—	—	—	—	1,164,472
Unallocated assets							2,694,181
Total assets							31,007,638
Segment liabilities	473,965	68,781	164,888	354,835	657,381	3,836	1,723,686
Unallocated liabilities							22,112,598
Total liabilities							23,836,284
Other segment information:							
Depreciation and amortisation	130,163	11,407	1,774	45,351	123,911	11,221	323,827
Unallocated amounts							2,757
							326,584
Impairment losses recognised in the income statement	28,427	—	—	3,448	—	33,723	65,598
Other non-cash expenses	16,790	—	1,517	24,547	621	—	43,475
Unallocated amounts							4,746
							48,221
Capital expenditure	88,865	66,628	2,991	248,828	113,035	—	520,347
Unallocated amounts							7,115
							527,462

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group

Year ended 31 December 2008	Hong Kong	PRC	Australia	Europe	North America	Kazakhstan	Other Asian countries	Others	Consolidated
Segment revenue:									
Sales to external customers	—	7,176,637	2,627,373	4,869,184	147,575	181,319	3,331,905	427,470	18,761,463
Other segment information:									
Segment assets	2,202,330	6,099,266	5,362,790	158,895	8,155	13,326,084	1,129,065	271,622	28,558,207
Capital expenditure	7,788	538,850	165,373	—	—	940,641	206,897	226,518	2,086,067

Year ended 31 December 2007	Hong Kong	PRC	Australia	Europe	North America	Kazakhstan	Other Asian countries	Others	Consolidated
Segment revenue:									
Sales to external customers	—	4,015,092	1,928,766	1,980,642	179,452	197,160	1,642,888	63,656	10,007,656
Other segment information:									
Segment assets (restated)	878,116	4,147,690	4,998,022	270,695	37,834	19,592,339	1,078,315	4,627	31,007,638
Capital expenditure	2,155	249,326	163,256	—	—	68,092	44,633	—	527,462

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5. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	2008	2007
Revenue			
Sale of goods:			
Aluminium smelting		**1,666,954**	1,761,416
Coal		**449,039**	169,895
Import and export of commodities		**9,572,962**	5,873,555
Manganese		**2,862,864**	1,684,457
Crude oil		**4,209,644**	518,333
		18,761,463	10,007,656
Other income and gains			
Interest income		**92,358**	342,174
Handling service fees		**6,629**	8,164
Dividend income from available-for-sale listed investments		**—**	15,670
Gain on disposal of coal exploration interests		**—**	7,358
Gain on disposal of available-for-sale listed investments	22	**46,133**	—
Interest income from CITIC Group, net	47(b)	**—**	3,096
Excess over the cost of a business combination	40(c)	**—**	11,933
Write-off of payables		**3,618**	13,443
Sale of scrap		**8,104**	7,878
Gain on purchase of bond obligations	34(a)	**25,623**	—
Others		**34,377**	20,956
		216,842	430,672
		18,978,305	10,438,328

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6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2008	2007
Cost of inventories sold *		**15,547,583**	8,576,552
Depreciation	13	**1,481,079**	248,952
Amortisation of the ESA	17	**68,160**	70,108
Amortisation of other intangible assets	16	**8,158**	5,969
Amortisation of prepaid land lease premiums	14	**1,670**	1,555
Exploration and evaluation costs **		**60,461**	—
Minimum lease payments under operating leases on land and buildings		**26,920**	11,651
Auditors' remuneration		**12,920**	12,080
Employee benefit expense (including directors' remuneration - note 7):			
Wages and salaries		**698,797**	107,492
Equity-settled share option expenses	37, 39(b)	**3,810**	20,559
Pension scheme contributions		**330**	715
Provision for long service and leave payments		**49,374**	906
		752,311	129,672
Loss on disposal/write-off of items of property, plant and equipment **		**36,250**	6,586
Provision for impairment of items of property, plant and equipment	13	**6,420,737**	65,598
Provision for impairment of available-for-sale listed investments	22	**14,952**	—
Exchange losses/(gains), net **		**(113,838)**	86,485
Provision for inventories		**174,827**	27,731
Provision for impairment of accounts receivable **	26	**1,322**	5,126

* Cost of inventories sold for the year ended 31 December 2008 included an amount of HK$2,105,280,000 (2007: HK$469,178,000), which comprised employee benefit expense, provision for inventories, depreciation and amortisation of the ESA and other intangible assets. Such amount has also been included in the respective expense items disclosed above.

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

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7. DIRECTORS' REMUNERATION

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

	2008	2007
Fees:		
Executive directors and non-executive directors	**834**	728
Independent non-executive directors	**828**	690
	1,662	1,418
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**9,172**	9,735
Bonuses	**7,589**	3,130
Equity-settled share option expense	**3,810**	20,559
Pension scheme contributions	**303**	380
	20,874	33,804
	22,536	35,222

During the year ended 31 December 2007, a director was granted share options under the share option scheme of the Company in respect of his services to the Group, further details of which are set out in note 38 to the financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosure.

(a) Independent non-executive directors

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

	2008	2007
Fan Ren Da, Anthony	**276**	230
Ngai Man	**276**	230
Tsang Link Carl, Brian	**276**	230
	828	690

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

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7. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
2008						
Executive directors:						
Kong Dan	—	—	—	3,810	—	3,810
Mi Zengxin	—	—	—	—	—	—
Shou Xuancheng	—	2,108	1,485	—	12	3,605
Sun Xinguo	—	2,108	1,485	—	12	3,605
Li So Mui	—	2,363	1,650	—	12	4,025
Qiu Yiyong	140	—	—	—	—	140
Zeng Chen	140	2,593	2,969	—	267	5,969
Zhang Jijing	140	—	—	—	—	140
Non-executive directors:						
Ma Ting Hung	207	—	—	—	—	207
Tang Kui [3]	52	—	—	—	—	52
Wong Kim Yin [5]	155	—	—	—	—	155
Yap Chwee Mein [6]	—	—	—	—	—	—
	834	9,172	7,589	3,810	303	21,708
2007						
Executive directors:						
Kong Dan	50	—	—	11,429	—	11,479
Mi Zengxin	138	—	—	—	—	138
Shou Xuancheng	—	1,938	600	—	12	2,550
Sun Xinguo	—	1,938	600	—	12	2,550
Li So Mui	—	2,206	750	—	12	2,968
Qiu Yiyong	138	—	—	—	—	138
Zeng Chen	138	2,096	954	—	328	3,516
Zhang Jijing	138	—	—	—	—	138
Kwok Peter Viem [1]	—	768	113	4,565	8	5,454
Ma Ting Hung [2]	—	789	113	4,565	8	5,475
Non-executive directors:						
Ma Ting Hung [2]	63	—	—	—	—	63
Tang Kui [3]	63	—	—	—	—	63
Wong Kim Yin [4]	—	—	—	—	—	—
	728	9,735	3,130	20,559	380	34,532

Mr. Kong Dan and Mr. Mi Zengxin elected not to receive any fee from the Company for the year. Save as aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

1 Resigned on 21 August 2007
2 Re-designated as non-executive director on 21 August 2007
3 Appointed on 21 August 2007 and resigned on 1 April 2008
4 Appointed on 21 August 2007 as alternate to Mr Tang Kui
5 Appointed on 1 April 2008
6 Appointed on 1 April 2008 as alternate to Mr Wong Kim Yin

31 December 2008 HK$'000

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included five (2007: five) directors, details of whose remuneration are set out in note 7 above.

9. FINANCE COSTS

	Group	
	2008	2007
Interest expense on bank and other loans repayable:		
Within one year	**239,267**	111,266
In the second to fifth years, inclusive	**71,380**	62,300
Beyond five years	**16,001**	16,201
Interest expense on fixed rate senior notes, net	**528,741**	330,296
Total interest expense on financial liabilities not at fair value through profit or loss	**855,389**	520,063
Amortisation of fixed rate senior notes	**23,027**	14,392
	878,416	534,455
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time (note 35)	**44,068**	1,562
Others *	**15,461**	6,566
	937,945	542,583

* Including amortisation of up-front fees of HK$8,015,000 (2007: HK$2,004,600).

10. TAX

	Group	
	2008	2007
Current – Hong Kong	**—**	—
Current – Elsewhere		
Charge for the year	**1,274,107**	189,579
Overprovision in prior years	**(28,548)**	(2,467)
Deferred – note 36	**(6,409,706)**	22,518
Total tax charge/(credit) for the year	**(5,164,147)**	209,630

10. TAX (continued)

The statutory tax rate for Hong Kong profits tax is 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profit tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (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 year.

For the year ended 31 December 2008, 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% (2007: 30%), respectively.

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 and its Implementation Rules (effective from 1 January 2008), the PRC corporate income tax rates for domestic and foreign-invested enterprises (including Sino-foreign equity joint ventures) are unified at 25%. Sino-foreign equity joint ventures which were established before the new PRC Corporate Income Tax Law was promulgated and which 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 a 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% on the profit after corporate income tax, as shown in the table below:

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10. TAX (continued)

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

On 10 December 2008, the President of Kazakhstan signed the Code of the Republic of Kazakhstan on Taxes and Other Obligation Payments to the Budget (the "**New Tax Code**"). The New Tax Code is effective from 1 January 2009. Under the New Tax Code, the corporate tax rates applicable to the Group's jointly-controlled entities established and operating in Kazakhstan will be reduced from 30% in 2008 to 20%, 17.5% and 15% in 2009, 2010 and 2011 onwards, respectively. A new calculation methodology on EPT is also introduced based on annual, not cumulative, profitability.

These changes will directly offset the Group's effective tax rate prospectively from 2008. According to HKAS 12 Income Taxes, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the tax rates has had the following impact on the results of operations and financial position of the Group for the year ended 31 December 2008.

Effect on the consolidated balance sheet

At 31 December 2008	Increase/(decrease)
Liability/equity	
Deferred tax liabilities	(4,758,338)
Retained profits	4,758,338

Effect on the consolidated income statement

For the year ended 31 December 2008	
Increase in deferred tax credit	4,758,338
Total increase in profit	4,758,338

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10. TAX (continued)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rate is as follows:

	Group	
	2008	2007
Profits/(loss) before tax	**(4,700,772)**	731,012
Tax at statutory rate of 16.5% (2007: 17.5%)	**(775,627)**	127,927
Higher tax rates on profits arising elsewhere	**298,945**	167,268
Lower tax rate/tax holiday or concessions for specific provinces or enacted by local authorities	**(83,048)**	(115,789)
Adjustments in respect of current tax of previous periods	**(28,548)**	(2,467)
Effect on deferred tax of decrease in rates	**(4,758,338)**	—
Income not subject to tax	**(104,770)**	(61,322)
Expenses not deductible for tax	**215,949**	120,538
Effect of withholding tax on the distributable profit of the Group's PRC subsidiaries and Kazakhstan jointly-controlled entities	**82,786**	—
Tax losses utilised from previous periods	**(11,496)**	(26,525)
Tax charge/(credit) at the Group's effective rate	**(5,164,147)**	209,630

The share of tax attributable to an associate amounting to HK$55,377,000 (2007: HK$7,450,000) is included in "Share of profit of an associate" on the face of the consolidated income statement.

The Group has unrecognised deferred tax assets from tax losses arising in Hong Kong of HK$198,105,000 (2007: aggregate of HK$164,172,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time.

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2008 includes a loss of HK$102,006,000 (2007: loss of HK$189,467,000) (note 39(b)) which has been dealt with in the financial statements of the Company.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the Rights Issue (as defined in note 37(a) to the financial statements).

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings 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	**204,256**	282,777

	Number of shares	
	2008	2007 (restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,656,944,841**	5,019,398,708
Effect of dilution - weighted average number of ordinary shares:		
Share options	**20,605,730**	30,706,963
	5,677,550,571	5,050,105,671

The weighted average numbers of ordinary shares for the years ended 31 December 2008 and 31 December 2007 for the purpose of the basic and diluted earnings per share calculations have been adjusted and restated respectively to reflect the Rights Issue (as defined in note 37(a) to the financial statements).

The computation of diluted earnings per share for the year ended 31 December 2008 does not assume the conversion of certain share options since their exercise would result in an increase in earnings per share.

31 December 2008 HK$'000

13. PROPERTY, PLANT AND EQUIPMENT

Group
31 December 2008

	Notes	Oil and gas properties	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Construction in progress and construction material	Furniture and fixtures	Buildings and structures	Capital works	Total
Cost:										
At 1 January 2008										
As previously reported		19,738,231	6,124	4,506	1,621,100	658,572	29,695	592,673	190,078	22,840,979
Prior year adjustments	40(a), (b)	227,036	—	—	—	5,637	—	—	—	232,673
As restated		19,965,267	6,124	4,506	1,621,100	664,209	29,695	592,673	190,078	23,073,652
Change in provision for abandonment cost	35	(54,194)	—	—	—	—	—	—	—	(54,194)
Additions		209,507	1,839	819	202,749	1,485,220	3,822	152,133	29,669	2,085,758
Disposals/write-off		(12,353)	—	—	(50,627)	(90)	(990)	(4,496)	—	(68,556)
Acquisition of subsidiaries	41	—	—	—	37,931	8,266	739	—	—	46,936
Transfers		574,299	—	—	280,635	(1,101,520)	4,175	249,465	(7,054)	—
Exchange realignment		(13,080)	(1,314)	142	(208,193)	11,354	413	(57,744)	(37,815)	(306,237)
At 31 December 2008		20,669,446	6,649	5,467	1,883,595	1,067,439	37,854	932,031	174,878	24,777,359
Accumulated depreciation and impairment:										
At 1 January 2008		122,247	—	2,427	389,424	6,997	4,388	96,152	31,904	653,539
Depreciation provided during the year	6	1,288,618	—	2,300	134,067	—	5,654	39,267	11,173	1,481,079
Disposals/write-off		(7,756)	—	—	(19,698)	—	(575)	(1,382)	—	(29,411)
Transfers		294	—	—	—	—	(46)	(248)	—	—
Impairment/ (reversal of impairment)	6	6,416,481	—	—	40	—	—	(154)	4,370	6,420,737
Exchange realignment		(4,689)	—	33	(49,667)	657	172	(17,440)	(6,958)	(77,892)
At 31 December 2008		7,815,195	—	4,760	454,166	7,654	9,593	116,195	40,489	8,448,052
Net book value:										
At 31 December 2008		12,854,251	6,649	707	1,429,429	1,059,785	28,261	815,836	134,389	16,329,307

Note: As at 31 December 2008, the property, plant and equipment of HK$385,679,000 (2007: HK$374,735,000) were pledged against the bank loans as further detailed in note 33(a) to the financial statements. Freehold land of the Group is located in Australia.

At the date of these financial statements, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of HK$143,212,000. In addition, the Group's construction in progress with an aggregate net carrying amount of HK$30,609,000 was situated on certain land parcels which the Group was in the process of applying for land use rights certificates. The directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings and land parcels, and the aforesaid matters did not have any significant impact on the Group's financial position as at 31 December 2008.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, the directors considered that certain oil and gas properties in Kazakhstan were impaired and total impairment losses of HK$6,416,481,000 were recognised in respect of these oil and gas properties in the Karazhanbas oilfield. The triggers for the impairment tests were primarily the volatility of crude oil price, the change in production volume and the New Tax Code in Kazakhstan (imposing additional tax levies on the Group's crude oil operation) which reduced the estimated recoverable amounts of these related assets. In addition, certain property, plant and equipment of the Group's other operations were impaired and net impairment losses of HK$4,256,000 were recognised in the consolidated income statement.

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

The Group generally estimates value in use using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 14.4%. This discount rate is derived from the Group's post-tax weighted average cost of capital.

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group
31 December 2007

	Notes	Oil and gas properties (restated)	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Construction in progress and construction material (restated)	Furniture and fixtures	Buildings and structures	Capital works	Total (restated)
Cost:										
At 1 January 2007		657,254	5,857	4,329	1,134,226	109,735	6,558	426,193	90,694	2,434,846
Additions		45,960	323	34	108,593	262,730	5,484	19,201	84,760	527,085
Disposals/write-off		—	(1,237)	—	(20,318)	—	(932)	(18,780)	(2,393)	(43,660)
Acquisition of subsidiaries	40(a) to (c)	18,988,901	—	—	129,121	624,202	21,976	32,455	—	19,796,655
Transfers		276,306	—	—	22,607	(340,356)	(3,595)	45,038	—	—
Exchange realignment		(3,154)	1,181	143	246,871	7,898	204	88,566	17,017	358,726
At 31 December 2007		19,965,267	6,124	4,506	1,621,100	664,209	29,695	592,673	190,078	23,073,652
Accumulated depreciation and impairment:										
At 1 January 2007		3,323	—	1,611	171,684	—	731	41,002	22,245	240,596
Depreciation provided during the year	6	119,890	—	538	93,130	—	3,838	26,587	4,969	248,952
Disposals/write-off		—	—	—	(8,601)	—	(505)	(1,071)	—	(10,177)
Transfers		(389)	—	—	1,593	—	209	(1,413)	—	—
Impairment	6	—	—	—	54,330	6,997	—	4,271	—	65,598
Exchange realignment		(577)	—	278	77,288	—	115	26,776	4,690	108,570
At 31 December 2007		122,247	—	2,427	389,424	6,997	4,388	96,152	31,904	653,539
Net book value (as restated):										
At 31 December 2007		19,843,020	6,124	2,079	1,231,676	657,212	25,307	496,521	158,174	22,420,113

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company
31 December 2008

	Leasehold improvements	Motor vehicles and equipment	Total
Cost:			
At 1 January 2008	—	541	541
Additions	668	1,321	1,989
Exchange realignment	9	49	58
At 31 December 2008	677	1,911	2,588
Accumulated depreciation:			
At 1 January 2008	—	115	115
Provided during the year	112	305	417
Exchange realignment	1	14	15
At 31 December 2008	113	434	547
Net book value at 31 December 2008	564	1,477	2,041

Company
31 December 2007

	Leasehold improvements	Motor vehicles and equipment	Total
Cost:			
At 1 January 2007	—	—	—
Additions	—	541	541
At 31 December 2007	—	541	541
Accumulated depreciation:			
At 1 January 2007	—	—	—
Provided during the year	—	115	115
At 31 December 2007	—	115	115
Net book value at 31 December 2007	—	426	426

31 December 2008 HK$'000

14. PREPAID LAND LEASE PREMIUMS

	Group	
	2008	2007
Carrying amount at 1 January	**74,021**	59,616
Acquisition of subsidiaries (note 40(c))	**—**	11,105
Addition	**105**	310
Amortisation (note 6)	**(1,670)**	(1,555)
Exchange realignment	**6,670**	4,545
Carrying amount at 31 December	**79,126**	74,021
Current portion included in prepayments, deposits and other receivables	**(1,693)**	(1,570)
Non-current portion	**77,433**	72,451

The leasehold land is held under a medium-term lease and is situated in the PRC. Leasehold land of HK$57,147,000 (2007: HK$52,347,000) is pledged for certain bank loans as further detailed in note 33(a) to the financial statements.

15. GOODWILL

	Group	
	2008	2007
Cost and carrying amount:		
At beginning and end of year	**341,512**	341,512

Impairment testing of goodwill

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

- aluminium smelting segment of HK$316,830,000 (2007: HK$316,830,000); and
- import and export of commodities segment of HK$24,682,000 (2007: HK$24,682,000).

Aluminium smelting segment
The recoverable amount of the aluminium smelter cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 11.4% (2007: 9.5%).

Import and export of commodities segment
The recoverable amount of the import and export of commodities cash-generating unit is determined based on fair value less costs to sell. The fair value is calculated by reference to the market share price of CITIC Australia Trading Limited, at the time the listed vehicle of the import and export of commodities segment in Australia, as at 31 December 2008.

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16. OTHER INTANGIBLE ASSETS

Mining rights

	Group	
	2008	2007
Cost:		
At 1 January	**152,444**	139,936
Additions	**204**	377
Acquisition of subsidiaries (notes 40(a), 41)	**175,459**	4,220
Exchange realignment	**10,118**	7,911
At 31 December	**338,225**	152,444
Accumulated amortisation:		
At 1 January	**10,406**	4,235
Provided during the year (note 6)	**8,158**	5,969
Exchange realignment	**786**	202
At 31 December	**19,350**	10,406
Net carrying amount at 31 December	**318,875**	142,038

As at 31 December 2008, a mining right of nil (2007: HK$119,518,000) was pledged against a bank loan of the Group, as further detailed in note 33(a) to the financial statements.

17. OTHER ASSETS

	Group	
	2008	2007
Cost:		
At 1 January	**882,613**	792,244
Exchange realignment	**(188,999)**	90,369
At 31 December	**693,614**	882,613
Accumulated amortisation:		
At 1 January	**263,193**	173,316
Provided during the year (note 6)	**68,160**	70,108
Exchange realignment	**(69,307)**	19,769
At 31 December	**262,046**	263,193
Net book value at 31 December	**431,568**	619,420
Non-current portion	**376,455**	549,295
Current portion	**55,113**	70,125
	431,568	619,420

Other assets represent the amounts paid for the ESA.

31 December 2008 HK$'000

18. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
Unlisted shares, at cost	**173,133**	173,133
Due from subsidiaries	**6,800,824**	6,009,896
Due to subsidiaries	**(74,868)**	(370,128)
	6,899,089	5,812,901
Impairment	**(826,764)**	(759,812)
	6,072,325	5,053,089

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

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

31 December 2008

Notes to Financial Statements

18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Dongguan Xinlian Wood Products Company Limited ("**Dongguan Xinlian**") (note (a)) #	PRC	HK$60,000,000	100	Dormant
Global Enterprises (HK) Limited	Hong Kong	HK$2	100	Provision of management services
Maxpower Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Toplight Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Richfirst Holdings Limited	British Virgin Islands/ PRC	US$100	100	Investment holding
Cogent Assets Limited	British Virgin Islands/ Hong Kong	US$2	100	Investment holding
Group Smart Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Highkeen Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Petrochemical Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Petrochemical Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Resources Australia Pty Limited ("**CRA**")	State of Victoria, Australia	A$357,650,000	100	Investment holding
CITIC Portland Holdings Pty Limited	State of Victoria, Australia	A$196,791,454	100	Investment holding
CITIC Australia (Portland) Pty Limited	State of Victoria, Australia	A$45,675,117	100	Aluminium smelting

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Portland Surety Pty Limited	State of Victoria, Australia	A$1	100	Investment holding
CITIC (Portland) Nominees I Pty Limited (note (b))	State of Victoria, Australia	A$2	100	Investment holding
CITIC (Portland) Nominees II Pty Limited (note (b))	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nominees Pty Limited Partnership	State of Victoria, Australia	A$6,693,943	100	Investment holding
CITIC Nominees Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Portland Finance I Pty Limited	State of Victoria, Australia	A$2	100	Financing
CITIC Australia Trading Limited ("**CATL**") (note (c))	State of Victoria, Australia	A$7,635,440	76.35	Investment holding
CITIC Australia Commodity Trading Pty Limited	State of Victoria, Australia	A$500,002	76.35	Import and export of commodities and manufactured goods
CITIC Tyres & Wheels Pty Limited	State of Victoria, Australia	A$100	76.35	Import of tyres and alloy wheels
CITIC Batteries Pty Limited	State of Victoria, Australia	A$2	76.35	Dormant
CITIC Australia Coal Pty Limited	State of Victoria, Australia	A$6,589,637	100	Investment holding
CITIC Australia Coal Exploration Pty Limited	State of Victoria, Australia	A$2,845,375	100	Exploration, development and mining of coal
CITIC Australia Coppabella Pty Limited	State of Victoria, Australia	A$5,000,002	100	Mining and production of coal

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Australia Moorvale West Pty Limited	State of Victoria, Australia	A$2	100	Exploration and development of coal mines
CITIC Olive Downs Pty Limited	State of Victoria, Australia	A$99,958	100	Exploration and development of coal mines
CITIC West Walker Pty Limited	State of Victoria, Australia	A$91,812	100	Exploration and development of coal mines
CITIC West Rolleston Pty Limited	State of Victoria, Australia	A$196,390	100	Exploration and development of coal mines
CITIC West/North Burton Pty Limited	State of Victoria, Australia	A$34,238	100	Exploration and development of coal mines
CITIC Capricorn Pty Limited	State of Victoria, Australia	A$9,549	100	Exploration and development of coal mines
CITIC Bowen Basin Pty Limited	State of Victoria, Australia	A$378,353	100	Exploration and development of coal mines
CITIC Nickel Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nickel Australia Pty Limited	State of Victoria, Australia	A$1	100	Exploration and development of nickel mines
CITIC Nickel International Pty Limited	State of Victoria, Australia	A$1	100	Exploration and development of nickel mines

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
北京千泉投資顧問有限公司 # + (Beijing Springs Investment Consultant Co. Limited)	PRC	RMB1,243,173	100	Consulting
北京怡信美城商務信息諮詢有限公司 # + (Beijing Yi Xin Mei Cheng Commercial Communication Information Consulting Co. Ltd.)	PRC	RMB500,000	100	Consulting
CITIC Mining Equipment Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
Tyre Choice Pty Limited	State of Victoria, Australia	A$2	76.35	Investment holding
CITIC Dameng Holdings Limited	Bermuda/ Hong Kong	HK$100,000	80	Investment holding
CITIC Dameng Investments Limited ("**CITIC Dameng Investments**")	British Virgin Islands/ Hong Kong	US$1	80	Investment holding
CITIC Dameng Trading Limited	Hong Kong	HK$10,000	80	Dormant
CITIC Dameng (HK) Limited *	Hong Kong	HK$1	80	Dormant
中信大錳礦業有限責任公司 ^ (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**")	PRC	RMB500,000,000	48 ##	Mining and processing of manganese related products
廣西斯達特錳材料有限公司 # + (Guangxi Start Manganese Materials Co., Ltd.)	PRC	RMB24,280,000	34.16 ##	Processing and sale of manganese related products
廣西南寧寬廣工貿有限責任公司 # + (Guangxi Nanning Kuanguang Industry & Trade Co., Ltd.)	PRC	RMB1,000,000	36.96 ##	Provision of transportation services

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
天等縣大錳鐵合金有限公司 # + (Tiandeng Dameng Ferroalloy Co., Ltd.)	PRC	RMB50,000,000	28.8 ##	Manufacture and sale of ferroalloy products
廣西大新縣大寶鐵合金有限公司 # + (Guangxi Daxin Dabao Ferroalloy Co., Ltd.)	PRC	RMB2,680,000	28.8 ##	Processing and sale of manganese related products
廣西欽州市桂鑫冶金有限公司 # + (Guangxi Qinzhou Guixin Ferroalloy Co., Ltd.) ("**Guixin Ferroalloy**")	PRC	RMB30,000,000	33.6 ##	Processing and sale of high carbon ferrochromium products
中信大錳(廣西)礦業投資有限責任公司 * # + (CITIC Dameng (Guangxi) Mining Investment Limited)	PRC	RMB50,000,000	48 ##	Investment holding
中信大錳(天等)新材料有限公司 * # + (CITIC Dameng (Tiandeng) New Materials Co., Ltd.)	PRC	RMB20,000,000	48 ##	Processing and sale of manganese related products
中信大錳(崇左)新材料有限公司 * # + (CITIC Dameng (Chongzuo) New Materials Co., Ltd.)	PRC	RMB20,000,000	48 ##	Processing and sale of manganese related products
中信大錳北部灣(廣西)新材料有限公司 * # + (CITIC Dameng Beibuwan (Guangxi) New Materials Co., Ltd.)	PRC	RMB20,000,000	48 ##	Processing and sale of manganese related products
中信大錳田東新材料有限公司 * # + (CITIC Dameng Tiandong New Materials Co., Ltd.)	PRC	RMB20,000,000	48 ##	Processing and sale of manganese related products
Huazhou Mining Investment Limited * ("**Huazhou Mining**")	British Virgin Islands/ Hong Kong	US$5,820,000	28.8 ##	Investment holding

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) * ("**Huazhou (Gabon)**")	Gabon	XAF10,000,000	24.5##	Exploitation of manganese mines and selection of minerals
CITIC Indonesia Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Seram Energy Limited	British Virgin Islands/ Indonesia	US$1	100	Investment holding
CITIC New Highland Petroleum Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Haiyue Energy Limited ("**CITIC Haiyue**")	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Tincy Group Energy Resources Limited ("**Tincy Group**")	Hong Kong/ PRC	HK$10,000,000	90	Exploration, development and operation of oilfields
CITIC Oil and Gas Holdings Limited	British Virgin Islands/ Hong Kong	US$100	100	Investment holding
Perfect Vision Investments Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
KAZCITIC Investment LLP *	Kazakhstan	KZT682,705,099	100	Property holding
Renowned Nation Limited ("**RNL**")	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
KBM Energy Limited ("**KEL**")	British Virgin Islands/ Hong Kong	US$1	100	Investment holding

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Netherlands Energy Coöperatief U.A.	Netherlands/ Hong Kong	EUR100	100	Investment holding
Ample Idea Investments Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
中信石油技術開發(北京)有限公司 * # (CITIC Petroleum Technology Development (Beijing) Limited)	PRC	US$100,000	100	Oil technology development
CITIC PNG Investments Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC PNG Energy Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Lion Energy Limited *	British Virgin Islands/ Hong Kong	US$100	100	Investment holding

* Acquired, established or incorporated during the year
# Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network
^ Sino-foreign equity joint venture registered under the PRC law
\+ Limited liability company registered under the PRC law
These companies are subsidiaries of CITIC Dameng Investments, a 80% indirectly owned subsidiary of the Company. Accordingly, they are accounted for as subsidiaries by virtue of the Company's control over them.

Notes:

(a) Dongguan Xinlian is a wholly-foreign owned enterprise established by Wing Lam in the PRC for a period of 12 years commencing from the date of issuance of its business licence on 3 January 1997.

(b) These two companies jointly own CITIC Nominees Pty Limited Partnership which owns the interest in the Portland Aluminium Smelter joint venture.

(c) The shares of CATL are listed on the Australian Securities Exchange (the "**ASX**") as at 31 December 2008 and the market value of its shares as at such date was A$55,921,000 (HK$302,197,000) (2007: A$58,521,000 (HK$402,390,000)). CATL was delisted subsequent to the balance sheet date, details of which are set out in note 50(a) to the financial statements.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

At 31 December 2008, the Group's jointly-controlled entities were primarily engaged in the exploration, development, production and sale of oil and provision of oilfield related services in Kazakhstan. Particulars of the jointly-controlled entities are as follows:

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

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19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following table illustrates the summarised financial information of the Group's proportionate share of its jointly-controlled entities, which was proportionately consolidated by the Group as at 31 December 2008 and for the year then ended.

	2008	2007 (restated)
Proportionate share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**11,118,183**	14,523,507
Current assets	**2,269,821**	1,610,397
Current liabilities	**(7,730,842)**	(7,908,459)
Non-current liabilities	**(2,844,462)**	(7,295,503)
Net assets	**2,812,700**	929,942

	2008	2007
Proportionate share of the jointly-controlled entities' results:		
Revenue	**3,890,771**	197,160
Other income	**14,053**	1,245
	3,904,824	198,405
Total expenses	**(5,604,006)**	(102,954)
Tax	**3,569,523**	(51,475)
Profit after tax	**1,870,341**	43,976

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20. INTERESTS IN JOINTLY-CONTROLLED ASSETS

At 31 December 2008, the Group held interests in the following joint ventures:

(a) 22.5% participating interest in the Portland Aluminium Smelter joint venture, the principal activity of which is aluminium smelting;

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

(c) 7% participating interest in the Coppabella and Moorvale coal mines joint venture, the principal activity of which is the coal mining and the sale of coal;

(d) 10% participating interest in the Olive Downs joint venture, the principal activity of which is the exploration of coal;

(e) 10% participating interest in the Moorvale West joint venture, the principal activity of which is the exploration of coal;

(f) 10% participating interest in the West/North Burton joint venture, the principal activity of which is the exploration of coal;

(g) 10% participating interest in the West Rolleston joint venture, the principal activity of which is the exploration of coal;

(h) 15% participating interest in the West Walkers joint venture, the principal activity of which is the exploration of coal;

(i) 15% participating interest in the Capricorn joint venture, the principal activity of which is the exploration of coal;

(j) 15% participating interest in the Bowen Basin Coal joint venture, the principal activity of which is the exploration of coal;

(k) 50% participating interest in the CB Exploration joint venture, the principal activity of which is the exploration of coal;

(l) 51% participating interest in the Seram Island Non-Bula Block production sharing contract (the "**Seram Interest**"); and

(m) the petroleum contract dated 24 February 2004 for the exploration, development and production of petroleum from the Hainan-Yuedong Block.

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20. INTERESTS IN JOINTLY-CONTROLLED ASSETS (continued)

The jointly-controlled assets as detailed in (c) to (k) above have different reporting dates to the Group, being 30 June compared to 31 December. The jointly-controlled assets as detailed in (a) to (k) are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network. The audited financial statements issued by the auditors of these jointly-controlled assets up to 31 December 2008 have been used for the purpose of preparation of the consolidated financial statements of the Group.

The Group's interests in the net assets employed in the Portland Aluminium Smelter joint venture are included in the consolidated balance sheet under the classifications shown below:

	2008	2007
Non-current assets	**1,946,288**	2,440,457
Current assets	**163,266**	175,537
Current liabilities	**(141,493)**	(243,355)
Non-current liabilities	**(235,452)**	(195,010)
Share of net assets employed in the Portland Aluminium Smelter joint venture	**1,732,609**	2,177,629

The Group's interests in the net assets employed in the Seram Interest are included in the consolidated balance sheet under the classifications shown below:

	2008	2007
Non-current assets	**805,238**	718,420
Current assets	**291,974**	321,664
Current liabilities	**(74,518)**	(32,941)
Non-current liabilities	**(42,810)**	(59,437)
Share of net assets employed in the Seram Interest	**979,884**	947,706

The Group's interests in the combined net assets employed in the remaining jointly-controlled assets are included in the consolidated balance sheet under the classifications shown below:

	2008	2007 (restated)
Non-current assets	**494,930**	299,912
Current assets	**342,057**	130,154
Current liabilities	**(528,841)**	(40,167)
Non-current liabilities	**(16,915)**	(14,625)
Share of net assets employed in the remaining jointly-controlled assets	**291,231**	375,274

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21. INVESTMENT IN AN ASSOCIATE

	Group	
	2008	2007
Share of net assets	**1,617,052**	1,164,472

Particulars of the Group's associate as at 31 December 2008 are as follows:

Name	Registered ordinary share capital	Place of incorporation	Percentage of equity interest attributable to the Group	Principal activities
Macarthur Coal #	A$465,118,000	Australia	20.39	Operation, exploration, development and mining of coal

Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Macarthur Coal has a reporting date of 30 June, which is different from that of the Group of 31 December.

The shares of Macarthur Coal are listed on the ASX and the market value of its shares as at 31 December 2008 was A$131,046,000 (HK$708,172,000) (2007: A$367,896,000 (HK$2,529,650,000)).

The following table illustrates the summarised financial information of Macarthur Coal extracted from its financial statements for the six months ended 31 December 2008:

	2008	2007
Assets	**6,302,318**	4,481,412
Liabilities	**2,416,291**	1,680,543
Revenue	**2,793,300**	946,095
Profit	**712,956**	88,319

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22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
Non-current listed equity investments, at fair value:		
Australia	**13,654**	109,703
Canada	**—**	87,126
	13,654	196,829
Unlisted equity investments, at fair value	**4,217**	4,377
	17,871	201,206
The costs of the above investments were:		
Australia	**28,606**	32,794
Canada	**—**	130,013
PRC	**4,217**	4,377
	32,823	167,184

During the year, a net loss of the Group's available-for-sale investments of HK$54,423,000 was debited directly to equity, being the loss of HK$72,564,000 net of related deferred tax assets of HK$18,141,000 (2007: a net gain of HK$64,199,000 was credited directly to equity, being the gain of HK$86,686,000 net of related deferred tax liabilities of HK$22,487,000). In addition, a net gain of HK$46,133,000 (note 5) was recognised by the Group upon disposal of available-for-sale listed investments, after netting off a loss of HK$44,190,000 released from the equity during the year.

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

There has been a significant decline in the market value of the listed equity investments during the year. The directors consider that such a decline indicates that the listed investments have been impaired and an impairment loss of HK$14,952,000 (2007: Nil) (note 6) has been recognised in the consolidated income statement.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
Prepayments	**277,421**	163,951	**14,568**	5,751
Deposits and other receivables	**704,513**	660,427	**3,550**	3,119
	981,934	824,378	**18,118**	8,870
Portion classified as current assets	**(844,563)**	(745,518)	**(9,700)**	(5,362)
Portion classified as non-current assets	**137,371**	78,860	**8,418**	3,508

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

24. LOAN RECEIVABLE

The Group's loan receivable arose from the conversion of the Group's 40% participating interest in the Kongnan Block within the Dagang oilfield in the PRC into common shares of Ivanhoe Energy Inc. and a three-year non-interest-bearing unsecured loan of US$7,386,135 (HK$57,612,000) in 2006.

The amortised cost of the Group's loan receivable approximate to its fair value.

An aged analysis of the loan receivable as at the balance sheet date, based on the remaining periods to its contractual maturity date, is as follows:

	Group	
	2008	2007
Repayable:		
Within three months	**3,222**	4,493
Three months to one year	**—**	13,900
One year to five years	**—**	3,222
	3,222	21,615
Portion classified as current assets	**(3,222)**	(18,393)
Portion classified as non-current assets	**—**	3,222

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25. INVENTORIES

	Group	
	2008	2007
Raw materials	**894,478**	552,496
Work in progress	**88,490**	89,908
Finished goods	**563,080**	484,238
	1,546,048	1,126,642

26. ACCOUNTS RECEIVABLE

	Group	
	2008	2007
Trade receivables	**1,676,795**	1,588,464
Notes receivable	**46,690**	40,767
Impairment	**(8,178)**	(9,565)
	1,715,307	1,619,666

Notes receivable represent bank acceptance notes of the Group's manganese mining operation in the PRC, which are issued by major banks in the PRC.

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

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

	Group	
	2008	2007
Within one month	**1,059,620**	1,365,118
One to two months	**490,085**	203,292
Two to three months	**93,490**	12,115
Over three months	**72,112**	39,141
	1,715,307	1,619,666

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26. ACCOUNTS RECEIVABLE (continued)

The movements in the provision for impairment of accounts receivable are as follows:

	Group	
	2008	2007
At 1 January	**9,565**	4,986
Impairment losses recognised (note 6)	**1,322**	5,126
Amount written off as uncollectible	**(2,818)**	—
Exchange realignment	**109**	(547)
At 31 December	**8,178**	9,565

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$8,178,000 (2007: HK$9,565,000) with an aggregate carrying amount of HK$8,178,000 (2007: HK$9,565,000). The individually impaired accounts receivable relate to customers that were in financial difficulties and the receivables are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the accounts receivable that were not considered to be impaired is as follows:

	Group	
	2008	2007
Neither past due nor impaired	**1,521,743**	1,609,040
Less than one month past due	**39,309**	—
One to three months past due	**95,295**	4,615
Over three months past due	**58,960**	6,011
	1,715,307	1,619,666

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

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

Included in the Group's total accounts receivable is an amount due from the Group's fellow subsidiary of HK$271,946,000 (2007: HK$1,516,000), which is repayable on similar credit terms to those offered to other customers of the Group.

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27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
Current unlisted equity investments, at fair value:		
Australia	**1,909**	2,430

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
Forward currency contracts and currency options	**—**	**40,438**	6,931	—
Forward commodity contracts	**37,586**	**—**	—	20,933
Interest rate swaps and options	**—**	**2,783**	1,677	—
Derivative financial instruments — embedded derivative	**—**	**94,456**	—	168,189
	37,586	**137,677**	8,608	189,122
Portion classified as non-current:				
Derivative financial instruments — embedded derivative	**—**	**(94,456)**	—	(86,756)
Current portion	**37,586**	**43,221**	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.

Certain members of the Group are parties 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.

Accounting policies in relation to derivative financial instruments are set out in note 2.4 to the financial statements.

Forward currency contracts and currency options — cash flow hedges

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

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28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward currency contracts and currency options — cash flow hedges (continued)

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

The contracts are timed to mature when major shipments are scheduled to arrive and cover anticipated purchases and sales in the ensuing financial year. Forward currency contracts described above are considered to be cash flow hedges, and are accounted for in accordance with the accounting policy set out in note 2.4 to the financial statements.

At 31 December, the terms of the outstanding contracts held by the Group were as follows:

	2008		2007	
	Weighted average exchange rate	**Contractual amount**	Weighted average exchange rate	Contractual amount
Forward contracts:				
(i) Sell A$/Buy US$				
Less than 3 months	**0.6808**	**143,644**	0.8862	149,794
In 1 to 2 years, inclusive	**0.6808**	**17,174**	—	—
(ii) Buy A$/Sell US$				
Less than 3 months	**0.8612**	**100,525**	0.8372	124,724
In 3 to 12 months, inclusive	**0.7695**	**102,222**	0.8667	10,314
In 1 to 2 years, inclusive	**0.7566**	**9,997**	—	—
(iii) Buy Euro/Sell US$				
Less than 3 months	**—**	**—**	1.4198	4,882
Currency options:				
(i) Variable forward plus options				
Less than 3 months	**—**	**—**	0.8700	15,471
In 3 to 12 months, inclusive	**—**	**—**	0.8700	46,413

Amounts disclosed above represent currencies sold measured at the contracted rates.

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

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28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward commodity contracts — cash flow hedges

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

All commodity contracts are normally settled other than by physical delivery of the underlying commodities and hence are classified as financial instruments. On maturity, the contracted price is compared to the spot price and the differential is applied to the contracted quantity. A net amount is paid or received by the Group.

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

At 31 December, the terms of the Group's outstanding commodity derivative financial instruments were as follows:

	2008			2007		
	Quantity hedged (Metric tonne)	**Average price per tonne HK$**	**Contractual amount HK$'000**	Quantity hedged (Metric tonne)	Average price per tonne HK$	Contractual amount HK$'000
Aluminium forward (sold):						
Less than 3 months	**1,550**	**20,342**	**31,532**	3,050	16,903	51,542
In 3 to 12 months, inclusive	**2,250**	**22,175**	**49,895**	5,850	16,786	98,176
In 1 to 2 years, inclusive	**250**	**22,175**	**5,545**	2,450	19,188	47,011

Interest rate swap contracts and options — cash flow hedges

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

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

Swaps currently in place cover 50% of the syndicated loan principal outstanding of US$45,000,000 (HK$351,000,000) in CITIC Australia (Portland) Pty Limited and are timed to expire as each loan repayment falls due. The fixed interest rate is 2.35% per annum over the whole term of the contract and the floating interest rates are set at six-month LIBOR.

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28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swap contracts and options — cash flow hedges (continued)

At 31 December, the remaining terms, notional principal amounts and other significant terms of the Group's outstanding interest rate swap contracts and options were as follows:

	2008		2007	
	Weighted average rate %	**Notional amount**	Weighted average rate %	Notional amount
US$ interest rate swap:				
Less than 1 year	**2.35**	**175,500**	3.58	296,400

The terms of the forward contracts and options have been negotiated to match the terms of the commitments. The cash flow hedges of the expected future sales and the expected future purchases were assessed to be highly effective and a net loss, before deferred tax, of HK$158,733,000 (2007: gain of HK$227,061,000) was included in the hedging reserve as follows:

	2008
Total fair value losses included in the hedging reserve	**158,733**
Transfers from the hedging reserve and recognised in the consolidated income statement	**(23,446)**
Deferred tax	**(87,224)**
Net losses on cash flow hedges	**48,063**

Derivative financial instruments — embedded derivative

The pricing mechanism used in the ESA between the Group and its suppliers includes a component that is subject to variability of the aluminum prices. It has identified that an embedded derivative exists and the derivative component has been separated from its host agreement. The embedded derivative is revalued at each balance sheet date with its fair value gain or loss recognised in the consolidated income statement.

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29. DUE FROM/(TO) RELATED COMPANIES

The amounts due from/(to) related companies of the Group are unsecured, interest-free and repayable on demand. Included in these amounts are amount due from minority shareholders of the Group of HK$24,402,000 (2007: HK$29,217,000). The carrying values of the amounts due from/(to) related companies approximate to their fair values.

The maximum outstanding balances during the year due from related companies and minority shareholders were HK$76,649,000 (2007: HK$101,996,000) and HK$47,556,000 (2007: HK$75,599,000), respectively.

30. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
Cash and bank balances	**853,342**	757,871	**13,488**	4,740
Time deposits *	**3,917,405**	1,316,586	**2,094,159**	742,374
	4,770,747	2,074,457	**2,107,647**	747,114

* Time deposits of HK$1,428,991,000 (2007: HK$54,592,000) and HK$1,424,938,000 (2007: HK$54,357,000) of the Group and of the Company, respectively, as at 31 December 2008 were placed with CITIC Ka Wah Bank Limited.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

At the balance sheet date, the cash and bank balances of the Group and the Company denominated in Renminbi ("**RMB**") amounted to HK$1,027,537,000 and HK$2,060,000, respectively (2007: HK$255,952,000 and HK$2,233,000) and the cash and bank balances of the Group denominated in Kazakhstan Tenge ("**KZT**") amounted to HK$356,309,000 (2007: HK$18,062,000). The RMB and KZT are not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations and the regulations of the National Bank of the Republic of Kazakhstan, the Group is permitted to exchange RMB and KZT for other currencies through banks authorised to conduct foreign exchange business.

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31. ACCOUNTS PAYABLE

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

	Group	
	2008	2007
Within one month	**705,837**	581,630
One to two months	**44,395**	15,534
Two to three months	**14,977**	2,520
Over three months	**57,879**	14,307
	823,088	613,991

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

32. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in the total balance was an amount of HK$4,604,000 (2007: HK$6,565,000) due to CITIC Group, the ultimate holding company of the Company, which represents an interest expense payable on loans totalling US$37,000,000 (HK$288,608,000) (2007: US$39,000,000 (HK$304,179,000)) that had been advanced by CITIC Group (note 33(h)).

33. BANK AND OTHER LOANS

		Group	
	Notes	**2008**	2007 (restated)
Bank loans — secured * # (Note)	(a)	**1,407,668**	1,210,720
Bank loans — unsecured * #	(b)	**3,951,008**	2,522,840
Unsecured loan from a fellow subsidiary #	(c)	**195,006**	—
Unsecured loan from Transport Infrastructure Corridor *	(d)	**4,113**	6,448
Unsecured loan from Exploration Permit for coal *	(e)	**4,124**	6,125
Unsecured loans from former minority shareholders ^	(f)	**11,862**	11,862
Unsecured loan from a minority shareholder ^	(g)	**28,430**	61,930
Unsecured loan from CITIC Group #	(h)	**288,608**	304,179
		5,890,819	4,124,104

Note: Including the effects of a related interest rate swap as further detailed in note 28 to the financial statements.

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33. BANK AND OTHER LOANS (continued)

		Company	
	Note	**2008**	2007
Bank loan — unsecured #	(b)	**1,170,000**	1,170,000

* Fixed rate
# Floating rate
^ Interest-free

Notes:

(a) The secured bank loans of HK$1,407,668,000 mainly include:

(i) the loans of US$45,000,000 (HK$351,010,000) repayable in installments by 31 December 2013, which are interest-bearing at LIBOR plus margin and are secured by a 22.5% participating interest in Portland Aluminium Smelter joint venture; and

(ii) the loans of RMB930,320,000 (HK$1,056,658,000) with due dates from 25 January 2009 to 30 September 2015, which are interest-bearing at rates ranging from 4.72% to 7.83% per annum and are secured by property, plant and equipment of HK$385,679,000 (2007: HK$80,727,000), prepaid land lease premiums of HK$57,147,000 (2007: HK$52,347,000), a mining right of nil (2007: HK$119,518,000) and a guarantee provided by a minority shareholder.

(b) The unsecured bank loans of HK$3,951,008,000 mainly include:

(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$188,042,000 (HK$1,016,178,000) which are interest-bearing at LIBOR (or cost of fund) plus margin and are guaranteed by CRA;

(iii) a bank loan of KZT1,232,000,000 (HK$78,948,000) which is interest-bearing at 9.50% per annum and due on 12 April 2009;

(iv) a bank loan of US$105,000,000 (HK$804,876,000) which is interest-bearing at LIBOR plus 2.47% per annum and due on 1 December 2011; and

(v) the loans of RMB758,018,000 (HK$860,957,000) with due dates from 20 January 2009 to 2 September 2010, which are interest-bearing at rates ranging from 4.37% to 8.10% per annum.

(c) The loan of US$25,000,000 (HK$195,006,000) was obtained from CITIC Australia Pty Limited, a wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Group. The loan is unsecured, interest-bearing at LIBOR plus 1.70% per annum and repayable in 2009.

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

(e) 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 annual instalments by 11 December 2013.

(f) The loans were obtained from former minority shareholders (details of which are set out in note 43(a) to the financial statements), which are unsecured, interest-free and not repayable within one year.

(g) The loan of HK$28,430,000 was obtained from a minority shareholder of CITIC Dameng Holdings Limited, namely, CITIC United Asia Investments Limited ("**CITIC United Asia**") (which is an indirect wholly-owned subsidiary of CITIC Group). The loan is unsecured, interest-free and not repayable within one year.

(h) The loan of US$37,000,000 (HK$288,608,000) was granted by CITIC Group, the ultimate holding company of the Group, which is unsecured, interest-bearing at LIBOR plus 1.50% per annum and repayable in annual instalments by 7 September 2012.

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33. BANK AND OTHER LOANS (continued)

	Group	
	2008	2007 (restated)
Bank loans repayable:		
Within one year or on demand	**2,659,261**	2,143,225
In the second year	**125,010**	730,531
In the third to fifth years, inclusive	**2,499,833**	783,189
Beyond five years	**74,572**	76,615
	5,358,676	3,733,560
Other loans repayable:		
Within one year	**196,749**	2,092
In the second year	**1,846**	2,217
In the third to fifth years, inclusive	**4,648**	7,089
Beyond five years	**—**	1,175
	203,243	12,573
Loans from former minority shareholders:		
Beyond one year	**11,862**	11,862
Loan from a minority shareholder:		
Beyond one year	**28,430**	61,930
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	**257,410**	46,797
Beyond five years	**—**	226,184
	288,608	304,179
Total bank and other loans	**5,890,819**	4,124,104
Portion classified as current liabilities	**(2,871,609)**	(2,160,916)
Non-current portion	**3,019,210**	1,963,188

	Company	
	2008	2007
Bank loan repayable:		
Within one year or on demand	**—**	234,000
In the second year	**—**	234,000
In the third to fifth years, inclusive	**1,170,000**	702,000
Total bank loan	**1,170,000**	1,170,000
Portion classified as current liabilities	**—**	(234,000)
Non-current portion	**1,170,000**	936,000

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33. BANK AND OTHER LOANS (continued)

The carrying amounts of the Group's and the Company's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's non-current borrowings are as follows:

Group

	Effective interest rate p.a. (%)	Carrying amounts 2008	2007	Fair values 2008	2007
Bank loans - secured	3.72 - 5.94	**651,442**	256,877	**628,050**	310,273
Bank loans - unsecured	4.62 - 5.98	**2,047,973**	1,333,458	**1,965,326**	1,336,738
Unsecured loan from Transport Infrastructure Corridor	5.87	**3,103**	5,234	**2,973**	6,250
Unsecured loan from Exploration Permit for coal	5.94	**3,391**	5,247	**3,206**	5,782
Unsecured loans from former minority shareholders	3.46	**11,862**	11,862	**9,672**	11,730
Unsecured loan from a minority shareholder	2.90	**28,430**	61,930	**26,850**	61,241
Unsecured loan from CITIC Group	4.18	**273,009**	288,580	**163,761**	315,260
		3,019,210	1,963,188	**2,799,838**	2,047,274

Company

	Effective interest rate p.a. (%)	Carrying amounts 2008	2007	Fair values 2008	2007
Bank loan - unsecured	3.32	**1,170,000**	936,000	**1,107,108**	942,443

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34. BOND OBLIGATIONS

	Notes	Group 2008	2007
Senior notes, listed in Singapore	(a)	**7,589,498**	7,635,991
Bonds, listed in Kazakhstan (the "**Bonds**")	(b)	**355,649**	356,868
Total bond obligations		**7,945,147**	7,992,859
Portion classified as current liabilities		**(355,649)**	(356,868)
Non-current portion		**7,589,498**	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.

During the year, the Group purchased certain Notes with face value of US$9,200,000 (HK$71,760,000) at discounted prices and a gain of US$3,285,000 (HK$25,623,000) (note 5) was recognised in the consolidated income statement.

As at 31 December 2008, the fair value of the Notes was estimated at US$732,707,000 (HK$5,715,115,000), 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 KZT11,100,000,000 issued and registered with the Kazakhstan Stock Exchange in December 2003 with a five-year maturity. The Bonds bear interest at a rate of 8% per annum during the first six months of their tenor and a floating rate for the rest of the 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 31 December 2008, the fair value of the Bonds was estimated at HK$355,649,000, which was determined based on the value at maturity. Subsequent to the balance sheet date, on 13 January 2009, the Bonds were fully repaid.

35. PROVISIONS

Group

	Long service and leave payments	Provision for rehabilitation cost	Provision for abandonment cost	Total
At 1 January 2008	52,100	114,400	132,425	298,925
Additions	49,374	11,492	7,087	67,953
Payment	(3,533)	—	(961)	(4,494)
Increase due to the passage of time (note 9)	—	31,836	12,232	44,068
Change in estimates (note 13)	—	—	(54,194)	(54,194)
Exchange realignment	(11,153)	(30,521)	(986)	(42,660)
At 31 December 2008	86,788	127,207	95,603	309,598
Portion classified as current liabilities	(55,492)	(1,061)	—	(56,553)
Non-current portion	31,296	126,146	95,603	253,045

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36. DEFERRED TAX

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

Deferred tax liabilities — 2008

	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments	Withholding taxes	Total
At 1 January 2008				
As previously reported	9,016,857	156,253	—	9,173,110
Prior year adjustments (notes 40(a),(b))	144,246	—	93,308	237,554
As restated	9,161,103	156,253	93,308	9,410,664
Deferred tax charged/(credited) to the consolidated income statement during the year (note 10)	(1,758,395)	2,576	82,786	(1,673,033)
Effect of decrease in tax rate (note 10)	(4,758,338)	—	—	(4,758,338)
Deferred tax credited to equity during the year	—	(105,365)	—	(105,365)
Exchange realignment	(74,953)	(38,258)	(1,188)	(114,399)
Gross deferred tax liabilities at 31 December 2008	2,569,417	15,206	174,906	2,759,529

Deferred tax assets — 2008

	Losses available for offsetting against future taxable profits
At 1 January 2008	156,735
Deferred tax charged to the consolidated income statement during the year (note 10)	(21,665)
Exchange realignment	4,329
Gross deferred tax assets at 31 December 2008	139,399
Net deferred tax liabilities at 31 December 2008	2,620,130

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36. DEFERRED TAX (continued)

Deferred tax liabilities — 2007

	Depreciation allowance in excess of related depreciation (restated)	Change in fair value of financial instruments	Withholding taxes (restated)	Total (restated)
At 1 January 2007	308,670	69,531	—	378,201
Acquisitions of subsidiaries (notes 40 (a) to (c))	8,828,812	—	93,308	8,922,120
Deferred tax charged/(credited) to the consolidated income statement during the year (note 10)	(6,422)	2,415	—	(4,007)
Deferred tax charged to equity during the year	—	79,670	—	79,670
Exchange realignment	30,043	4,637	—	34,680
Gross deferred tax liabilities at 31 December 2007	9,161,103	156,253	93,308	9,410,664

Deferred tax assets — 2007

	Losses available for offsetting against future taxable profits (restated)
At 1 January 2007	204,005
Acquisition of subsidiary (note 40(c))	6,589
Deferred tax charged to the consolidated income statement during the year (note 10)	(26,525)
Deferred tax offset against tax payable	(28,636)
Exchange realignment	1,302
Gross deferred tax assets at 31 December 2007	156,735
Net deferred tax liabilities at 31 December 2007	9,253,929

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

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

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37. SHARE CAPITAL

Shares

	2008	2007
Authorised:		
10,000,000,000 (2007: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid:		
6,046,567,038 (2007: 5,257,884,381) ordinary shares of HK$0.05 each	**302,328**	262,894

(a) On 15 July 2008, the Company completed the issue of 788,682,657 shares by way of the rights issue (the "**Rights Issue**") at the subscription price of HK$3.20 per rights share on the basis of three rights shares for every twenty existing shares. The total consideration of the Rights Issue, before issue expenses, amounted to HK$2,523,784,000 and was paid in cash. 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.

A summary of transactions during the year with reference to the movement in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued share capital	Share premium account	Share option reserve	Total
At 1 January 2007		4,318,184,381	215,909	2,563,587	38,535	2,818,031
Share subscription	39(b)	801,000,000	40,050	2,132,410	—	2,172,460
Share options exercised	39(b)	138,700,000	6,935	182,430	(39,669)	149,696
Equity-settled share option arrangements	39(b)	—	—	—	20,559	20,559
Share issue expenses	39(b)	—	—	(34,610)	—	(34,610)
At 31 December 2007 and 1 January 2008		**5,257,884,381**	**262,894**	**4,843,817**	**19,425**	**5,126,136**
Rights Issue	(a), 39(b)	**788,682,657**	**39,434**	**2,484,350**	**—**	**2,523,784**
Equity-settled share option arrangements	39(b)	**—**	**—**	**—**	**3,810**	**3,810**
		6,046,567,038	**302,328**	**7,328,167**	**23,235**	**7,653,730**
Share issue expenses	39(b)	**—**	**—**	**(13,448)**	**—**	**(13,448)**
At 31 December 2008		**6,046,567,038**	**302,328**	**7,314,719**	**23,235**	**7,640,282**

Share options

Details of the share option scheme of the Company and the share options issued under the scheme are included in note 38 to the financial statements.

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38. SHARE OPTION SCHEME

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

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

(a)	Purpose	—	To enable the Company to grant options to Eligible Participants (as defined below) as incentives and rewards for their contributions to the Group.
(b)	Eligible Participants	—	Being employees or executives or officers of the Company or any of its subsidiaries (including their respective executive and non-executive directors) and consultants, business associates and advisers who will provide or have provided services to the Group.
(c)	Total number of shares available for issue under the New Scheme	—	The total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the total number of shares of the Company in issue.
(d)	Maximum entitlement of each Eligible Participant	—	The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue at the date of grant.
(e)	Period during which the shares must be taken up under an option	—	The period during which an option may be exercised is determined by the board of directors of the Company at its absolute discretion, except that no option may be exercised after 10 years from the date of adoption of the New Scheme, subject to early termination of the New Scheme.
(f)	Minimum period for which an option must be held before it can be exercised	—	The minimum period for which an option must be held before it can be exercised is one year.

38. SHARE OPTION SCHEME (continued)

(g) Basis of determining the exercise price — The exercise price must be at least the highest of (i) the closing price of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(h) Remaining life of the New Scheme — The New Scheme remains in force until 29 June 2014 unless otherwise terminated in accordance with the terms stipulated therein.

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

The following share options were outstanding under the New Scheme as at the balance sheet date:

	2008		2007	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**1.777**	**57,000**	1.079	175,700
Granted during the year	**—**	**—**	3.072	20,000
Exercised during the year	**—**	**—**	1.079	(138,700)
At 31 December	**1.773**	**57,000**	1.777	57,000

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2007 was HK$4.834.

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date were as follows:

	Number of options '000	**Exercise price per share * HK$**	**Exercise period**
2008	**32,000**	**1.077**	**02-06-2006 to 01-06-2010**
	5,000	**1.057**	**28-12-2006 to 27-12-2010**
	20,000	**3.065**	**07-03-2008 to 06-03-2012**
	57,000		
2007	32,000	1.080	02-06-2006 to 01-06-2010
	5,000	1.060	28-12-2006 to 27-12-2010
	20,000	3.072	07-03-2008 to 06-03-2012
	57,000		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the share capital of the Company. The exercise price of all outstanding share options had been adjusted following the completion of the Rights Issue in July 2008.

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38. SHARE OPTION SCHEME (continued)

On 7 March 2007, the Company granted share options under the New Scheme to Mr. Kong Dan, a director of the Company, in respect of 20,000,000 shares in the Company at the exercise price of HK$3.072 per share. The closing price of the shares at the date of grant was HK$3.020 per share.

The fair value of the share options granted in 2007 was HK$15,240,000 (HK$0.762 per share) of which the Group recognised a share option expense of HK$3,810,000 (2007: HK$11,429,000) during the year.

The fair value of equity-settled share options granted during the year ended 31 December 2007 was estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield (%)	0
Volatility (%)	48.260
Risk-free interest rate (%)	4.001
Expected life of options (year)	2

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

At the balance sheet date, the Company had 57,000,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 57,000,000 additional ordinary shares of the Company, additional share capital of HK$2,850,000 and share premium of HK$98,199,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 57,000,000 share options outstanding under the New Scheme, which represented 0.94% of the Company's shares in issue as at that date.

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39. RESERVES

(a) Group

Movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 50 and 51 of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the holding company of the Group acquired by the Company pursuant to the Group reorganisation prior to the listing of the Company's shares and the nominal value of the share capital of the Company issued in exchange therefor.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to reserve funds which are restricted as to use.

(b) Company

	Notes	Share premium account	Contributed surplus	Exchange fluctuation reserve	Share option reserve	Accumulated losses	Total
As at 1 January 2007		2,563,587	172,934	—	38,535	(495,599)	2,279,457
Exchange realignment		—	—	255	—	—	255
Issue of new shares	37	2,132,410	—	—	—	—	2,132,410
Share issue expenses	37	(34,610)	—	—	—	—	(34,610)
Issue of new shares upon exercise of share options	37	182,430	—	—	(39,669)	—	142,761
Equity-settled share option arrangements	37	—	—	—	20,559	—	20,559
Loss for the year	11	—	—	—	—	(189,467)	(189,467)
At 31 December 2007 and 1 January 2008		**4,843,817**	**172,934**	**255**	**19,425**	**(685,066)**	**4,351,365**
Exchange realignment		**—**	**—**	**240**	**—**	**—**	**240**
Rights Issue	37	**2,484,350**	**—**	**—**	**—**	**—**	**2,484,350**
Share issue expenses	37	**(13,448)**	**—**	**—**	**—**	**—**	**(13,448)**
Equity-settled share option arrangements	37	**—**	**—**	**—**	**3,810**	**—**	**3,810**
Loss for the year	11	**—**	**—**	**—**	**—**	**(102,006)**	**(102,006)**
At 31 December 2008		**7,314,719**	**172,934**	**495**	**23,235**	**(787,072)**	**6,724,311**

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Notes to Financial Statements

39. RESERVES (continued)

(b) Company (continued)

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

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

40. BUSINESS COMBINATION

(a) On 30 April 2007, the Group conditionally agreed to acquire from CITIC Group the entire issued share capital of RNL, and thereby the Kazakhstan Interests (as defined below), and the benefit of certain indebtedness owing by KEL to CITIC Group (the "**Kazakhstan Transaction**").

The Kazakhstan Transaction, completed on 12 December 2007, constituted a connected and very substantial acquisition under the Listing Rules. Further details of the Kazakhstan Transaction are set out in the circular of the Company dated 12 June 2007 and the announcement of the Company dated 12 December 2007.

The **Kazakhstan Interests** comprise interests in 50% of the issued voting shares of KBM (which represents 47.3% of the total issued shares of KBM) and 50% of the participation rights in each of ATS and TMS. KBM, ATS and TMS operate the oil and oil related businesses and activities in Kazakhstan. KBM is engaged in the development, production and sale of oil and holds the right to explore, develop, produce and sale of oil from the Karazhanbas oilfield until 2020. ATS is engaged in the provision of transportation services and other oilfield related logistics services. TMS is engaged in the provision of oil well drilling, construction and workover services.

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40. BUSINESS COMBINATION (continued)

(a) (continued)

The fair values of the identifiable assets and liabilities of RNL and its subsidiaries (the "**RNL Group**") as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** (restated)	**Previous carrying amount**
Net assets acquired:			
Property, plant and equipment	13	17,878,203	14,533,560
Other intangible assets	16	4,220	4,220
Inventories		345,030	345,030
Accounts receivable		296,368	296,368
Prepayments, deposits and other receivables		478,060	478,060
Tax recoverable		98,159	98,159
Cash and bank balances		420,276	420,276
Accounts payable		(106,136)	(106,136)
Tax payable		(418,233)	(345,112)
Accrued liabilities and other payables		(128,124)	(128,124)
Bank and other loans		(569,576)	(569,576)
Bond obligations		(356,801)	(356,801)
Provisions		(106,055)	(106,055)
Deferred tax liabilities	36	(8,427,481)	(6,625,061)
Minority interests		(479,378)	(394,452)
		8,928,532	7,544,356

Satisfied by:	
Cash	7,258,248
Deposits paid in 2006	1,560,000
Professional fees paid	110,284
	8,928,532

An analysis of the net outflow of cash and cash equivalents in respect of the Kazakhstan Transaction is as follows:

	2007
Cash consideration paid	(7,258,248)
Cash and bank balances acquired	420,276
Net outflow of cash and cash equivalents in respect of the Kazakhstan Transaction	(6,837,972)

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40. BUSINESS COMBINATION (continued)

(a) (continued)

The purchase price allocation set out above has been determined following the finalisation of the valuation relating to the oil and gas reserves and the determination of fair values of assets and liabilities acquired during the current year. Restatement adjustments to the initial accounting within twelve months from the acquisition date for this business combination have been recognised in these financial statements. The effects of the foregoing on these financial statements are summarised below:

Effect on the consolidated balance sheet

At 1 January 2008	Increase
Assets	
Oil and gas properties	353,349
Liabilities/equity	
Tax payable	73,121
Deferred tax liabilities (note 36)	273,869
Minority interests	6,359
	353,349

At 31 December 2008	Increase/(decrease)
Assets	
Oil and gas properties	**331,732**
Liabilities/equity	
Accrued liabilities and other payables	**73,121**
Deferred tax liabilities	**262,823**
Minority interests	**4,605**
Retained profits	**(8,817)**
	331,732

Effect on the consolidated income statement

For the year ended 31 December 2008	
Increase in depreciation	**21,617**
Increase in deferred tax credit	**(11,046)**
Increase in minority interests	**(1,754)**
Total decrease in profit	**8,817**

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40. BUSINESS COMBINATION (continued)

(b) On 1 May 2007, CITIC Haiyue, an indirect wholly-owned subsidiary of the Company, acquired an option to purchase 90% of the issued shares of Tincy Group from Far Great Investments Limited ("**Far Great**"). Tincy Group holds the right to explore, develop and produce petroleum from the Hainan-Yuedong Block until 2034.

On 28 September 2007, CITIC Haiyue exercised the option by entering into a sale and purchase agreement with Far Great and its shareholders to purchase 90% of the issued shares of Tincy Group at a consideration of US$148,183,648 (HK$1,155,832,000), subject to adjustments as provided for in such agreement. The transaction was completed on 10 October 2007 and the purchase consideration was paid in cash.

The fair values of the identifiable assets and liabilities of Tincy Group as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** (restated)	**Previous carrying amount**
Net assets acquired:			
Property, plant and equipment	13	1,866,705	151,821
Prepayments, deposits and other receivables		46	46
Cash and bank balances		251	251
Accrued liabilities and other payables		(33,996)	(45,793)
Bank and other loans		—	(78,000)
Deferred tax liabilities	36	(491,409)	—
Minority interests		(139,052)	(2,833)
		1,202,545	25,492

Satisfied by:	
Cash	1,017,254
Other payables	185,291
	1,202,545

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Tincy Group is as follows:

	2007
Cash consideration paid	(1,017,254)
Cash and bank balances acquired	251
Net outflow of cash and cash equivalents in respect of the acquisition of Tincy Group	(1,017,003)

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40. BUSINESS COMBINATION (continued)

(b) (continued)

The purchase price allocation set out above has been determined following the finalisation of the valuation relating to the oil and gas reserves and the determination of fair values of assets and liabilities acquired during the current year. Restatement adjustments to the initial accounting within twelve months from the acquisition date for this business combination have been recognised in these financial statements. The effects of the foregoing on these financial statements are summarised below:

Effect on the consolidated balance sheet

At 1 January 2008 and 31 December 2008	Increase/(decrease)
Assets	
Oil and gas properties	**(126,313)**
Construction in progress	**5,637**
	(120,676)
Liabilities/equity	
Accrued liabilities and other payables	**(11,797)**
Other loan	**(78,000)**
Deferred tax liabilities (note 36)	**(36,315)**
Minority interests	**5,436**
	(120,676)

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40. BUSINESS COMBINATION (continued)

(c) On 8 February 2007, the Group acquired an effective 33.6% indirect interest in Guixin Ferroalloy which is engaged in the processing and sale of high carbon ferrochromium products in the PRC. The purchase consideration was paid in cash, with HK$16,667,000 (RMB16,000,000) paid by the Group upon the completion of the acquisition.

The fair values of the identifiable assets and liabilities of Guixin Ferroalloy as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition	Previous carrying amount
Net assets acquired:			
Property, plant and equipment	13	51,747	46,227
Prepaid land lease premiums	14	11,105	3,008
Deferred tax assets	36	6,589	—
Inventories		16,827	16,827
Accounts receivable		2,208	2,208
Prepayments, deposits and other receivables		11,099	11,099
Cash and bank balances		27,561	27,561
Accounts payable		(16,440)	(16,440)
Tax payable		(390)	(390)
Accrued liabilities and other payables		(47,469)	(47,469)
Bank and other loans		(18,750)	(18,750)
Deferred tax liabilities	36	(3,230)	—
Minority interests		(12,257)	(7,164)
		28,600	16,717
Excess over the cost of a business combination recognised in the consolidated income statement	5	(11,933)	
Satisfied by cash		16,667	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Guixin Ferroalloy is as follows:

	2007
Cash consideration paid	(16,667)
Cash and bank balances acquired	27,561
Net inflow of cash and cash equivalents in respect of the acquisition of Guixin Ferroalloy	10,894

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41. ACQUISITION OF SUBSIDIARIES

On 23 November 2007, CITIC Dameng JV, a 48% indirect subsidiary of the Company (with effective control via a 80% owned subsidiary), entered into an agreement with Future Idea Investments Limited ("**Future Idea**"), an independent third party, to acquire from Future Idea a 60% equity interest in Huazhou Mining (the "**Gabon Acquisition**"). Huazhou Mining holds an 85% equity interest in Huazhou (Gabon), which principally holds certain pre-operating exploration and mining rights in Gabon, Western Africa.

The total purchase consideration amounted to US$15,880,000 (HK$124,782,000), which was settled by the payment of cash of US$10,060,000 (HK$79,050,000) and a capital injection into Huazhou Mining of US$5,820,000 (HK$45,732,000). The Gabon Acquisition was completed on 1 August 2008.

Huazhou Mining and Huazhou (Gabon) are mainly involved in the holding of exploration rights and have not carried out any other significant business transactions since their incorporation. In the opinion of the directors, the Gabon Acquisition did not, therefore, constitute an acquisition of business as the Group principally acquired the exploration rights through the Gabon Acquisition. Therefore, the Gabon Acquisition was not disclosed as a business combination in accordance with the requirement of HKFRS 3 Business Combinations.

The net assets acquired in the Gabon Acquisition were as follows:

	Notes	
Net assets acquired:		
Property, plant and equipment	13	46,936
Other intangible assets	16	175,459
Prepayments, deposits and other receivables		10,350
Inventories		57
Cash and bank balances		7,895
Accrued liabilities and other payables		(4,409)
Due to related companies		(29,376)
Minority interests		(82,130)
		124,782
Satisfied by:		
Cash		79,050
Capital injection		45,732
		124,782
Cash consideration paid		(124,782)
Cash and bank balances acquired		7,895
Net outflow of cash and cash equivalents in respect of the Gabon Acquisition		(116,887)

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

On 6 July 2007, the Group completed the acquisition of an additional 8.37% equity interest in Macarthur Coal which became an associate of the Group after the acquisition. As a result, the Group's investment in Macarthur Coal, which was previously accounted for as an available-for-sale investment with a carrying amount of HK$739,349,000, was reclassified to an investment in an associate upon the completion of the acquisition.

43. LITIGATION

(a) In January 1999, Dongguan Xinlian, a wholly-owned subsidiary of the Company held through 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.

43. LITIGATION (continued)

(a) (continued)

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 at the date of this 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 31 December 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. Accordingly, no provision is considered necessary.

(b) In September 2005, Thomas de Shazo ("**de Shazo**") filed a summons and complaint (the "**Complaint**") in the Southern District of Texas in the United States District Court against 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) During 2007, the books and records of KBM have been 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 to 2006. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay an additional tax of KZT244,790,000 (HK$15,686,000) and a penalty of KZT98,032,000 (HK$6,282,000).

In May 2008, KBM received a revised claim from the Courts of Astana City. The revised claim amounts of the withholding tax and penalty were revised to KZT220,952,000 (HK$14,159,000) and KZT98,032,000 (HK$6,282,000), respectively. On 2 June 2008, KBM sent an appeal to the Supreme Court of the Republic of Kazakhstan and received the same decision from the Civil Board of the Supreme Court on 8 July 2008.

43. LITIGATION (continued)

(c) (continued)

During 2008, KBM has made full provision in respect of the above additional withholding tax and related penalty and fines in an aggregate amount of KZT373,979,000 (HK$24,168,000). As these amounts related to prior periods before the Group completed the Kazakhstan Transaction on 12 December 2007, restatement adjustments were made to the initial accounting on the purchase price allocation in respect of these amounts on the date of completion of the Kazakhstan Transaction.

(d) During 2007, the books and records of KBM have also been audited by the Kazakhstan tax authorities with regard to the calculation and accrual of the excess profit tax for the years 2002 to 2004. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay an additional tax of KZT11,781,577,000 (HK$754,975,000), fines of KZT5,890,789,000 (HK$377,488,000) and a penalty of KZT6,891,013,000 (HK$441,583,000).

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. The revised claim amounts of the excess profit tax, fines and penalty were KZT221,764,000 (HK$14,330,000), KZT1,090,955,000 (HK$70,494,000) and KZT576,468,000 (HK$37,250,000), respectively.

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. On 16 September 2008, KBM received the second decision from the Civil Board of the Supreme Court. The revised claim amounts of the excess profit tax, fines and penalty were KZT11,781,577,000 (HK$754,975,000), KZT2,727,387,000 (HK$174,774,000) and KZT11,284,297,000 (HK$723,109,000), respectively.

During 2008, KBM has made partial provision on certain claim amounts agreed by KBM in respect of the first instance decision from the Courts of Astana City on excess profit tax, fines and penalty in an aggregate amount of KZT1,889,187,000 (HK$122,074,000). As these excess profit tax, fines and penalty related to prior periods before the Group completed the Kazakhstan Transaction on 12 December 2007, restatement adjustments were made to the initial accounting on the purchase price allocation in respect of these amounts on the date of completion of the Kazakhstan Transaction.

On 16 January 2009, KBM appealed to the Supervisory Board of the Supreme Court against the second decision of the Civil Board of the Supreme Court on the remaining unresolved claim amounts. No decision by the Supervisory Board of the Supreme Court has been issued as of the date of this 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.

44. CONTINGENT LIABILITIES

As at 31 December 2008 and 31 December 2007, the Notes issued by CR Finance, a direct wholly-owned subsidiary of the Company, are irrevocably and unconditionally guaranteed by the Company.

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Notes to Financial Statements

45. OPERATING LEASE ARRANGEMENTS

At 31 December 2008 and 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2008	2007
Within one year	**26,337**	15,829
In the second to fifth years, inclusive	**28,436**	14,389
Beyond five years	**53,341**	949
	108,114	31,167

46. COMMITMENTS

In addition to the operating lease commitments detailed in note 45 above, the Group had the following capital expenditure commitments:

	Group	
	2008	2007
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**495,587**	514,872
Authorised, but not contracted for:		
Minimum work programme for the Karazhanbas oilfield	**315,900**	855,693
Land and buildings	**350,781**	—
Plant and machinery	**509,682**	—
	1,176,363	855,693

As at 31 December 2008, capital commitment included in authorised but not contracted for of HK$854,802,000 are authorised to be falling due within one year and the remaining amount of HK$321,561,000 are authorised to be falling due in the second year.

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

	Group	
	2008	2007
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of property, plant and equipment	**4,215,222**	200,290

During the year, a subsidiary of the Group entered into a turnkey contract for the provision of integrated drilling in the Hainan-Yuedong Block with a total contract amount of RMB3,496,000,000 (HK$3,971,000,000). The contract is valid till 31 December 2011 and the contract amount is subject to the actual work confirmed by the Company and the contractor. As of 31 December 2008, the subsidiary of the Group has made a prepayment of RMB40,000,000 (HK$45,432,000) to the contractor.

Save as the aforesaid, at the balance sheet date, neither the Company nor the Group had any other significant commitment (2007: Nil).

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47. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to matters disclosed elsewhere in the financial statements, during the year, the Group had the following transactions with its related parties:

(a)

	Notes	Group 2008	2007
Fellow subsidiary:			
Sale of products	(i)	**3,112,296**	1,919,389
Related companies:			
Sale of products	(i)	**38,763**	45,676
Purchase of inventories	(ii)	**159,801**	84,130
Purchase of property, plant and equipment	(ii)	**31,978**	—
Minority shareholder:			
Sale of products	(i)	**7,158**	3,294
Guarantee fee paid	(iii)	**5,955**	—

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

(ii) The purchase from the related companies were made according to the published prices and conditions offered by the related companies to their major customers.

(iii) The guarantee fee was determined based on 1.5% per annum in respect of the bank borrowings of the Group which are guaranteed by a minority shareholder.

(b) Interest income from CITIC Group

During the year ended 31 December 2007, the Group received interest income of HK$67,600,000 from CITIC Group on earnest money of US$200,000,000 (HK$1,560,000,000) regarding the investment in the RNL Group. This amount was used to pay the interest incurred by the Group on bank loans to finance the payment of earnest money to CITIC Group. The net interest income of HK$3,096,000, after netting off the related bank interest expense of HK$64,504,000, was recorded as interest income in the consolidated income statement (note 5).

(c) During the year, the Group has paid rental charges of HK$2,863,000 (2007: HK$2,563,000) to 99 King Street Property Management Pty Ltd., a subsidiary of CITIC Group.

(d) Outstanding balances with related parties:

(i) Details of the Group's balances with its fellow subsidiary and related companies respectively, as at the balance sheet date, are included in notes 26 and 29 to the financial statements.

(ii) Details of the Group's loans from the Company's former minority shareholders, a minority shareholder, a fellow subsidiary and the ultimate holding company are included in note 33 to the financial statements.

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48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date were as follows:

2008 **Group**

Financial assets

	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	17,871	17,871
Accounts receivable	—	1,715,307	—	1,715,307
Financial assets included in prepayments, deposits and other receivables	—	102,091	—	102,091
Loan receivable	—	3,222	—	3,222
Equity investments at fair value through profit or loss	1,909	—	—	1,909
Derivative financial instruments	37,586	—	—	37,586
Due from related companies	—	67,754	—	67,754
Cash and bank balances	—	4,770,747	—	4,770,747
	39,495	6,659,121	17,871	6,716,487

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading	Financial liabilities at amortised cost	Total
Due to related companies	—	67,745	67,745
Accounts payable	—	823,088	823,088
Financial liabilities included in accrued liabilities and other payables	—	280,175	280,175
Derivative financial instruments	137,677	—	137,677
Bank and other loans	—	5,890,819	5,890,819
Bond obligations	—	7,945,147	7,945,147
	137,677	15,006,974	15,144,651

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48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2007 **Group**

Financial assets

	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	201,206	201,206
Accounts receivable	—	1,619,666	—	1,619,666
Financial assets included in prepayments, deposits and other receivables	—	67,359	—	67,359
Loan receivable	—	21,615	—	21,615
Equity investments at fair value through profit or loss	2,430	—	—	2,430
Derivative financial instruments	8,608	—	—	8,608
Due from related companies	—	119,600	—	119,600
Cash and bank balances	—	2,074,457	—	2,074,457
	11,038	3,902,697	201,206	4,114,941

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading	Financial liabilities at amortised cost (restated)	Total (restated)
Due to related companies	—	9,674	9,674
Accounts payable	—	613,991	613,991
Financial liabilities included in accrued liabilities and other payables	—	101,933	101,933
Derivative financial instruments	189,122	—	189,122
Bank and other loans	—	4,124,104	4,124,104
Bond obligations	—	7,992,859	7,992,859
	189,122	12,842,561	13,031,683

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48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	2008 Loans and receivables	2007 Loans and receivables
Due from subsidiaries	**6,800,824**	6,009,896
Financial assets included in prepayments, deposits and other receivables	**3,550**	3,119
Cash and bank balances	**2,107,647**	747,114
	8,912,021	6,760,129

Financial liabilities

	2008 Financial liabilities at amortised cost	2007 Financial liabilities at amortised cost
Due to subsidiaries	**74,868**	370,128
Financial liabilities included in accrued liabilities and other payables	**129**	25,192
Bank loan	**1,170,000**	1,170,000
	1,244,997	1,565,320

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans, bond obligations, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swap, forward currency and commodity contracts. The purpose is to manage the interest rate, currency and commodity price risks arising from the Group's operations and its sources of finance.

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's United States dollar debt obligations with floating interest rates.

The Group's policy is to manage its interest costs using a mix of fixed and floating rate debts with respect to the prevailing interest rate environment. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge the underlying debt obligations. Long-term notes issued at fixed coupon expose the Group to fair value interest rate risk. At 31 December 2008, after taking into account the effect of the interest rate swaps, 65% (2007: 72%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to hypothetical change in interest rate of the Group's United States dollar debt obligations with floating interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit/(loss) before tax	Increase/ (decrease) in equity	Increase/ (decrease) in basis points	Increase/ (decrease) in equity
2008					
US$	**(100)**	**26,481**	**21,737**	**(100)**	**11,700**
US$	**100**	**(26,481)**	**(21,737)**	**100**	**(11,700)**
2007					
US$	(100)	17,706	15,904	(100)	11,700
US$	100	(17,706)	(15,904)	100	(11,700)

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

The following table demonstrates the sensitivity at the balance sheet date to a reasonably determined possible change in the United States dollar exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax and the Group's equity.

	Increase/ (decrease) in US$ rate %	Increase in profit/(loss) before tax	Increase/ (decrease) in equity
2008			
If US$ weakens against A$	**(10)**	**(27,479)**	**71,187**
If US$ strengthens against A$	**10**	**33,878**	**(83,087)**
2007			
If US$ weakens against A$	(10)	(38,292)	50,078
If US$ strengthens against A$	10	46,805	(61,348)

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the Group's commodity products. The Group manages such risk by entering into commodity forward contracts to hedge future aluminium price volatilities. In addition, the Group entered into the ESA which is linked to the market price of aluminium and 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 31 December 2008, the aluminium price forward curves decreased as compared to that on 31 December 2007 and the revaluation of the embedded derivatives resulted in an unrealised gain. Such evaluation has no cash flow consequences for operations but introduces volatility into the consolidated income statement.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Commodity price risk (continued)

As at the balance sheet date, if the aluminium price increased by 5%, with all other variables held constant, will decrease the Group's profit before tax and equity (due to changes in fair value of embedded derivatives) by HK$69,571,000 (2007: HK$77,465,000), whilst if the aluminium prices decreased by 5%, with all other variables held constant, will increase the Group's profit before tax and equity (due to changes in fair value of embedded derivatives) by HK$69,263,000 (2007: HK$75,141,000).

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 26 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain an optimal balance of cash holding and funding through the use of bank loans and other interest-bearing loans, to maintain liquidity and maximise return to shareholders of the Company. 23.3% of the Group's debts would mature in less than one year as at 31 December 2008 (2007: 20.8%) based on the carrying values of borrowings reflected in the financial statements.

The maturity profile of the financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group

	2008				
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total
Due to related companies	**67,745**	**—**	**—**	**—**	**67,745**
Accounts payable	**72,856**	**750,232**	**—**	**—**	**823,088**
Financial liabilities included in accrued liabilities and other payables	**—**	**280,175**	**—**	**—**	**280,175**
Derivative financial instruments	**—**	**14,021**	**41,524**	**82,132**	**137,677**
Bank and other loans	**—**	**529,481**	**2,564,415**	**3,354,701**	**6,448,597**
Bond obligations	**355,649**	**—**	**—**	**10,420,313**	**10,775,962**
	496,250	**1,573,909**	**2,605,939**	**13,857,146**	**18,533,244**

	2007				
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total
Due to related companies	9,674	—	—	—	9,674
Accounts payable	16,827	597,164	—	—	613,991
Financial liabilities included in accrued liabilities and other payables	—	101,933	—	—	101,933
Derivative financial instruments	—	—	29,981	159,141	189,122
Bank and other loans	—	118,508	2,258,526	2,015,630	4,392,664
Bond obligations	—	—	403,811	10,907,813	11,311,624
	26,501	817,605	2,692,318	13,082,584	16,619,008

Company

	2008				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Due to subsidiaries	**74,868**	**—**	**—**	**—**	**74,868**
Financial liabilities included in accrued liabilities and other payables	**129**	**—**	**—**	**—**	**129**
Bank loan	**—**	**—**	**30,230**	**1,268,247**	**1,298,477**
	74,997	**—**	**30,230**	**1,268,247**	**1,373,474**

	2007				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Due to subsidiaries	370,128	—	—	—	370,128
Financial liabilities included in accrued liabilities and other payables	25,192	—	—	—	25,192
Bank loan	—	—	291,608	1,016,651	1,308,259
	395,320	—	291,608	1,016,651	1,703,579

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's current objective is to gradually lower the gearing ratio to a reasonable level. Total debt includes bank and other loans and bond obligations. Total capital includes equity attributable to shareholders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	2007 (restated)
Bank and other loans	**5,890,819**	4,124,104
Bond obligations	**7,945,147**	7,992,859
Total debt	**13,835,966**	12,116,963
Total capital	**7,891,935**	6,071,463
Gearing ratio	**175.3%**	199.6%

50. POST BALANCE SHEET EVENTS

(a) On 20 January 2009, CRA, an indirect wholly-owned subsidiary of the Company, completed the privatisation of CATL, at the time a non wholly-owned subsidiary of CRA, by way of a selective reduction in CATL's share capital through the cancellation of the ordinary shares in the share capital of CATL (the "**CATL Shares**") other than those held or controlled by CRA (the "**CATL Minority Shares**"). There were 20,139,970 CATL Minority Shares and they were cancelled at a price of A$0.75 per CATL Minority Share, representing A$15.1 million (HK$81.6 million) in aggregate. Consequently, the CATL Shares were delisted from the ASX and CATL has become an indirect wholly-owned subsidiary of the Company. Details of the transaction are set out in the announcements of the Company dated 3 November and 19 December 2008 and the circular of the Company dated 21 November 2008.

50. POST BALANCE SHEET EVENTS (continued)

(b) In February 2009, the Company and Apexhill Investments Limited ("**Apexhill**"), a wholly-owned subsidiary of CITIC United Asia which, in turn, is an indirect wholly-owned subsidiary of CITIC Group, agreed to advance a loan of HK$300 million (the "**Capital Loan**") to CITIC Dameng Investments. The Capital Loan has been completed and lent as to HK$240 million by the Company (the "**CRH Portion**") and as to HK$60 million by Apexhill respectively. CITIC Dameng Investments has used the Capital Loan to inject a total amount of RMB255.6 million (HK$290.3 million) in cash (the "**Capital Increase**") into CITIC Dameng JV for the purpose of increasing the registered capital of CITIC Dameng JV from RMB500 million (HK$567.9 million) to RMB579.7 million (HK$658.4 million). The Capital Increase has provided CITIC Dameng JV with additional funds to finance the capital and operating expenses of CITIC Dameng JV and its subsidiaries.

The Capital Increase has been completed in April 2009. As a result, CITIC Dameng Investments' equity interest in CITIC Dameng JV has increased from 60% to 65.5%. Accordingly, the Company's effective equity interest in CITIC Dameng JV has increased from 48% to 52.4%.

Details of the transaction are set out in the announcement of the Company dated 4 February 2009 and the circular of the Company dated 25 February 2009.

(c) In March 2009, Huazhou Mining entered into a loan facility agreement (the "**Facility Agreement**") pursuant to which the Offshore Banking Service Centre of Bank of Communications Co., Ltd. lent up to US$10 million (HK$78 million) (the "**Bank Loan**") to Huazhou Mining. The proceeds of the Bank Loan are being used to finance the capital and operating expenses of the manganese business operated by Huazhou (Gabon) in Gabon. The obligations of Huazhou Mining under the Facility Agreement are guaranteed by the Guangxi Branch of Bank of Communications Co., Ltd. (the "**Bank Guarantor**") under a guarantee (the "**Bank Guarantee**"). The liabilities of the Bank Guarantor under the Bank Guarantee are secured by an indemnity provided by CITIC Dameng JV, an indirect non wholly-owned subsidiary of the Company. Details of the transaction are set out in the announcement of the Company dated 20 March 2009.

51. COMPARATIVE AMOUNTS

As further explained in notes 40(a) and 40(b) to the financial statements, certain prior year adjustments have been made. In addition, certain comparative amounts have been restated to conform with the current year's presentation.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 April 2009.

HK$'000

Five Year Financial Summary

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

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
Revenue	**18,761,463**	10,007,656	6,835,161	5,786,386	3,610,791
Profit/(loss) before tax	**(4,700,772)**	731,012	316,189	342,157	59,725
Tax	**5,164,147**	(209,630)	(70,152)	(110,642)	(52,322)
Profit for the year	**463,375**	521,382	246,037	231,515	7,403
Attributable to:					
Shareholders of the Company	**204,256**	282,777	200,815	221,703	4,772
Minority interests	**259,119**	238,605	45,222	9,812	2,631
	463,375	521,382	246,037	231,515	7,403

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December				
	2008	2007 (restated)	2006	2005	2004
Non-current assets	**19,355,275**	25,129,904	4,373,701	3,080,713	2,699,246
Current assets	**9,202,932**	5,877,734	4,954,660	2,939,314	2,999,004
Total assets	**28,558,207**	31,007,638	9,328,361	6,020,027	5,698,250
Current liabilities	**5,452,415**	4,419,749	2,854,539	1,437,385	1,369,385
Non-current liabilities	**13,780,454**	19,416,535	2,968,733	1,615,235	1,672,332
Total liabilities	**19,232,869**	23,836,284	5,823,272	3,052,620	3,041,717
Minority interests	**1,433,403**	1,099,891	279,746	25,634	19,693
	7,891,935	6,071,463	3,225,343	2,941,773	2,636,840

million barrels

Reserve Quantities Information

PROVEN OIL RESERVES (UNAUDITED)

	Indonesia	PRC	Kazakhstan	Total
As at 1 January 2008	3.6	5.7	170.5	179.8
Revision	—	—	(13.4)	(13.4)
Discovery	2.2	—	—	2.2
Production	(0.6)	—	(6.1)	(6.7)
As at 31 December 2008	5.2	5.7	151.0	161.9

The above figures represent the Group's net interests in the reserves held through subsidiaries and joint ventures.

Design and Production: i.Link Group Limited **www.ilinkfin.com**