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

COAL

MANGANESE

IMPORT & EXPORT OF COMMODITIES

ALUMINIUM

Interim Report 2009 中期報告

Stock Code 股份代號: 1205

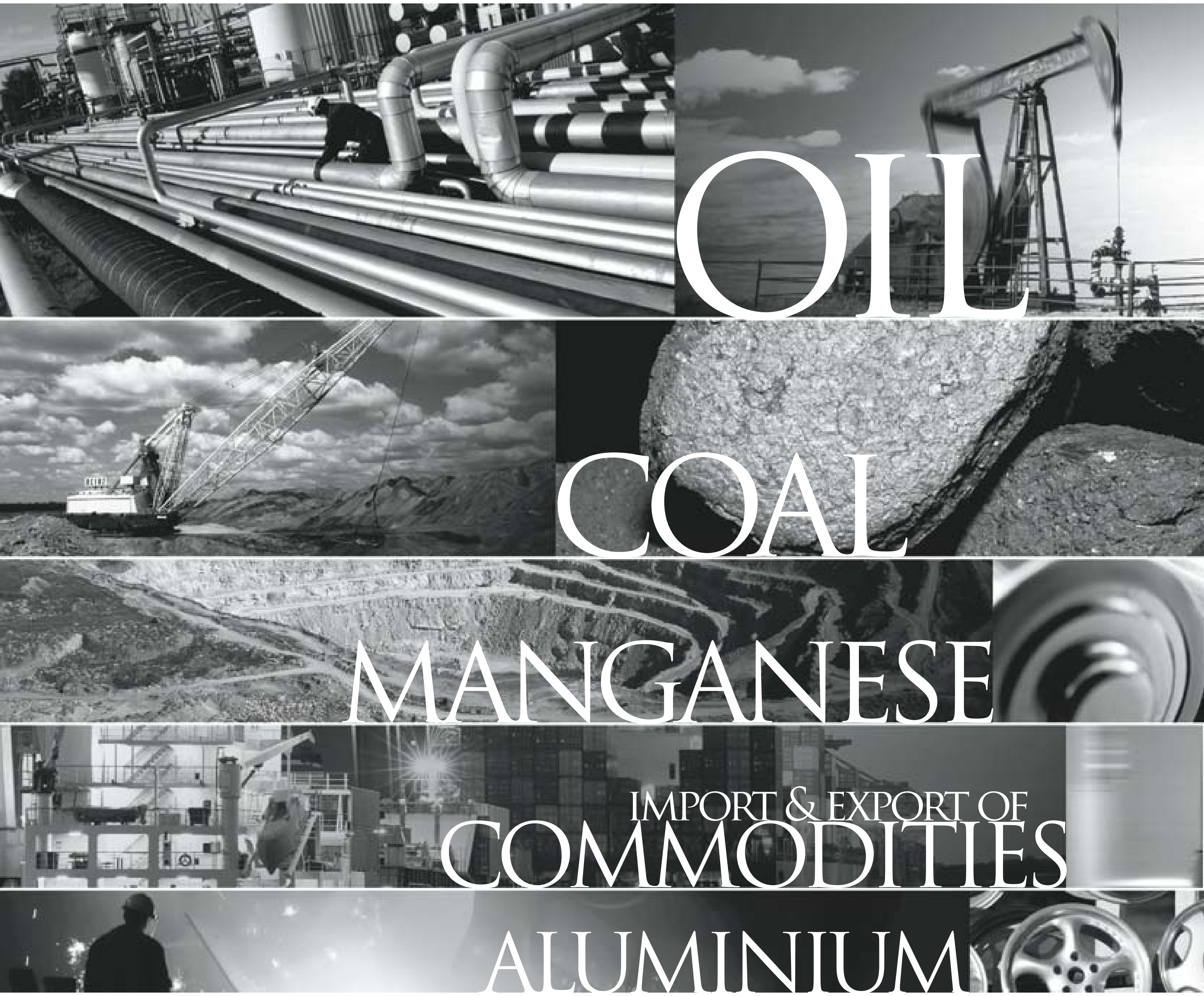
An energy and minerals company with a growing focus on oil exploration, development and production responsible for significant large scale volume operations in Kazakhstan, the PRC and Indonesia.

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 44% of the low volatile PCI coal exported from Australia to the steel mills of Asia, Europe and the Americas. Macarthur Coal is the world's largest producer of low volatile PCI coal, exporting its entire product around the globe.

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.

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.

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.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COMMODITIES
ALUMINIUM

Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Kong Dan *(Non-executive Director)*

Vice Chairmen

Mr. Mi Zengxin *(Non-executive Director)*
Mr. Shou Xuancheng *(Executive Director)*

Executive Directors

Mr. Sun Xinguo
(President and Chief Executive Officer)
Ms. Li So Mui
Mr. Qiu Yiyong
Mr. Zeng Chen

Non-executive Directors

Mr. Wong Kim Yin
Mr. Zhang Jijing
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

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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E-mail	:	ir@citicresources.com
Website	:	www.citicresources.com

SHARE REGISTRAR AND TRANSFER OFFICE

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

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.

Contents

Six months ended 30 June Unaudited HK$'000

Financial Results

The board of directors (the "**Board**") of CITIC Resources Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2009 (the "**Period**").

Condensed Consolidated Income Statement

	Notes	2009	2008
REVENUE	4	**8,798,721**	9,494,327
Cost of sales		**(8,035,786)**	(7,338,877)
Gross profit		**762,935**	2,155,450
Other income and gains	5	**17,035**	76,004
Selling and distribution costs		**(218,869)**	(141,087)
Administrative expenses		**(252,927)**	(286,748)
Other operating expenses, net		**(214,562)**	(85,611)
OPERATING PROFIT		**93,612**	1,718,008
Finance income		**34,386**	40,691
Finance costs	6	**(423,887)**	(465,487)
Share of profit of an associate		**42,798**	49,523
PROFIT/(LOSS) BEFORE TAX	7	**(253,091)**	1,342,735
Tax	8	**(26,791)**	(604,345)
PROFIT/(LOSS) FOR THE PERIOD		**(279,882)**	738,390
ATTRIBUTABLE TO:			
Shareholders of the Company		**(307,307)**	520,116
Minority interests		**27,425**	218,274
		(279,882)	738,390
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	9		
Basic		**HK (5.08) cents**	HK 9.89 cents
Diluted		**HK (5.08) cents**	HK 9.84 cents
DIVIDEND PER SHARE	10	**Nil**	Nil

Six months ended 30 June Unaudited HK$'000

Condensed Consolidated Statement of Comprehensive Income

	2009	2008
PROFIT/(LOSS) FOR THE PERIOD	**(279,882)**	738,390
Exchange differences on translation of foreign operations	**(187,471)**	273,352
Net gain on cash flow hedges	**140,578**	61,339
Income tax	**(42,174)**	(18,913)
	98,404	42,426
Net gain on available-for-sale financial assets	**16,350**	56,101
Income tax	**(4,905)**	(3,964)
	11,445	52,137
Other comprehensive income/(loss) for the period, net of tax	**(77,622)**	367,915
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(357,504)**	1,106,305
ATTRIBUTABLE TO:		
Shareholders of the Company	**(292,306)**	832,156
Minority interests	**(65,198)**	274,149
	(357,504)	1,106,305

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2009 Unaudited	31 December 2008 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**15,774,151**	16,329,307
Prepaid land lease premiums		**76,512**	77,433
Goodwill		**341,512**	341,512
Other intangible assets		**314,944**	318,875
Other assets		**473,168**	376,455
Investment in an associate		**1,937,126**	1,617,052
Available-for-sale investments	11	**36,554**	17,871
Prepayments, deposits and other receivables		**124,103**	137,371
Loan receivable		**1,830**	—
Deferred tax assets		**134,113**	139,399
Total non-current assets		**19,214,013**	19,355,275
CURRENT ASSETS			
Inventories		**1,266,913**	1,546,048
Accounts receivable	12	**1,847,148**	1,715,307
Prepayments, deposits and other receivables		**834,959**	844,563
Loan receivable		**—**	3,222
Equity investments at fair value through profit or loss	13	**2,236**	1,909
Derivative financial instruments	14	**23,455**	37,586
Due from related companies	15	**45,025**	67,754
Other assets		**—**	55,113
Tax recoverable		**108,663**	160,683
Cash and bank balances		**4,300,639**	4,770,747
Total current assets		**8,429,038**	9,202,932
CURRENT LIABILITIES			
Accounts payable	16	**386,667**	823,088
Tax payable		**84,021**	538,806
Accrued liabilities and other payables		**668,372**	695,744
Derivative financial instruments	14	**26,523**	43,221
Due to related companies	15	**59,355**	67,745
Bank and other loans	17	**2,389,660**	2,871,609
Bond obligations	18	**—**	355,649
Provisions		**63,600**	56,553
Total current liabilities		**3,678,198**	5,452,415
NET CURRENT ASSETS		**4,750,840**	3,750,517
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,964,853**	23,105,792

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Condensed Consolidated Statement of Financial Position

	Notes	30 June 2009 Unaudited	31 December 2008 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,964,853**	23,105,792
NON-CURRENT LIABILITIES			
Bank and other loans	17	**4,345,512**	3,019,210
Bond obligations	18	**7,601,011**	7,589,498
Deferred tax liabilities		**2,692,279**	2,759,529
Derivative financial instruments	14	**101,332**	94,456
Provisions		**241,914**	253,045
Other payables		**114,504**	64,716
Total non-current liabilities		**15,096,552**	13,780,454
NET ASSETS		**8,868,301**	9,325,338
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	19	**302,528**	302,328
Reserves		**7,259,179**	7,589,607
		7,561,707	7,891,935
Minority interests		**1,306,594**	1,433,403
TOTAL EQUITY		**8,868,301**	9,325,338

CITIC Resources Holdings Limited

Six months ended 30 June HK$'000

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company											
	Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits	Sub-total	Minority interests	Total equity
At 31 December 2007 (Audited and restated) and 1 January 2008	262,894	4,843,817	65,527	297,736	10,233	57,985	19,425	20,340	493,506	6,071,463	1,099,891	7,171,354
Profit for the period	—	—	—	—	—	—	—	—	520,116	520,116	218,274	738,390
Other comprehensive income	—	—	—	217,477	52,137	42,426	—	—	—	312,040	55,875	367,915
Total comprehensive income for the period	—	—	—	217,477	52,137	42,426	—	—	520,116	832,156	274,149	1,106,305
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(92,896)	(92,896)
Equity-settled share option arrangements	—	—	—	—	—	—	3,810	—	—	3,810	—	3,810
At 30 June 2008 (Unaudited)	262,894	4,843,817	65,527	515,213	62,370	100,411	23,235	20,340	1,013,622	6,907,429	1,281,144	8,188,573
At 31 December 2008 (Audited) and 1 January 2009	**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**
Profit/(loss) for the Period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(307,307)**	**(307,307)**	**27,425**	**(279,882)**
Other comprehensive income/(loss)	**—**	**—**	**—**	**(94,848)**	**11,445**	**98,404**	**—**	**—**	**—**	**15,001**	**(92,623)**	**(77,622)**
Total comprehensive income/(loss) for the Period	**—**	**—**	**—**	**(94,848)**	**11,445**	**98,404**	**—**	**—**	**(307,307)**	**(292,306)**	**(65,198)**	**(357,504)**
Dividend paid to minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(61,611)**	**(61,611)**
Shares cancellation for the subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(42,230)**	**—**	**(42,230)**	**—**	**(42,230)**
Issue of new shares upon exercise of share options	**200**	**4,988**	**—**	**—**	**—**	**—**	**(880)**	**—**	**—**	**4,308**	**—**	**4,308**
At 30 June 2009 (Unaudited)	**302,528**	**7,319,707 ***	**65,527 ***	**(602,430) ***	**11,445 ***	**74,010 ***	**22,355 ***	**(1,299) ***	**369,864 ***	**7,561,707**	**1,306,594**	**8,868,301**

* These reserve accounts comprise the consolidated reserves of HK$7,259,179,000 (31 December 2008: HK$7,589,607,000) in the condensed consolidated statement of financial position.

Six months ended 30 June — Unaudited HK$'000

Condensed Consolidated Cash Flow Statement

	2009	2008
Net cash inflow from operating activities	**296,843**	893,132
Net cash outflow from investing activities	**(831,321)**	(805,861)
Net cash inflow from financing activities	**75,557**	2,379
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(458,921)**	89,650
Cash and cash equivalents at 1 January	**4,770,747**	2,074,457
Effect of foreign exchange rate changes, net	**(11,187)**	7,453
CASH AND CASH EQUIVALENTS AT 30 JUNE	**4,300,639**	2,171,560
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,661,349**	1,368,251
Non-pledged time deposits with original maturity of less than three months when acquired	**2,639,290**	803,309
	4,300,639	2,171,560

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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

These Financial Statements should be read in conjunction with the Group's financial statements as at 31 December 2008.

Except as described below, the accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the Group's financial statements as at 31 December 2008.

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

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, HKASs and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants for the first time for these Financial Statements. Except for certain cases giving rise to new and revised accounting polices, presentation and additional disclosures, the adoption of these new HKFRSs has had no material effect on these Financial Statements. Accordingly, no prior period adjustment has been recognised.

HKFRSs Amendments	Improvements to HKFRSs May 2008
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
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
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
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
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation

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

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, the chief operating decision maker, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments by operating divisions. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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.

HKFRSs Amendments	Improvements to HKFRSs May 2009 [1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs [2]
HKFRS 1 Amendments	Additional Exemptions for First-time Adopters [4]
HKFRS 2 Amendments	Group Cash-settled Share-based Payment Transactions [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items [2]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners [2]
HK(IFRIC) - Int 18	Transfers of Assets from Customers [3]

1 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for transfers of assets from customers received on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 January 2010

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. In the past, the Group's primary reporting format was business segments by operating divisions. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group's reportable segments under HKFRS 8 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 and iron ore; and the import of other commodities and manufactured goods such as vehicle and industrial batteries, tyres, alloy wheels and various metals such as steel and aluminium extrusion products in Australia;

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

(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.

Unaudited HK$'000

4. SEGMENT INFORMATION

The following tables present revenue and profit/(loss) for the Group's segments for the six months ended 30 June 2009 and 2008.

Six months ended 30 June 2009	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Consolidated
Segment revenue:						
Sales to external customers	546,467	188,879	6,000,903	922,868	1,139,604	8,798,721
Other income	(474)	—	1,338	7,184	8,113	16,161
	545,993	188,879	6,002,241	930,052	1,147,717	8,814,882
Segment results	(66,300)	47,654	81,790	114,901	(36,743)	141,302
Interest income and other gains						35,260
Unallocated and other corporate expenses						(48,564)
Profit from operating activities						127,998
Unallocated finance costs						(423,887)
Share of profit of an associate	—	42,798	—	—	—	42,798
Loss before tax						(253,091)
Tax						(26,791)
Loss for the Period						(279,882)

Six months ended 30 June 2008	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Consolidated
Segment revenue:						
Sales to external customers	814,981	172,430	4,824,743	1,442,046	2,240,127	9,494,327
Other income	2,296	—	5,221	9,475	10,064	27,056
	817,277	172,430	4,829,964	1,451,521	2,250,191	9,521,383
Segment results	10,938	45,499	107,111	387,078	1,166,821	1,717,447
Interest income and other gains						89,639
Unallocated and other corporate expenses						(48,387)
Profit from operating activities						1,758,699
Unallocated finance costs						(465,487)
Share of profit of an associate	—	49,523	—	—	—	49,523
Profit before tax						1,342,735
Tax						(604,345)
Profit for the period						738,390

Six months ended 30 June Unaudited HK$'000

5. OTHER INCOME AND GAINS

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

	2009	2008
Handling service fees	1,157	3,442
Gain on disposal of items of property, plant and equipment	3,124	—
Gain on disposal of available-for-sale listed investments	—	46,268
Sale of scrap	(477)	3,644
Subsidy income	3,576	7,147
Others	9,655	15,503
	17,035	76,004

6. FINANCE COSTS

	2009	2008
Interest expense on bank and other loans repayable:		
Within one year	88,813	94,732
In the second to fifth years, inclusive	51,948	38,383
Beyond five years	6,519	6,479
Interest expense on floating rate bond obligations	—	20,106
Interest expense on fixed rate senior notes, net	264,428	264,813
Total interest expense on financial liabilities not at fair value through profit or loss	411,708	424,513
Amortisation of fixed rate senior notes	11,513	11,513
	423,221	436,026
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time	2,525	5,357
Increase in discounted interest on receivables	—	16,032
Others *	(1,859)	8,072
	423,887	465,487

* Including amortisation of up-front fees of HK$1,365,000 (2008: HK$6,650,000).

Six months ended 30 June Unaudited HK$'000

7. PROFIT/(LOSS) BEFORE TAX

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

	2009	2008
Depreciation	525,775	524,718
Amortisation of the Electricity Supply Agreement	31,910	37,499
Amortisation of other assets	3,130	4,987
Amortisation of prepaid land lease premiums	839	852
Equity-settled share option expenses	—	3,810
Loss on disposal/write-off of items of property, plant and equipment *	5,527	3,092
Exchange losses, net *	166,230	58,663

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

8. TAX

	2009	2008
Current:		
Hong Kong	—	—
Elsewhere	94,139	835,151
	94,139	835,151
Deferred	(67,348)	(230,806)
Total tax charge for the Period	26,791	604,345

The statutory tax rate of Hong Kong profits tax is 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (2008: 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% (2008: 30%) on the estimated assessable profits arising in Australia during the Period.

For the Period, the corporate tax rates applicable to the subsidiaries and jointly-controlled entities established and operating in the PRC, Indonesia and Kazakhstan are 25% (2008: 25%), 30% (2008: 30%) and 20% (2008: 30%) respectively.

8. TAX

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 PRC Corporate Income Tax Law and its Implementation Rules effective on 1 January 2008, the PRC corporate income tax rates for domestic and foreign-invested enterprises (including Sino-foreign equity joint ventures) are unified at 25%. Sino-foreign equity joint ventures which were established before such 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 in Indonesia at the effective rate of 14% (2008: 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 profits 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 profits after corporate income tax, as shown in the table below:

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

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 are 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.

Six months ended 30 June Unaudited HK$'000

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the Period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the Period.

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	2009	2008
Earnings/(Loss)		
Profit/(loss) attributable to ordinary shareholders of the Company used in the basic earnings/(loss) per share calculation	**(307,307)**	520,116

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	**6,047,169,248**	5,257,884,381
Effect of dilution - weighted average number of ordinary shares: share options	**3,151,820**	28,474,605
	6,050,321,068	5,286,358,986

The computation of diluted loss per share for the Period does not assume the conversion of certain share options since their exercise would result in a decrease in loss per share.

10. DIVIDEND

The Board has resolved not to pay an interim dividend for the Period (2008: Nil).

HK$'000

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2009 Unaudited	31 December 2008 Audited
Non-current listed equity investments, at fair value:		
Australia	**32,341**	13,654
Unlisted equity investments, at fair value	**4,213**	4,217
	36,554	17,871
The costs of the above investments were:		
Australia	**30,185**	28,606
PRC	**4,213**	4,217
	34,398	32,823

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

12. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
Within one month	**1,480,791**	1,059,620
One to two months	**37,371**	490,085
Two to three months	**51,315**	93,490
Over three months	**277,671**	72,112
	1,847,148	1,715,307

Included in the Group's total accounts receivable is an amount due from the Group's fellow subsidiary of HK$252,802,000 (31 December 2008: HK$271,946,000), which is repayable on similar credit terms to those offered to other customers of the Group.

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

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2009 Unaudited	31 December 2008 Audited
Current unlisted equity investments, at fair value:		
Australia	**2,236**	1,909

The above equity investments as at 30 June 2009 and 31 December 2008 were classified as held for trading.

HK$'000

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2009 Unaudited		31 December 2008 Audited	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts and currency options	**4,007**	**26,523**	—	40,438
Forward commodity contracts	**18,350**	**—**	37,586	—
Interest rate swaps and options	**1,098**	**—**	—	2,783
Derivative financial instruments – embedded derivative	**—**	**101,332**	—	94,456
	23,455	**127,855**	37,586	137,677
Portion classified as non-current: Derivative financial instruments – embedded derivative	**—**	**(101,332)**	—	(94,456)
Current portion	**23,455**	**26,523**	37,586	43,221

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

15. 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 is an amount due from a minority shareholder of the Group of HK$2,443,000 (31 December 2008: HK$24,402,000). The carrying values of the amounts due from/(to) related companies approximate to their fair values.

16. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
Within one month	**335,591**	705,837
One to two months	**18,453**	44,395
Two to three months	**2,849**	14,977
Over three months	**29,774**	57,879
	386,667	823,088

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

HK$'000

17. BANK AND OTHER LOANS

	Notes	30 June 2009 Unaudited	31 December 2008 Audited
Bank loans - secured * #	(a)	**1,112,388**	1,407,668
Bank loans - unsecured * #	(b)	**5,051,075**	3,951,008
Unsecured loan from a fellow subsidiary #	(c)	**186,642**	195,006
Unsecured loan from Transport Infrastructure Corridor *	(d)	**4,235**	4,113
Unsecured loan from Exploration Permit for coal *	(e)	**4,407**	4,124
Unsecured loans from former minority shareholders ^	(f)	**11,862**	11,862
Unsecured loans from a minority shareholder ^	(g)	**75,960**	28,430
Unsecured loan from CITIC Group #	(h)	**288,603**	288,608
		6,735,172	5,890,819

* Fixed rate
\# Floating rate
^ Interest-free

Notes:

(a) The secured bank loans of HK$1,112,388,000 include:

(i) a loan of US$43,071,000 (HK$335,963,000) repayable in instalments by 31 December 2013, which are interest-bearing at LIBOR plus margin and are secured by a 22.5% participating interest in the Portland Aluminium Smelter joint venture;

(ii) loans totalling RMB616,000,000 (HK$698,914,000) with due dates from 30 December 2009 to 30 September 2015, which are interest-bearing at rates ranging from 4.99% to 7.83% per annum and are secured by property, plant and equipment of HK$276,365,000 (31 December 2008: HK$385,679,000), prepaid land lease premiums of HK$66,122,000 (31 December 2008: HK$57,147,000), and guarantees provided by a subsidiary of the Group and a minority shareholder; and

(iii) a loan of US$10,000,000 (HK$77,511,000) repayable on 18 March 2011, which is interest-bearing at LIBOR plus 2% per annum and is guaranteed by an indemnity provided by a subsidiary of the Group.

(b) The unsecured bank loans of HK$5,051,075,000 mainly include:

(i) a loan of US$280,000,000 (HK$2,184,000,000) repayable in instalments by 23 January 2013, which is interest-bearing at LIBOR plus 0.58% per annum. The Company is currently discussing with lenders to waive the non-compliance of a financial covenant;

(ii) trade finance facilities of A$131,858,000 (HK$834,529,000), which are interest-bearing at LIBOR (or cost of fund) plus margin and are guaranteed by CITIC Resources Australia Pty Limited;

(iii) a loan of US$105,000,000 (HK$808,536,000) repayable on 1 December 2011, which is interest-bearing at LIBOR plus 2.47% per annum; and

(iv) loans totalling RMB1,060,000,000 (HK$1,202,676,000) with due dates from 8 September 2009 to 10 June 2011, which are interest-bearing at rates ranging from 4.78% to 5.31% per annum.

(c) The loan 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.

HK$'000

17. BANK AND OTHER LOANS

(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 20(a)), which are unsecured, interest-free and not repayable within one year.

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

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

	30 June 2009 Unaudited	31 December 2008 Audited
Bank loans repayable:		
Within one year or on demand	**2,185,317**	2,659,261
In the second year	**674,684**	125,010
In the third to fifth years, inclusive	**3,235,264**	2,499,833
Beyond five years	**68,198**	74,572
	6,163,463	5,358,676
Other loans repayable:		
Within one year	**188,743**	196,749
In the second year	**2,227**	1,846
In the third to fifth years, inclusive	**4,314**	4,648
	195,284	203,243
Loans from former minority shareholders:		
Beyond one year	**11,862**	11,862
Loans from a minority shareholder:		
Beyond one year	**75,960**	28,430
Loan from CITIC Group:		
Within one year	**15,600**	15,599
In the second year	**15,600**	15,599
In the third to fifth years, inclusive	**257,403**	257,410
	288,603	288,608
Total bank and other loans	**6,735,172**	5,890,819
Portion classified as current liabilities	**(2,389,660)**	(2,871,609)
Non-current portion	**4,345,512**	3,019,210

HK$'000

18. BOND OBLIGATIONS

	Notes	30 June 2009 Unaudited	31 December 2008 Audited
Senior notes, listed in Singapore	(a)	**7,601,011**	7,589,498
Bonds, listed in Kazakhstan (the "**Bonds**")	(b)	**—**	355,649
Total bond obligations		**7,601,011**	7,945,147
Portion classified as current liabilities		**—**	(355,649)
Non-current portion		**7,601,011**	7,589,498

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.

In 2008, the Group purchased certain Notes with face value of US$9,200,000 (HK$71,760,000) at discounted prices.

As at 30 June 2009, the fair value of the Notes was estimated at US$904,303,000 (HK$7,053,563,000) (31 December 2008: 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.

The Bonds were fully repaid on 13 January 2009.

19. SHARE CAPITAL

	30 June 2009 Unaudited	31 December 2008 Audited
Authorised:		
10,000,000,000 (31 December 2008: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid:		
6,050,567,038 (31 December 2008: 6,046,567,038) ordinary shares of HK$0.05 each	**302,528**	302,328

During the Period, the subscription rights attaching to 4,000,000 share options were exercised at a subscription price of HK$1.077 per share, resulting in the issuance of 4,000,000 ordinary shares of HK$0.05 each for a total cash consideration of HK$4,308,000.

20. LITIGATION

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

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

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

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

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

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

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

The ex-shareholders of Wing Lam (the "**Ex-shareholders**") have given an undertaking to indemnify the Group against all monetary losses that may arise from the Claim up to HK$11,862,000, being the outstanding other loans from the Ex-shareholders as at 30 June 2009.

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.

20. LITIGATION

(b) During 2007, the books and records of JSC Karazhanbasmunai ("**KBM**") were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of withholding tax from the source of payment for the years 2002 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$12,615,000) and a penalty of KZT98,032,000 (HK$5,052,000).

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$11,386,000) and KZT98,032,000 (HK$5,052,000), 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.

In 2008, KBM made a full provision in respect of the above additional withholding tax and related penalty and fines in an aggregate amount of KZT373,979,000 (HK$19,272,000).

No decision by the Supreme Court of the Republic of Kazakhstan has been issued as of the date of this report.

(c) During 2007, the books and records of KBM were also audited by the Kazakhstan tax authorities with regard to the calculation and accrual of EPT 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$607,128,000), fines of KZT5,890,789,000 (HK$303,564,000) and a penalty of KZT6,891,013,000 (HK$355,108,000).

On 11 March 2008, KBM appealed to the Courts of Astana City against the EPT claims. On 1 August 2008, KBM received the first instance decision from the Courts of Astana City. The revised claim amounts of the EPT, fines and penalty were KZT221,764,000 (HK$11,428,000), KZT1,090,955,000 (HK$56,219,000) and KZT576,468,000 (HK$29,707,000), 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 EPT, fines and penalty were KZT11,781,577,000 (HK$607,128,000), KZT2,727,387,000 (HK$140,548,000) and KZT11,284,297,000 (HK$581,502,000), respectively.

In 2008, KBM made partial provision on certain claim amounts agreed by KBM in respect of the first instance decision from the Courts of Astana City on the EPT, fines and penalty in an aggregate amount of KZT1,889,187,000 (HK$97,354,000).

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. On 17 June 2009, KBM received the final decision of the Supervisory Board of the Supreme Court, which is in favour of KBM.

HK$'000

21. OPERATING LEASE ARRANGEMENTS

The Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
Within one year	**24,134**	26,337
In the second to fifth years, inclusive	**19,702**	28,436
Beyond five years	**62,940**	53,341
	106,776	108,114

22. COMMITMENTS

In addition to the operating lease arrangements detailed in note 21 above, the Group had the following capital expenditure commitments:

	30 June 2009 Unaudited	31 December 2008 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**124,221**	495,587
Authorised, but not contracted for:		
Minimum work programme for the Karazhanbas oilfield	**299,685**	315,900
Land and buildings	**345,384**	350,781
Plant and machinery	**473,442**	509,682
	1,118,511	1,176,363
Falling due:		
Within one year	**797,290**	854,802
In the second year	**321,221**	321,561
	1,118,511	1,176,363

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

	30 June 2009 Unaudited	31 December 2008 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**4,218,346**	4,215,222

Save as aforesaid, at the statement of financial position date, the Group had no other significant commitment (31 December 2008: Nil).

Business Review and Outlook

Review

The deterioration in demand for and prices of energy resources and commodities as a consequence of the global financial and economic crisis has continued to affect the Group during the first half of 2009 and has made the Group's operating conditions significantly more difficult. This has had an adverse impact on the Group's financial performance in the six months ended 30 June 2009 and has been a major contributing factor in the Group recording a loss attributable to shareholders during the Period.

Crude oil

Whilst the weak oil price brought about by the global decline in demand for oil resulted in a fall in the Group's average selling price by more than 50% compared to 1H 2008, the Group was able to achieve an overall increase in daily production and sales volume from the Karazhanbas oilfield. Cyclic steam stimulation ("**CSS**") and steam flooding have continued to be employed to apply the thermal recovery production technique on a wider basis and this has proved to be a factor behind the improvement in production at the Karazhanbas oilfield. Accordingly, efforts are being made to increase their application in the field on a wider scale as efficiently as possible.

The performance from the Group's Seram interest has fallen short of expectations. Production from existing wells continued to fall as a result of their natural decline and production from new wells was less than anticipated following initial tests. Further study of these new wells is being undertaken to assess their potential productivity.

Progress at the Yuedong oilfield in the Hainan-Yuedong Block has been proceeding steadily and the Group is advancing to the development stage on schedule. The Group anticipates that the overall development plan (the "**ODP**") will be approved in 4Q 2009 which will enable the Group to commence drilling before the end of this year.

Increase in production capacity from the Group's oil interests has been the overriding objective. The Group's efforts will continue to be directed towards improving production and costs efficiency which will allow the Group to take advantage of increases in oil prices when markets improve.

Coal

The Group's coal business has been one of the few within the Group to return a profit for the Period notwithstanding difficult operating conditions. The Group's coal interests currently comprise a 17.01% interest in Macarthur Coal Limited ("**Macarthur Coal**") (listed on the Australian Securities Exchange (the "**ASX**")) and direct interests in the Coppabella and Moorvale coal mines which are principally owned and operated by Macarthur Coal.

With major cuts in steel production in many of the world's regions due to the global crisis, coal demand has experienced a similar decline along with other energy resources. Demand for pulverized coal injection coal ("**PCI coal**") from steel mills fell during 1Q 2009 but this was partially compensated through increased sales of thermal coal in the same period. With steel markets stabilising in 2Q 2009, destocking at steel mills and spot sales to non-traditional customers, it is encouraging to see that market conditions have shown improvements in demand for PCI coal.

Manganese

Demand for manganese is driven substantially, if not entirely, by the demands of the steel industry. With significant contraction in the steel markets in 2008 and limited improvement in 2009, the Group's manganese operations have been affected by falls in both demand and selling price.

During the Period, the Group increased its interest in 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**") from 48% to 52.4%, which provides the Group with greater influence over operations and conduct of the manganese business. The capital increase in CITIC Dameng JV reflects the Group's positive views on the long term performance prospects of the manganese business.

The Group continues to monitor the potential spin-off of its manganese business through a separate listing of CITIC Dameng Holdings Limited ("**CITIC Dameng Holdings**"). Work continues on this potential transaction to ensure that all conditions for listing, including approval of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and shareholders of the Company, can be met.

Import and export of commodities

The Group's business of importing and exporting of commodities is conducted through CITIC Australia Trading Limited ("**CATL**"). The Group completed the privatisation and delisting of CATL from the ASX at the beginning of the Period and CATL is now a wholly-owned subsidiary of the Company. Management believes this benefits the Group as CATL's business can now be operated with greater flexibility to compete with other trading companies. With the contraction in commodity prices generally since the onset of the global financial crisis, there has been a knock on effect on the Group's export business which has suffered as a result of declining margins. Demand for imported products has also fallen during the Period.

Aluminium smelting

The difficult market conditions in which the Group is operating is illustrated by the Group's aluminium operations which recorded its first ever loss as a result of a combination of weak selling prices and a relatively strong Australian dollar. With a few exceptions most notably China, global demand for aluminium dropped drastically in 2008. Some recovery has taken place so far in 2009 but is not projected to fully recover until possibly 2010. This will continue to hamper the performance of the Group's aluminium business in the short term.

Outlook

The existing market conditions and tight constraints which the Group is operating under are unprecedented. Management has made efforts to preserve cash liquidity in light of tighter lending policies in the financial markets, restrain non-essential capital expenditures and implement cost cutting measures where possible but which do not adversely affect the Group's medium to long term performance and prospects.

There are signs that the adverse global economic conditions are stabilising and that some improvements in economies have begun. The Group is well positioned financially and strongly supported by its shareholders to take advantage of an upturn in demand for energy resources and commodities.

Financial Review

Group's financial results: HK$'000

Operating results and ratios

	Six months ended 30 June		
	2009 Unaudited	2008 Unaudited	Decrease
Revenue	**8,798,721**	9,494,327	(7.3%)
Gross profit	**762,935**	2,155,450	(64.6%)
Profit/(loss) attributable to shareholders	**(307,307)**	520,116	N/A
Earnings/(loss) per share (Basic)	**HK (5.08) cents**	HK 9.89 cents	N/A
Gross profit margin [1]	**8.7%**	22.7%	
Inventory turnover [2]	**5.7 times**	5.9 times	

Financial position and ratios

	30 June 2009 Unaudited	31 December 2008 Audited	Increase/ (decrease)
Cash and bank balances	**4,300,639**	4,770,747	(9.9%)
Total assets	**27,643,051**	28,558,207	(3.2%)
Bank and other loans	**6,735,172**	5,890,819	14.3%
Bond obligations	**7,601,011**	7,945,147	(4.3%)
Equity attributable to shareholders	**7,561,707**	7,891,935	(4.2%)
Current ratio [3]	**2.3 times**	1.7 times	
Gearing ratio [4]	**189.6%**	175.3%	
Net gearing ratio [5]	**132.7%**	114.9%	

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

As a consequence of the global financial and economic crisis, demand for and prices of energy resources and commodities deteriorated. This made the Group's operating conditions significantly more difficult and had an adverse impact on the Group's financial performance for the Period. Certain businesses within the Group made a positive return to the Group under the challenging environment, but the Group overall recorded a loss attributable to shareholders during the Period.

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

Aluminium smelting

- Revenue ▼ 33%
  Net loss after tax (from ordinary activities) N/A (2008: net profit)

- Revenue was affected by an overall decrease in selling prices of aluminium. Due to the worldwide economic downturn, selling prices for aluminium in US dollar began falling in 4Q 2008 with prices in 1H 2009 down 60% from their high in 1H 2008. The average selling price in US dollar during the Period dropped 49% when compared to 1H 2008.

  Revenue was also affected by the unfavourable exchange rates between the depreciating Australian dollar and Hong Kong dollar (as a reporting currency of these Financial Statements) which contributed to a reduction of about 13% as compared to 1H 2008.

- The aluminium operations recorded its first ever loss during the Period as a result of a combination of weak selling prices and a relatively strong Australian dollar.

  The Australian dollar fell sharply in 4Q 2008 and did not begin to recover until 2Q 2009. During the Period, compared to the sharp drop in commodities prices which reached at their lowest point since 2002, the Australian dollar remained relatively strong.

  Production costs, such as alumina and electricity which are linked to the market price of aluminium, did not drop in line with aluminium selling prices until 2Q 2009, which also affected profits.

  As the aluminium smelting business is a net US dollar denominated asset, the higher value of the Australian dollar as at 30 June 2009 compared to that at the end of 2008 resulted in an exchange loss of HK$16.9 million (2008: loss of HK$31.7 million).

- Included in both revenue and net loss is a gain of HK$9.2 million (2008: loss of HK$98.8 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 on the statement of financial position date based on future aluminium prices. On 30 June 2009, the aluminium price forward curve increased slightly as compared to that on 31 December 2008 and the revaluation of the embedded derivatives resulted in a small amount of unrealised loss. However, such small amount was off-set by an adjustment made in relation to the embedded derivatives which was cancelled during the Period due to reduced production. The relevant unrealised loss previously booked was reversed. After the adjustment, an overall unrealised gain is recognised for the Period.

  Such evaluation has no cash flow consequences for operations but introduces volatility into the income statement.

- The Portland Aluminium Smelter commenced a curtailment program in 3Q 2009 to reduce production by 15% and also targeted a similar reduction in production costs.

Coal

- Revenue ▲ 10%
  Net profit after tax (from ordinary activities) ▼ 10%

  Both revenue and net profit suffered from a deterioration in exchange rates between the depreciating Australian dollar and the Hong Kong dollar (as a reporting currency of these Financial Statements) by around 13% as compared to 1H 2008.

- Increase in revenue was due to increases in both selling prices and sales volume compared to 1H 2008. Coal selling prices in Australian dollar were up by 21% and sales volume increased 5%.

  The increase in selling prices was a result of higher coal prices concluded for contracts signed for 1H 2009 as compared to 1H 2008. With major cuts in steel production in many of the world's regions due to the global crisis, coal demand has experienced a similar decline along with other energy resources. Demand for PCI coal from steel mills fell during 1Q 2009 but this was partially compensated through increased sales of thermal coal in the same period. With steel markets stabilising in 2Q 2009, destocking at steel mills and spot sales to non-traditional customers, it is encouraging to see that market conditions have shown improvements in demand for PCI coal.

- Since 2H 2008, there has been staff and operational restructuring at the Coppabella and Moorvale coal mines in order to reduce costs. In 1H 2009, economic conditions improved and some of the curtailed activities were restored. Other than this, mining operations at the coal mines were normal during the Period and were not affected by heavy rainfall as experienced in 1H 2008.

  Production costs remained high due to higher overburden removal costs and royalty rates though demurrage charges were reduced by less port congestion.

- In July 2008, the Group acquired a further 2.73% in the equity of Macarthur Coal, listed on the ASX, increasing the Group's overall interest to 20.39%. With this acquisition, the Group became the largest shareholder in Macarthur Coal.

  In June and July 2009, Macarthur Coal successfully raised new equity through an institutional placement and a share purchase plan respectively. Consequently, the Group's shareholding was diluted to 17.01%. The Group remains the largest shareholder in Macarthur Coal.

  The share of profit attributable to the Group for the Period was HK$42.8 million (2008: HK$49.5 million) and included in "Share of profit of an associate" in the consolidated income statement.

Import and export of commodities

- Revenue ▲ 24%
  Net profit after tax (from ordinary activities) ▼ 39% (2008: minority interests already deducted)

  Both revenue and net profit suffered from a deterioration in exchange rates between the depreciating Australian dollar and the Hong Kong dollar (as a reporting currency of these Financial Statements) by around 13% as compared to 1H 2008.

- The following table shows a breakdown of revenue for the Period and a comparison with 1H 2008:

	Exports	Imports	Total
HK$ million	5,473.5	527.5	6,001.0
Compared to 1H 2008	▲ 32%	▼ 22%	▲ 24%

- Exported products include aluminium ingot, alumina and iron ore sourced from Australia and other countries to the People's Republic of China (the "**PRC**").

  The significant growth in exports revenue was largely due to increases in sales volumes of some of these products.

  In March 2009, the PRC government announced its RMB4 trillion stimulus budget, which supported consumption of resources. As a result, there were increasing sales of aluminium ingots and alumina to the PRC as compared to 1H 2008. Iron ore exports to steel mills in the PRC started to slow down from 3Q 2008 but showed improvements in 2Q 2009. Export iron ore is primarily sourced from the Koolan Island project of Mount Gibson Iron Limited under a long term off-take contract and from India.

  Commodities prices were affected by the onset of the global financial crisis in 2008 and experienced a drastic drop. Coupled with the increased costs, this had a negative impact on the average profit margin.

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

  The imports division showed a decrease in revenue as demand fell during the Period.

- CATL conducts the Group's import and export of commodities business. In January 2009, it was successfully privatised and delisted from the ASX by way of a selective reduction in its share capital and became an indirect wholly-owned subsidiary of the Company. Management believes this benefits the Group as CATL's business can now be operated with greater flexibility to compete with other trading companies.

  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.

Manganese

- Revenue ▼ 36%
  Net profit after tax (from ordinary activities) ▼ 79% (minority interests already deducted)

  Performance in 1H 2009 has been greatly affected by substantial falls in both demand and selling price of manganese products as a result of the global financial crisis in late 2008 and limited improvement in 2009.

- Decrease in revenue was driven by lower sales volume and selling prices compared to 1H 2008.

  Since 1H 2008, growth has been achieved through a change in product emphasis. There was an expansion in the production of manganese products (such as electrolytic manganese metal and silicomanganese alloy) and high carbon ferrochromium. More manganese ore is being used for downstream processing and producing manganese products which can generate higher profits. During the Period, the sales of electrolytic manganese metal and silicomanganese alloy accounted for 69% (2008: 48%) of the total revenue.

  Though electrolytic manganese metal and silicomanganese alloy had a 68% and 3% increase respectively in sales volume compared to 1H 2008, the manganese business has been suffering from the contraction in the steel markets during the Period. Sales volume of trading business, which accounted for 15% of the total revenue in 1H 2008, dropped 99% during the Period. Sales volume of high carbon ferrochromium also dropped 11%.

  The average selling prices of electrolytic manganese metal, silicomanganese alloy and high carbon ferrochromium experienced a drastic decrease of 33% to 46% during the Period.

- Direct costs, such as raw materials, labour costs and electricity, did not fall in line with the selling prices of manganese products and continue to exert pressure on the business. Gross profit margins suffered a decrease of around 11%.

  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 Period. CITIC Dameng JV continues to enforce stringent control over the unit's consumption and conservation activities.

- During the Period, a new production line commenced to produce electrolytic manganese dioxide which is used for the production of high efficiency and environmentally friendly batteries.

- The infrastructure and civil works, including the on-site construction and the transportation system, continue in the manganese mine in Gabon. It is expected that production will commence at the end of 2010.

- In April 2009, the Group increased its effective equity interest in CITIC Dameng JV from 48% to 52.4% at a consideration of RMB204.5 million (HK$232.3 million). The capital increase provides the Company with greater influence over operations and conduct of the manganese business and has also 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.

- The Group continues to monitor the potential spin-off of its manganese business through a separate listing of CITIC Dameng Holdings on the Main Board of the Stock Exchange. Work continues on this potential transaction to ensure that all conditions for listing, including approval of the Listing Committee of the Stock Exchange and shareholders of the Company, can be met. Details of the proposed spin-off are set out in the announcement of the Company dated 5 September 2008.

Crude oil (the Seram Island Non-Bula Block, Indonesia)

- CITIC Seram Energy Limited ("**CITIC Seram**"), an indirect wholly-owned subsidiary of the Company, owns a 51% participating interest in the production sharing contract (the "**Seram Interest**") relating to the Seram Island Non-Bula Block, Indonesia (the "**Seram Non-Bula Block**"), of which CITIC Seram is the operator.

  According to the report of DeGolyer and MacNaughton, an independent technical adviser, as at 31 December 2008, the Seram Non-Bula Block had estimated proved oil reserves of 10.9 million barrels.

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

Sales volume	162,000 barrels	▼ 38%
Revenue	HK$48.6 million	▼ 74%
Segment results: loss	(HK$40.6 million)	N/A (2008: profit)
Net loss after tax (from ordinary activities)		N/A (2008: net profit)

- Decrease in revenue was driven by lower sales volume and selling prices compared to 1H 2008.

  During the Period, the performance of the Seram Non-Bula Block has fallen short of expectations. Production from existing wells continued to fall as a result of their natural decline and production from new wells was less than anticipated following initial tests. Therefore, sales volume dropped as a result of lower production compared to 1H 2008 with daily production at the Seram Non-Bula Block averaging about 2,600 barrels (2008: 3,900 barrels).

  The average selling prices experienced a significant drop of 58%.

- The net loss was also attributable to the significant increase in exploration expenses incurred by the pre-drilling exploration activities (including the 293 km 2D seismic survey) conducted during the Period. The provision of HK$15.7 million net of deferred tax credit made to the closing inventories to reflect the drop in estimated net realisable value at 31 December 2008 was reversed and credited into the consolidated income statement as at 30 June 2009.

- Given the current uncertain operating environment, CITIC Seram does not have any drilling plan in 2009. Further geo-science study of the new wells is being undertaken to assess their potential productivity. The seismic survey and the related interpretation are scheduled to compete in 2H 2009. Cost controls have been implemented to control operating costs and restrain capital expenditures.

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

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

  Pursuant to a petroleum contract entered into with China National Petroleum Corporation ("**CNPC**") in February 2004, Tincy Group 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 is the operator of the Hainan-Yuedong Block in cooperation with CNPC.

- The ODP of the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, has been revised to meet certain environmental requirements of the PRC. The ODP is subject to governmental approvals, but expected to be obtained by the end of 2009.

- In August 2009, the construction of foundations for oil drilling and the pre-drilling preparation on the pilot testing area on the first artificial island (the "**Platform A**") and two supplementary production platforms of the Yuedong oilfield were completed. The construction of production facilities will complete in September 2009. After a series of combined testing, the Platform A is now equipped with oil extraction capability.

  Drilling of eight production wells will commence before the end of 2009. Oil production is now expected to commence in 2Q 2010.

  Capital expenditure will be further required in respect of the coming construction which will result in a decrease in net cash flows of the Group until full production commences in the Yuedong oilfield.

Crude oil (the Karazhanbas oilfield, Kazakhstan)

- CITIC Oil & Gas Holdings Limited ("**CITIC Oil & Gas**"), an indirect wholly-owned subsidiary of the Company, owns the **Kazakhstan Interests** which mainly comprise 50% of the issued voting shares of JSC Karazhanbasmunai ("**KBM**") (which represents 47.3% of the total issued shares of KBM). JSC KazMunaiGas Exploration Production ("**KMG EP**") holds an identical interest in KBM. The Group and KMG EP manage and operate KBM jointly.

  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. As at 31 December 2008, the Karazhanbas oilfield had estimated proved oil reserves of 301.9 million barrels.

- During the Period, the contribution of CITIC Oil & Gas to the Group was as follows:

Revenue	HK$1,091.0 million	▼ 47%
Segment results	HK$ 17.5 million	▼ 98%
Net loss after tax (from ordinary activities)		N/A (2008: net profit)

- With effect from 1 January 2009, new mineral extraction tax on production and rent tax on the exported crude oil were introduced in Kazakhstan but royalty payment on revenue was cancelled. Corporate income tax rate has been reduced from 30% to 20% in 2009 and will be further reduced to 17.5% in 2010 and 15% from 2011 onwards. A new calculation methodology on the excess profit tax has also been introduced based on annual, not cumulative, profitability.

- The following table shows the performance of the Kazakhstan Interests for the Period and 1H 2008:

		1H 2009 (50%)	**1H 2008 (50%)**	**Change**
Total production	(barrels)	3,111,000	2,875,000	▲ 8%
Daily production	(barrels)	17,200	15,800	▲ 8%
Sales volume	(barrels)	3,117,000	2,783,000	▲ 12%
Revenue (after royalty payment)	(HK$ million)	1,091.0	2,053.9	▼ 47%
Average crude oil realised price	(US$ per barrel)	45.2	97.5	▼ 54%
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	50.6	105.3	▼ 52%
Dated Brent crude oil	(US$ per barrel)	51.8	109.4	▼ 53%

A rising trend for daily production was maintained during the Period as compared to 2008 due to the deployment of CSS and steam flooding in more wells. These oil recovery techniques can supplement natural energy in the reservoir so as to increase the production rate. The deployment of these techniques continues with the aim of extending well life and achieving oil production at more efficient and sustainable rates.

Decrease in revenue was only caused by the significant drop in oil prices of 54%.

As the rent tax is based on export revenue and treated as selling and distribution costs, there was an increase of over 110% in such costs as compared to 1H 2008.

In early 2009, Tenge, the official currency of Kazakhstan, was devalued about 20%. During the Period, the average exchange rate of US$1 against Tenge was KZT144.9534 (2008: KZT120.5146). This has caused a significant impact to KBM's accounts (of which functional currency is Tenge) primarily in respect of its US dollar denominated bank loan as at 30 June 2009. A non-cash net exchange loss of HK$115.3 million was charged under other operating expenses to reflect the Group's share of the impact of such devaluation of Tenge.

On the other hand, over 95% of cost of sales and administrative expenses are denominated in Tenge, and therefore have benefited from the devaluation of Tenge. To cater for declining oil prices, a cost cutting program to control the lifting cost was enforced during the Period and has proved to be effective on the cost of sales. Together with the benefit from the devaluation of Tenge, cost of sales (repairs and maintenance; and material supplies) and administrative expenses were satisfactorily reduced.

During the Period, average lifting cost (excluding depreciation, depletion and amortisation; mineral extraction tax and provision for inventories) was reduced to US$13.7 per barrel, representing a 21% and 29% decrease compared to 1H 2008 and 2008 respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash

As at 30 June 2009, the Group had a cash balance of HK$4,300.6 million. During the Period, the Company obtained funds of:

- US$130.0 million (HK$1,014.0 million) by borrowing the remaining sum of the Loan (defined below) (details are set out under the heading "Borrowings" below); and
- HK$4.3 million through the issue of new 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 30 June 2009, the Group had outstanding borrowings of HK$14,336.2 million, which comprised:

- secured bank loans of HK$1,112.4 million;
- unsecured bank loans of HK$5,051.1 million;
- unsecured other loans of HK$571.7 million; and
- bond obligations of HK$7,601.0 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; guarantees provided by a subsidiary of the Group and a minority shareholder; and an indemnity provided by a subsidiary of the Group. The bank trade finance facilities available to CATL are guaranteed by CITIC Resources Australia Pty Limited ("**CRA**").

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. The remaining sum of US$130 million (HK$1,014 million) was drawn during the Period for the general corporate funding requirements of the Company.

Further details of the bank and other loans are set out in note 17 to these 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 Interests and for general working capital requirements. Further details of the bond obligations are set out in note 18 to these Financial Statements.

As at 30 June 2009, the gearing ratio and net gearing ratio of the Group were 190% and 133% (31 December 2008: 175% and 115%) respectively. Of the total outstanding borrowings, HK$2,389.7 million was repayable within one year, the majority of which being of periodic renewal nature.

Share capital

During the Period, the Company issued a total of 4,000,000 new Shares as a result of the exercise of share options at an average exercise price of HK$1.077 per Share. The net proceeds of the subscription amounted to HK$4.3 million and were received in cash.

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. Their purpose is to manage the interest rate, currency and commodity price risks arising from the Group's operations and its sources of finance.

New investment

There was no investment concluded during the Period.

Opinion

The Board is of the opinion that after taking into account the existing available borrowing facilities and internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

Employees and Remuneration Policies

As at 30 June 2009, the Group had around 9,900 full time employees, including management and administrative staff. Most of the Group's employees are employed in the PRC, Kazakhstan and Indonesia while the others are employed in Australia, 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.

Code on Corporate Governance Practices

The Company has 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 in respect of the service term of the non-executive directors (including the independent non-executive directors) of the Company pursuant to paragraph A.4.1 of the CG Code.

Paragraph A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for specific terms. However, under the Company's bye-laws, one-third of 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.

Model Code for Securities Transactions by Directors

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

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

As at 30 June 2009, 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	6,000,000	—	0.10
Mr. Sun Xinguo	Directly beneficially owned	5,825,000	—	0.10
Ms. Li So Mui	Directly beneficially owned	700,000	2,000,000	0.04
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.

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, as at 30 June 2009, 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.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above and in the section "Share Option Scheme" below, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective 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.

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

Name and category of participant	Number of share options: At 1 January 2009	Granted during the Period	Exercised during the Period (1)	At 30 June 2009	Date of grant (2)	Exercise period	Exercise price per share 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	—	2,000,000	2,000,000	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	—	2,000,000	**52,000,000**			
Eligible participants	3,000,000	—	2,000,000	**1,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.077
	57,000,000	—	4,000,000	**53,000,000**			

Notes:

(1) No share option expired or was forfeited during the Period.

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

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

As at 30 June 2009, 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	3,267,916,123 (1)	54.01
CITIC Projects Management (HK) Limited	Corporate	2,517,502,330 (2)	41.61
Keentech Group Limited	Corporate	2,517,502,330 (3)	41.61
CITIC Australia Pty Limited	Corporate	750,413,793 (4)	12.40
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 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.

(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 30 June 2009, 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	20

Note:

(1) CITIC United Asia Investments Limited ("**CITIC United Asia**"), a company incorporated in Hong Kong, is an indirect wholly-owned subsidiary of CITIC Group.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Related Party Transactions

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

(a) On 1 October 2006, CRA, an indirect wholly-owned subsidiary of the Company, entered into two lease agreements (the "**Leases**") with CITIC House Pty Limited ("**CITIC House**"), an indirect wholly-owned subsidiary of CITIC Group, with respect to certain office premises and car parking spaces. The Leases constitutes an exempt continuing connected transaction for the Company.

Subject to renewal, the Leases will expire on 30 September 2011. The related operating lease arrangement has been included in note 21 to these Financial Statements. During the Period, CRA has paid rental charges of HK$1,393,000 (2008: HK$1,533,000) to CITIC House.

(b) On 5 September 2008, an amendment was made to a cooperation agreement signed between CITIC Australia Commodity Trading Pty. Ltd. ("**CACT**") and CITIC Metal Company Limited ("**CITIC Metal**") on 5 April 2007. CACT is a direct wholly-owned subsidiary of CATL, which is an indirect wholly-owned subsidiary of the Company. CITIC Metal is a direct wholly-owned subsidiary of CITIC Group, and constitutes a connected person of the Company.

The transactions concern the sale of iron ore by CACT to CITIC Metal, which constitute continuing connected transactions for the Company. The prices paid by CITIC Metal in respect of its purchase of iron ore from CACT are determined on an arm's length basis and with reference to prevailing market prices. Details of the transactions and annual caps for the two years ending 31 December 2010 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 Period, the aggregate sales of iron ore by CACT to CITIC Metal did not exceed the approved annual cap of US$1,050,000,000 (HK$8,190,000,000) for the year ending 31 December 2009.

(c) On 10 January 2008, 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 two 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 2009 are shown in the following table.

Guangxi Dameng and its associates	Products purchased from/sold to and provision of services to Guangxi Dameng and its associates	2009 annual caps RMB'000	2009 annual caps equivalent to HK$'000
Guangxi Dameng	Sale of natural discharge manganese dioxide	6,475	7,344
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	453,680
	Sale of manganese carbonate powder	19,200	21,777
	Sale of metallurgical manganese ore powder	8,000	9,074
	Provision of services, including mine selection, powder milling and manganese carbonate powder processing	1,400	1,588
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	36,000	40,831
	Sale of metallurgical manganese ore	24,000	27,221
	Sale of natural discharge manganese dioxide sand	21,000	23,818
南寧市電池廠 (Nanning Battery Plant)	Purchase of packaging bags for manganese products	7,762	8,804
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	18,000	20,416
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	32,000	36,294

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

(d) On 1 April 2008, CITIC Dameng JV entered into a contract with Guangxi Dameng, which constitutes an exempt continuing connected transaction for the Company.

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 are on normal commercial terms. The amount of the guarantee fee is determined on normal commercial terms.

During the Period, the bank borrowings of CITIC Dameng JV guaranteed by Guangxi Dameng were RMB750,000,000 (HK$850,950,000) (2008: HK$691,722,000) and the guarantee fee payable to Guangxi Dameng was HK$3,939,000 (2008: HK$1,843,000).

(e) On 19 December 2008, CITIC Petroleum Technology Development (Beijing) Limited ("**CITIC Petroleum**"), an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "**Tenancy Agreement**") with CITIC Group with respect to certain office premises and car parking spaces. The Tenancy Agreement constitutes an exempt continuing connected transaction for the Company.

Subject to renewal, the Tenancy Agreement will expire on 26 December 2009. The related operating lease arrangement has been included in note 21 to these Financial Statements. During the Period, CITIC Petroleum has paid rental charges of HK$672,000 (2008: HK$636,000) to CITIC Group.

(f) On 20 February 2009, CITIC Dameng JV acquired certain office premises and a canteen from Guangxi Dameng for a total consideration of RMB1,081,000 (HK$1,227,000). Guangxi Dameng is a substantial shareholder of CITIC Dameng JV in accordance with the Listing Rules. The transaction represents an exempt connected transaction.

(g) As at 30 June 2009, outstanding balances with related parties were as follows:

(i) details of the Group's balances with its fellow subsidiary and related companies respectively are included in notes 12 and 15 to these Financial Statements; and

(ii) details of the Group's loans from a fellow subsidiary, former minority shareholders, a minority shareholder and CITIC Group (the ultimate holding company of the Group) are included in note 17 to these Financial Statements.

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

Events after the Statement of Financial Position Date

(a) With effect from 7 August 2009, there were the following re-designations of directors of the Company.

(i) Mr. Kong Dan ("**Mr. Kong**"), an executive director, has been re-designated a non-executive director of the Company. Mr. Kong continues in his role as the chairman of the Board and as a member of the nomination committee of the Company.

(ii) Mr. Mi Zengxin ("**Mr. Mi**"), an executive director, has been re-designated a non-executive director of the Company. Mr. Mi continues in his role as a vice chairman of the Board.

(iii) Mr. Zhang Jijing ("**Mr. Zhang**"), an executive director, has been re-designated a non-executive director of the Company. Mr. Zhang continues in his role as a member of the remuneration committee and nomination committee of the Company.

(b) On 19 August 2009, a loan facility agreement (the "**Facility Agreement**") was entered into between Huazhou Mining Investment Limited ("**Huazhou Mining**") and China Construction Bank Corporation, Hong Kong Branch (the "**Lender**"), pursuant to which a loan facility of up to US$49,470,000 (HK$385,866,000) (the "**Loan Facility**") is provided by the Lender to Huazhou Mining. The proceeds of the Loan Facility are being used to finance the capital and operating expenses of the manganese business operated in Gabon. The obligations of Huazhou Mining under the Facility Agreement are guaranteed by a financial standby letter of credit (the "**Bank Guarantee**") provided by China Construction Bank Corporation, Guangxi Branch (the "**Bank Guarantor**") in favour of the Lender. The liabilities of the Bank Guarantor under the Bank Guarantee are secured by an indemnity (the "**Indemnity**") of US$51,000,000 (HK$397,800,000) provided by CITIC Dameng JV in favour of the Bank Guarantor.

CITIC Dameng Holdings is an indirect non wholly-owned subsidiary of the Company, owned as to 20% indirectly by CITIC United Asia which is an indirect wholly-owned subsidiary of CITIC Group. CITIC Group indirectly owns 54.01% of the issued share capital of the Company. Consequently, Huazhou Mining, being a subsidiary of CITIC Dameng Holdings, is a connected person of the Company. Accordingly, the Indemnity constitutes a continuing connected transaction for the Company.

Review of Accounts

The audit committee has reviewed the unaudited interim results for the Period with the management of the Company.

On behalf of the Board
Sun Xinguo
Chief Executive Officer

Hong Kong, 4 September 2009