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

Annual Report 2009 年報

Stock Code 股份代號: 1205

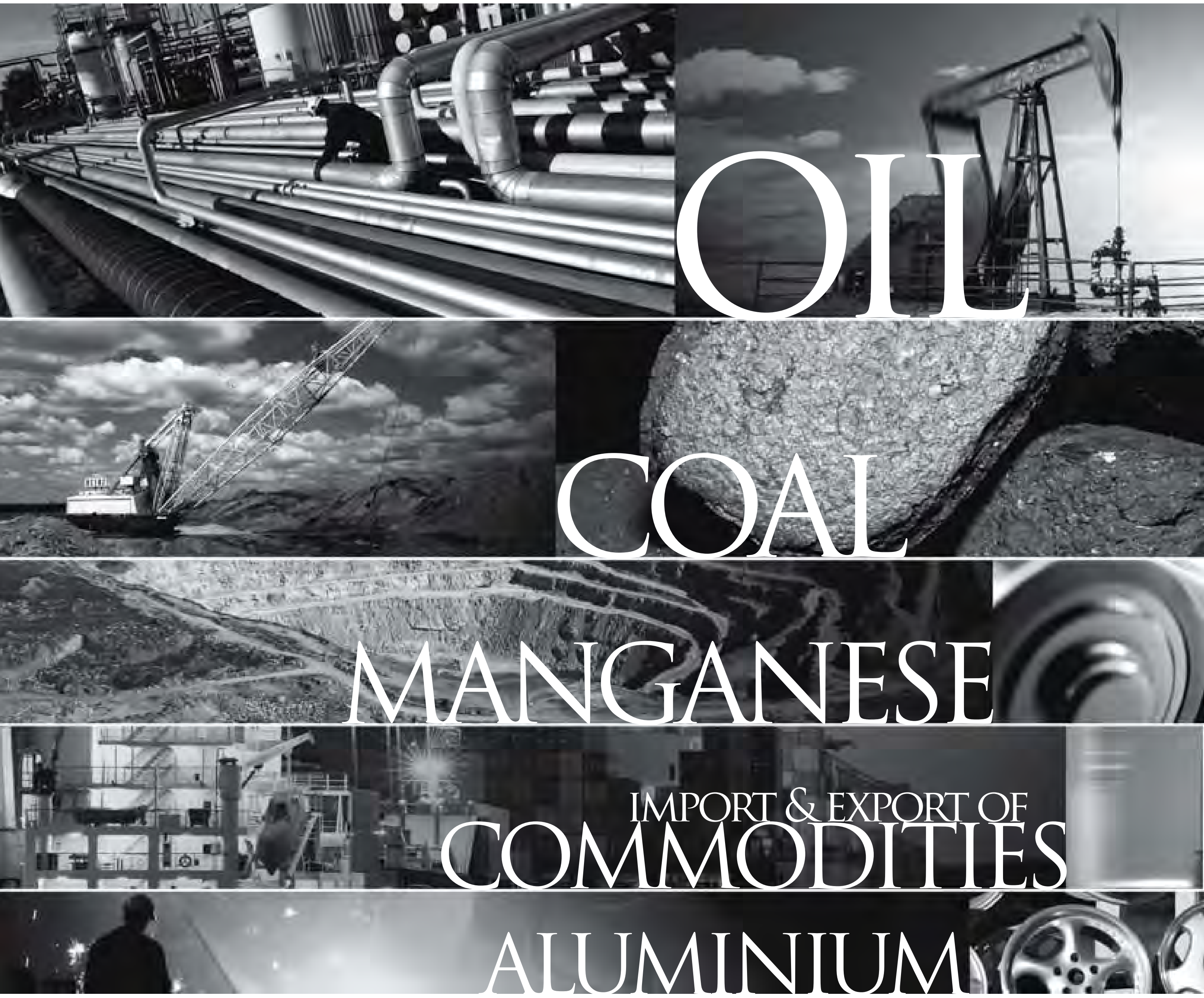
An energy and minerals company with a growing focus on oil exploration, development and production responsible for significant large scale volume operations in Kazakhstan, the PRC and Indonesia.

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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CORPORATE Information

BOARD OF DIRECTORS

Chairman

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

Vice Chairman

Mr. Mi Zengxin *(Non-executive Director)*

Executive Directors

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

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTRAR AND TRANSFER OFFICE

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Stock Code : 1205

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
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PRINCIPAL BANKERS

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

Contents

Kong Dan
Chairman

Chairman's Statement

On behalf of your Board, I present to you the Group's results for the year ended 31 December 2009.

The global financial tsunami that began in late 2008 made operating conditions difficult for the Group in 2009. In the first quarter, energy and commodities prices fell to their lowest levels in recent years and the operating environment continued to be difficult posing significant stress and challenges for the Group's operations. Since the beginning of the second quarter of 2009, energy and commodities prices have begun to recover and market conditions have stabilised. Though average prices in 2009 were lower than in 2008, the Group's operations improved in the second half as compared to the first half of the year. As the global economy gradually comes out of recession and demand for energy and resources grow once again, we believe the Group is more than capable and well-positioned to implement its business strategy by utilising its inherent advantages derived from its superior position to achieve the best benefits for our shareholders.

Financial Results

In 2009, the Group's revenue increased by 3.5% to HK$19,425.4 million. Profit attributable to shareholders was HK$115.7 million, representing a decrease of 43.4% from the previous year. Earnings per share was HK 1.91 cents, compared with HK 3.61 cents in 2008.

Business Review

The Group's operations faced many challenges due to the global financial and economic crisis which pushed energy and commodities prices in the first quarter of 2009 to their lowest levels in recent years. However, as global markets began a recovery in the second quarter of 2009, the Group's businesses also began to improve in the second half of the year.

Oil exploration and production remains the Group's largest business. Oil prices were weak at the beginning of 2009 but started to recover subsequently in the second quarter. However, the Group still suffered an overall drop of 35%, as compared to 2008, in respect of the average selling prices of oil from the Karazhanbas oilfield. The deployment of cyclic steam stimulation and steam flooding at the Karazhanbas oilfield continues with the aim of achieving oil production at more efficient and sustainable rates. It is expected that operations at the Karazhanbas oilfield will contribute more to the Group's return as oil prices recover to a reasonable level.

The performance from the Group's interest in the Seram Island Non-Bula Block fell short of expectations. The Group is carrying out necessary repairs to existing wells where production has fallen as a result of their natural decline and will re-enter two exploration wells.

The construction of foundations for oil drilling and the pre-drilling preparation on the first artificial island at the Hainan-Yuedong Block has been completed. At the end of 2009, drilling of ten wells was completed. In the second half of 2010, pilot production at four wells will commence. It is anticipated that approval of the overall development plan will be obtained in the second quarter of 2010.

Chairman's Statement

Increase in production capacity from the Group's oil interests has been a principal objective. The Group will continue to direct efforts to improve oil production and cost efficiency to maximise the return from the Group's oil business.

The coal business contributed to the Group's profits in 2009. The Group's coal business included its 17.01% interest in Macarthur Coal Limited which is listed on the Australian Securities Exchange and its direct interest in the Coppabella and Moorvale coal mines joint venture (the "CMJV") (owned and operated principally by Macarthur Coal). The coal business mainly benefited from the increase in demand for both low volatile PCI coal and thermal coal, re-stocking at steel mills as well as spot sales to non-traditional customers by Macarthur Coal.

In December 2009, the Company announced that it had conditionally agreed to, amongst other things, sell its interest in the CMJV to Macarthur Coal. The Group will receive new shares of Macarthur Coal as consideration. This transaction will facilitate the continued development of Macarthur Coal to become one of the largest independent coal producers in Australia. The Group believes that Macarthur Coal has great development potential and will bring extra economic benefits to the Group with its diverse investments in coal.

The Group's manganese business was affected in the first half of 2009 as a result of a contraction in demand in the steel market. Demand for manganese products improved in the second half of 2009 and the prices also gradually increased. During the year, the Group increased its equity interest in CITIC Dameng Mining Industries Limited from 48% to 52.4% which increased the Group's influence over its manganese business and reflected the Group's confidence towards the manganese business.

The Group continues to monitor the potential spin-off of its manganese business through a separate listing on The Stock Exchange of Hong Kong Limited to ensure compliance with the listing requirements, including the obtaining of approval of the Listing Committee of the Stock Exchange and shareholders of the Company.

In January 2009, the Group completed the privatisation and delisting of CITIC Australia Trading Limited ("CATL"). The Group can now operate CATL with greater flexibility to compete with other trading companies. Though commodity prices generally fell following the onset of the global financial crisis, the Group has been able to take advantage of efforts by the Chinese Government to boost its economy by expanding its export business in the People's Republic of China. Through its broad selling channels, the Group has experienced an increase in profit in respect of the import and export business in adverse market conditions.

The Group's aluminium smelting operations recorded its first ever loss as a result of a combination of weak selling prices, a drop in demand and a relatively strong Australian dollar. It is expected that as the global economy recovers in 2010, the pressure on the commodity prices will be alleviated which will improve the prospects of the Group's aluminium smelting business.

Chairman's Statement

Business Outlook

As the impact of the global financial crisis seems to be easing with governments of leading economies actively implementing policies to boost trade, it is anticipated that demand for energy and commodities will increase as world markets stablise and prices gradually return to a reasonable level. The Group will continue its long-term goal to improve overall oil production and will seek early commencement of production at the Yuedong oilfield. The Group will also continue to implement cost cutting measures to improve its margins.

The Group continues to regularly review its business and explore potential investment opportunities to further expand its assets in order to contribute most to the long-term economic benefits of the Group and shareholders.

Appreciation

2009 was a year full of challenges. I wish to thank my fellow directors, management and staff for their unremitting efforts and hard work during this difficult period.

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

Kong Dan
Chairman

Hong Kong, 26 March 2010

Management's Discussion and Analysis

The board of directors (the "**Board**") of CITIC RESOURCES HOLDINGS LIMITED (the "**Company**") presents the 2009 annual results of the Company and its subsidiaries (collectively the "**Group**").

Financial Review

Group's financial results: **HK$'000**

Operating results and ratios

	Year ended 31 December		Increase/
	2009	2008	(decrease)
Revenue	**19,425,447**	18,761,463	3.5%
Gross profit	**1,881,788**	3,213,880	(41.4%)
EBITDA [1]	**1,573,359**	4,216,977	(62.7%)
Profit/(loss) before write-back of provision/ (provision) for impairment of items of property, plant and equipment and income tax credit/(expense)	**(295,631)**	1,719,965	N/A
Profit attributable to shareholders	**115,687**	204,256	(43.4%)
Earnings per share (Basic)	**HK 1.91 cents**	HK 3.61 cents	(47.1%)
Gross profit margin [2]	**9.7 %**	17.1 %	
Inventory turnover [3]	**11.7 times**	11.6 times	

Financial position and ratios

	31 December		Increase/
	2009	2008	(decrease)
Cash and bank balances	**4,480,336**	4,770,747	(6.1%)
Total assets	**29,531,600**	28,558,207	3.4%
Bank and other borrowings	**6,968,770**	5,890,819	18.3%
Finance lease payables	**66,640**	—	N/A
Bond obligations	**7,614,842**	7,945,147	(4.2%)
Equity attributable to shareholders	**8,434,708**	7,891,935	6.9%
Current ratio [4]	**2.2 times**	1.7 times	
Gearing ratio [5]	**173.7%**	175.3%	
Net gearing ratio [6]	**120.6%**	114.9%	

1 profit/(loss) before write-back of provision/(provision) for impairment of items of property, plant and equipment and income tax credit/(expense) + finance costs + depreciation + amortisation
2 gross profit / revenue x 100%
3 cost of sales / [(opening inventories + closing inventories) / 2]
4 current assets / current liabilities
5 (bank and other borrowings + finance lease payables + bond obligations) / equity attributable to shareholders x 100%
6 (bank and other borrowings + finance lease payables + bond obligations - cash and bank balances) / equity attributable to shareholders x 100%

Management's Discussion and Analysis

As a consequence of the global financial and economic crisis in late 2008, demand for and prices of energy resources and commodities greatly deteriorated. Operating environment continued to be difficult posing significant stress and challenges for the Group's operations and had an adverse impact on the Group's financial performance for 2009. With global economic conditions recovering from 2Q 2009, energy and commodities prices began to recover and the Group's businesses gradually improved in 2H 2009. Notwithstanding, only certain business segments within the Group made a positive return under this challenging environment. With a write-back of a provision for impairment loss of the oil and gas properties, the Group overall recorded a profit attributable to shareholders during the year.

The following is a comparison of the 2009 results of each business segment with their corresponding results in 2008.

Aluminium smelting

- Revenue ▼ 38%
  Net loss after tax (from ordinary activities) N/A (2008: net profit)

  The aluminium smelting operations recorded its first ever loss as a result of a combination of weak selling prices, a drop in demand and a relatively strong Australian dollar. All of the losses occurred in 1H 2009, whereas in 2H 2009 there was a net profit but not substantial.

- Revenue was affected by an overall decrease in selling prices of aluminium and sales volume. The average selling price in US dollars during the year dropped 36% when compared to 2008. Sales volume dropped by 8%.

  Selling prices for aluminium in US dollars began falling sharply in 4Q 2008 due to the worldwide economic downturn. Following improvements in the global economy, prices gradually picked up from 3Q 2009 onwards. The lowest price occurred in 1Q 2009, being its lowest point since 2002, down 57% from the highest price which appeared in 3Q 2008. The average selling price during 2H 2009 increased 35% as compared to 1H 2009.

  A curtailment program was implemented in 3Q 2009 to reduce production by 15% which also targeted a similar reduction in production costs.

  Revenue was also affected by the unfavourable exchange rates between the depreciating Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) which contributed to a reduction of about 5% as compared to 2008.

Management's Discussion and Analysis

- Reductions in production costs lagged behind the drop in selling prices. Production costs, such as alumina and electricity which are linked to the market price of aluminium, began to fall only from 2Q 2009. Gross margin fell significantly in 1H 2009 when compared to the average gross margin in 2008.

  The Australian dollar fell sharply in 4Q 2008. It began to recover from 2Q 2009 and grew quite sharply until the end of the year.

  As the aluminium smelting business is a net US dollar denominated asset, the higher value of the Australian dollar as at 31 December 2009 compared to that as at 31 December 2008 resulted in an exchange loss of HK$23.8 million (2008: gain of HK$89.1 million).

- Included in other expenses is a loss of HK$24.6 million (2008: gain of HK$46.5 million, but included in revenue) arising from the revaluation of "embedded derivatives".

  In accordance with Hong Kong Financial Reporting Standards, a component of an electricity supply agreement (the "**ESA**") which is linked to the market price of aluminium is considered a financial instrument embedded in the ESA. Such embedded derivatives need to be marked to market at the end of each reporting period based on future aluminium prices. On 31 December 2009, the aluminium price forward curve increased as compared to that on 31 December 2008 and the revaluation of the embedded derivatives resulted in an unrealised loss.

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

- Although there was a net loss for the year, the operations still generated a positive cash flow to the Group. It is expected that as the global economy recovers in 2010, the pressure on commodity prices will be alleviated which will improve the prospects of the Group's aluminium smelting business.

- On 1 March 2010, a new base load electricity contract (the "**EHA**") was signed with Loy Yang Power to secure the supply of electricity to the Portland Aluminium Smelter from 2016 to 2036. The EHA effectively allows the Portland Aluminium Smelter to secure electricity supply when the ESA expires in 2016. The pricing mechanism used in the EHA includes a component that is subject to certain escalation factors which, in turn, are affected by the consumer price index, producer price index and labour costs.

Management's Discussion and Analysis

Coal

- Revenue ▼ 23%
  Net profit after tax (from ordinary activities) ▼ 51%

  Both revenue and net profit suffered from a deterioration in exchange rates between the depreciating Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) by about 6% and 4% respectively as compared to 2008.

  Share of profit of an associate ▼ 49%

- Revenue was also affected by the decrease in selling prices of coal. The average selling price in Australian dollars during the year dropped 27% when compared to 2008. Part of this loss was cancelled out by a steady rise in sales volume, being a 13% increase as compared to 2008.

  While higher coal prices were concluded for contracts signed for 1H 2009 as compared to 1H 2008, the average contract price for the whole year was lower than in 2008. In 2008, the Group was able to take advantage of selling prices which had doubled due to worldwide supply shortages and strong demand for low volatile pulverized coal injection coal ("**LV PCI coal**"); whereas in 2009, the selling prices stayed relatively stable from 2Q 2009.

  During 1Q 2009, with major cuts in steel production in many of the world's regions due to the global financial crisis, demand for LV PCI coal from steel mills fell but this was partially compensated through increased sales of thermal coal in the same period. With steel markets stabilising in 2Q 2009, traditional customers started re-stocking. At the same time, spot sales to non-traditional customers such as the People's Republic of China (the "**PRC**") increased. The PRC opened its doors to imported coal from Australia in order to satisfy its shortfall.

- Since 2H 2008, there has been staff and operational restructuring at the Coppabella and Moorvale coal mines joint venture (the "**CMJV**") 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 year and were not affected by heavy rainfall as was experienced in 1H 2008.

  Since 2H 2009, production costs such as rail and port charges and royalty rates fell. On average, production costs in 2009 were lower than 2008.

- During the past two years, there were a number of changes to the Group's shareholding in Macarthur Coal Limited ("**Macarthur Coal**"), which is listed on the Australian Securities Exchange (the "**ASX**"). In January 2008, the Group's shareholding of 19.99% in Macarthur Coal was diluted to 17.66% when Macarthur Coal issued additional shares for the acquisition of assets.

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

Management's Discussion and Analysis

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 in Macarthur Coal was diluted to 17.01%. However, the Group remained the largest shareholder in Macarthur Coal.

The share of profit attributable to the Group's interest in Macarthur Coal for the year was HK$82.5 million (2008: HK$162.7 million) and included in "Share of profit of an associate" in the consolidated income statement. A loss of HK$66.2 million (2008: gain of HK$126.0 million) was recorded by the Group as a loss on deemed disposal of investment in an associate in respect of the dilution of its shareholding in Macarthur Coal which occurred in July 2009 (2008: in January). The loss was included in other expenses while the gain in 2008 was credited to other income and gains in the consolidated income statement.

- In December 2009, the Company announced that it had conditionally agreed to, amongst other things, sell its 7% interest in the CMJV to Macarthur Coal for a consideration of A$105 million (HK$735 million), subject to adjustment, and to terminate the CITIC Marketing Agency Agreement for a cancellation fee of A$5 million (HK$35 million) (together, the "**Coppabella Transaction**"). The Group will receive new shares of Macarthur Coal as consideration. The new shares will be issued at a price of A$9.70 per share, subject to adjustment. Macarthur Coal currently owns 73.3% of the CMJV. Details of this transaction are set out in the announcement of the Company dated 22 December 2009.

  The Coppabella Transaction will facilitate the continued development of Macarthur Coal to become one of the largest independent coal producers in Australia. It will also convert the Group's minority interest in the CMJV into a strategic shareholding in Macarthur Coal. The Group believes that Macarthur Coal has great development potential and will bring extra economic benefits to the Group with its diverse investments in coal.

  Assuming completion of the Coppabella Transaction and the takeover (the "**Gloucester Transaction**") of Gloucester Coal Ltd. ("**Gloucester**") and conditional acquisitions of assets (the "**Noble Transaction**") from Noble Group Limited ("**Noble**") by Macarthur Coal as described in the announcement made by Macarthur Coal on 22 December 2009, the Group will hold a 15.32% interest in Macarthur Coal.

  On 4 March 2010, Gloucester, also listed on the ASX, announced that its independent directors recommended shareholders to accept the Gloucester Transaction in the absence of a superior proposal. The Gloucester Transaction is expected to close in early May 2010, subject to extension.

  The Noble Transaction relates to an acquisition of a 25.34% interest in Middlemount Coal Pty Ltd. ("**Middlemount**") by Macarthur Coal from Noble.

  The Noble Transaction is conditional on the Gloucester Transaction becoming unconditional. Noble is the major shareholder of Gloucester with an 87.7% stake. The Gloucester Transaction and the Noble Transaction would see Macarthur Coal take 100% ownership of Gloucester and Middlemount respectively.

Management's Discussion and Analysis

Import and export of commodities

- Revenue ▲ 37%
  Net profit after tax (from ordinary activities) ▲ 112% (2008: minority interests already deducted)

  Both revenue and net profit had an increase though they suffered from a deterioration in exchange rates between the depreciating Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) by about 10% and 17% respectively as compared to 2008.

- The following table shows a breakdown of revenue:

	Exports	Imports	Total
2009 (HK$ million)	**11,980.4**	**1,103.1**	**13,083.5**
2008 (HK$ million)	7,958.9	1,614.1	9,573.0
Compared to 2008	▲ 51%	▼ 32%	▲ 37%

  Though commodity prices generally fell following the onset of the global financial crisis in late 2008, CITIC Australia Trading Limited ("**CATL**"), which conducts the Group's import and export of commodities business, has been able to take advantage of efforts by the PRC government to boost the economy by expanding its export business in the PRC. Through its broad selling channels, CATL has experienced an increase in profit in respect of the import and export business in adverse market conditions.

- Exported products include aluminium ingot, iron ore, alumina and coal sourced from Australia and other countries to the PRC. Steel export was replaced by coal export, a new trading line in 2009.

  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 to the PRC as compared to 2008. Iron ore exports to steel mills in the PRC started to slow down from 3Q 2008 but showed improvements from 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 and South Africa. As a number of small domestic coal mines were shut down, the PRC began to import sizable shipments of thermal and metallurgical coal from Australia due to its good quality and price. CATL had its maiden shipment of coal to the PRC in July 2009.

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

  The imports division showed a drop in revenue as both selling prices and sales volume decreased during the year. Nevertheless, CATL was still able to maintain a profit in this division.

Management's Discussion and Analysis

- In January 2009, CATL 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 ▼ 27%
  Net profit after tax (from ordinary activities) ▼ 80% (minority interests already deducted)

  The manganese business was greatly affected in 1H 2009 as a result of a serious contraction in demand in the steel market caused by the global financial crisis in late 2008. The demand for manganese products improved in 2H 2009 and the prices gradually increased.

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

  Though prices gradually increased in 2H 2009, the average selling prices of self-produced products, mainly electrolytic manganese metal, silicomanganese alloy and high carbon ferrochromium, experienced a drastic decrease of 31% to 43% during the year compared to their average selling prices in 2008.

  Since 1H 2008, growth has been achieved through a change in product emphasis. More manganese ore is used for downstream processing and producing manganese products (such as electrolytic manganese metal and silicomanganese alloy) which usually generate higher profits. There was also an expansion in the production of high carbon ferrochromium. During the year, both electrolytic manganese metal and silicomanganese alloy had a 36% increase in sales volume compared to 2008 and their sales accounted for 63% (2008: 50%) of the total revenue. Sales volume of high carbon ferrochromium rose 24%.

  Though the change in product emphasis was considered successful, the Group's manganese business in 1H 2009 was greatly affected as a result of a serious contraction in demand in the steel and battery markets. To improve performance, the Group has placed a lot of effort into expanding its market share in the PRC and to focus on selling self-produced products. Correspondingly, export sales were reduced and trading volume of third party produced products dropped 82% during the year. The revenue from trading third party produced products only accounted for 4% (2008: 17%) of total revenue.

Management's Discussion and Analysis

- 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 margins. Gross profit margins suffered a decrease of around 5%.

  The significant increase in finance costs, arising from the expansion of the business in the PRC and Gabon, also affected the net profit for the year. 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**") continues to enforce stringent control over the unit's consumption and conservation activities.

  A provision of HK$31.7 million (2008: HK$120.3 million) net of deferred tax credit was made to the closing inventories to reflect the drop in estimated net realisable value at 31 December 2009.

- In 1H 2009, 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) which increased the Group's influence over its manganese business and reflected the Group's confidence towards the manganese business. The capital increase 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 Limited on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Work continues on this potential transaction to ensure compliance with the listing requirements, including the obtaining of approval of the Listing Committee of the Stock Exchange and shareholders of the Company. Details of the proposed spin-off are set out in the announcement of the Company dated 5 September 2008.

Management's Discussion and Analysis

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

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

  As at 31 December 2009, the Seram Non-Bula Block had estimated proved oil reserves of 8.7 million barrels (2008: 10.9 million barrels).

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

Revenue	HK$219.4 million	▼ 31%
Segment results: loss	(HK$ 59.7 million)	N/A (2008: profit)
Net loss after tax (from ordinary activities)		N/A (2008: net profit)

  Though improvements were seen in both revenue and results in 2H 2009 compared to 1H 2009, the performance of the Seram Non-Bula Block during the year fell short of expectations.

- The following table shows the performance of the Seram Interest for 2009 and 2008:

		2009 (51%)	**2008 (51%)**	**Change**
Sales volume	(barrels)	**487,000**	546,000	▼11%
Revenue	(HK$ million)	**219.4**	318.9	▼31%
Total production	(barrels)	**420,000**	585,000	▼28%
Daily production	(barrels)	**1,150**	1,600	▼28%

  Decrease in revenue was driven by an overall decrease in selling prices of oil and sales volume compared to 2008.

  The average selling price experienced a significant drop of 23%.

  In 2009, sales volume dropped as a result of lower production compared to 2008. The drop was partially compensated by a lower inventory level at the end of the year compared to that of 2008. 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.

- To minimise the loss, tight control was exercised over operating costs during the year. Notwithstanding this, a net loss was incurred for the year as a result of low oil prices and decrease in sales volume.

- The 293 km 2D seismic survey was completed in the year. Due to an uncertain operating environment, no exploration well was drilled during the year. Capital expenditures were restrained.

Management's Discussion and Analysis

Several workovers will be implemented in 2010 to optimise the performance of existing wells. CITIC Seram will re-enter the two exploration wells in the area of Nief Utara A and East Nief in 2010. A new drilling technology will be deployed in the exploration drillings, which will shorten the time and reduce the related costs associated with existing conventional drilling technology.

In addition, several development wells will be drilled in the Oseil area. Data processing and interpretation will continue and 3D seismic inversion studies to support the drilling activities in 2010 will be conducted.

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.

  As at 31 December 2009, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved undeveloped oil reserves of 11.8 million barrels.

- The overall development plan (the "**ODP**") of the Yuedong oilfield has been revised to meet certain environmental requirements of the PRC. The approval on the environmental impact assessment will be obtained in 2Q 2010 and it is anticipated that governmental approval of the ODP will be obtained following this.

- 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 ("**Platform A**") and two supplementary production platforms in the Yuedong oilfield were completed. The construction of production facilities was completed in December 2009. After a series of combined testing, Platform A is now equipped with oil extraction capability.

  At the end of 2009, drilling of ten wells was completed. Four of them will commence pilot production in 2H 2010 following the completion of the power supply system.

- As soon as governmental approval of the ODP is obtained, the construction of three other artificial islands will commence. The construction of production facilities on these new artificial islands is tentatively scheduled to complete by the end of 2013 and thereafter full production should commence.

- 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.

Management's Discussion and Analysis

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 2009, the Karazhanbas oilfield had estimated proved oil reserves of 341.5 million barrels (2008: 301.9 million barrels).

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

Revenue	HK$2,663.1 million	▼ 32%
Segment results	HK$ 276.2 million	▼ 80%
Net profit after tax (from ordinary activities)		▼ 52% (minority interests already deducted)

- The following table shows the performance of the Kazakhstan Interests for 2009 and 2008:

		2009 (50%)	**2008 (50%)**	**Change**
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**60.9**	93.8	▼ 35%
Dated Brent crude oil	(US$ per barrel)	**61.8**	97.3	▼ 36%
Average crude oil realised price	(US$ per barrel)	**55.3**	85.0	▼ 35%
Sales volume	(barrels)	**6,217,000**	6,059,000	▲ 3%
Revenue (2008: net of royalty payment)	(HK$ million)	**2,663.1**	3,890.7	▼ 32%
Total production	(barrels)	**6,236,000**	6,108,000	▲ 2%
Daily production	(barrels)	**17,100**	16,700	▲ 2%

  Decrease in revenue was caused by a dramatic drop in oil prices of 35%.

  A rising trend for daily production was maintained during the year as compared to 2008 due to the deployment of cyclic steam stimulation and steam flooding in more wells. The deployment of these techniques continues with the aim of extending well life and achieving oil production at more efficient and sustainable rates.

- Effective 1 January 2009, new mineral extraction tax ("**MET**") on production and rent tax on exported crude oil were introduced in Kazakhstan but royalty payment on revenue was removed.

  Also, effective 1 January 2009, the corporate income tax rate in Kazakhstan was reduced from 30% to 20%. A new calculation methodology on excess profit tax ("**EPT**") was also introduced based on annual, instead of cumulative, profitability. These two changes had a positive effect on the Group's deferred tax in 2008.

Management's Discussion and Analysis

Following the implementation of these tax changes, the overall tax payable by the Karazhanbas oilfield has increased.

As MET is based on production and treated as a cost of sales, it had a significant negative impact on both segment results and net profit. The rent tax is charged on export revenue, therefore the selling and distribution costs had an increase of 166% compared to 2008.

In early 2009, Tenge, the official currency of Kazakhstan, was devalued by about 23%. During the year, the average exchange rate of US$1 against Tenge was KZT147.6171 (2008: KZT120.2973). This has caused a significant impact to KBM's accounts (of which the Tenge is the functional currency) primarily in respect of its US dollar denominated bank loan as at 31 December 2009. A non-cash net exchange loss of HK$118.0 million was charged under other expenses to reflect the Group's share of the impact in the devaluation of the Tenge.

However, as over 95% of cost of sales and administrative expenses are denominated in Tenge, there have been benefits from the devaluation of the Tenge. To cater for declining oil prices, tight control was exercised on expenses and also a cost cutting program to control the lifting cost was enforced during the year. Together with the benefits from the devaluation of the Tenge, cost of sales (repairs and maintenance; and material supplies) and administrative expenses were satisfactorily reduced. Average lifting cost (excluding depreciation, depletion and amortisation; MET and provision for inventories) was reduced to US$13.5 per barrel (2008: US$19.3 per barrel), representing a 30% decrease compared to 2008.

During the year, the Group recorded a reversal entry of HK$178.8 million under administrative expenses and tax, being the provisions made in prior years on certain claim amounts on EPT, fines and penalty by the Kazakhstan tax authorities.

- In 2008, as a result of material changes in the tax legislation, a dramatic drop in oil prices and decrease in production, which reduced the estimates of oil commercially recoverable from the Karazhanbas oilfield, an impairment loss of HK$6,416.5 million was provided for in the oil and gas properties of the Karazhanbas oilfield in the consolidated income statement.

  In 2009, as estimated by an independent professional reserve valuer, there was an increase in the oil reserves of the Karazhanbas oilfield. Accordingly, there was a write-back of provision for impairment loss of HK$446.9 million in the consolidated income statement.

  In both cases, there was an adjustment to the deferred tax according to the provision and write-back of provision respectively.

- In 2008, an increase in deferred tax credit of HK$4,758.3 million resulting from the reduction of the corporate income tax rate was credited to the consolidated income statement.

  In 2009, there was no deferred tax credit attributable to material changes in the tax legislation during 2009. On 16 November 2009, the corporate income tax rate was adjusted upwards in Kazakhstan. Instead of 17.5% in 2010 and 15% from 2011 onwards as promulgated in early 2009, 20% will be charged from 2010 to 2012. The rate will only be reduced to 17.5% in 2013 and 15% from 2014 onwards.

- Due to an uncertain operating environment, tight control was also exercised over workovers and capital expenditure.

Management's Discussion and Analysis

Liquidity, Financial Resources and Capital Structure

Cash

As at 31 December 2009, the Group had a cash balance of HK$4,480.3 million. During the year, the Company obtained funds of:

- US$130.0 million (HK$1,014.0 million) by borrowing the remaining sum of the Loan (as 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 31 December 2009, the Group had outstanding borrowings of HK$14,650.3 million, which comprised:

- secured bank loans of HK$838.9 million;
- unsecured bank loans of HK$5,561.9 million;
- unsecured other loans of HK$568.1 million;
- finance lease payables of HK$66.6 million; and
- bond obligations of HK$7,614.8 million.

The secured bank loans were secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture; property, plant and equipment, and prepaid land lease premiums of CITIC Dameng JV; and guaranteed by a subsidiary of the Group and a minority shareholder. The bank trade finance facilities available to CATL are guaranteed by CITIC Resources Australia Pty Limited.

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

In January 2008, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured 5-year term loan facility of US$280 million (HK$2,184 million) (the "**Loan**"). The remaining sum of US$130 million (HK$1,014 million) under the Loan was drawn during the year for general corporate funding requirements of the Company.

Further details of the bank and other borrowings are set out in note 32 to the financial statements.

In 2009, the CMJV leased certain plant and equipment for its coal mining operation. The leases are classified as finance leases. Further details of the finance lease payables are set out in note 33 to the financial statements.

Management's Discussion and Analysis

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. The Notes were issued 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 34 to the financial statements.

As at 31 December 2009, the gearing ratio and net gearing ratio of the Group were 174% and 121% (2008: 175% and 115%) respectively. Of the total outstanding borrowings, HK$2,260.7 million was repayable within one year, the majority of which being of a periodic renewal nature.

Share capital

During the year, 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 proved effective.

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

Further details are set out in note 49 to the financial statements.

New investment

There was no investment concluded during the year.

Opinion

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

Management's Discussion and Analysis

Employees and Remuneration Policies

As at 31 December 2009, the Group had around 10,200 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 fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance. Rent-free quarters are provided to some employees in Kazakhstan, Indonesia and Gabon.

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

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

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

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

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

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

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

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

Board of Directors and Senior Management

Directors

Mr. Kong Dan	*Chairman and Non-executive Director*
Mr. Mi Zengxin	*Vice Chairman and Non-executive Director*
Mr. Sun Xinguo	*President and Chief Executive Officer*
Ms. Li So Mui	*Executive Director*
Mr. Qiu Yiyong	*Executive Director*
Mr. Tian Yuchuan	*Executive Director*
Mr. Zeng Chen	*Executive Director*
Mr. Wong Kim Yin	*Non-executive Director*
Mr. Zhang Jijing	*Non-executive Director*
Ms. Yap Chwee Mein (Alternate to Mr. Wong Kim Yin)	*Non-executive Director*
Mr. Fan Ren Da, Anthony	*Independent Non-executive Director*
Mr. Ngai Man	*Independent Non-executive Director*
Mr. Tsang Link Carl, Brian	*Independent Non-executive Director*

Directors - Biographies

Mr. Kong Dan, aged 62, is the Chairman of the Company. He was re-designated as a non-executive director of the Company in August 2009. Mr. Kong was an executive director of the Company between 2007 and 2009. He is also a member of the nomination committee of the Company. Mr. Kong is responsible for the strategic planning and corporate development of the Group. He holds a Master's Degree in Economics from the China Academy of Social Sciences Graduate School. He is currently the chairman of CITIC Group, CITIC International Financial Holdings Limited (Stock Code: 183, but delisted on the Main Board of the Stock Exchange in November 2008), CITIC United Asia Investments Limited ("**CITIC United Asia**") and CITIC Hong Kong (Holdings) Limited, the chairman and a non-executive director of China CITIC Bank Corporation Limited ("**China CITIC Bank**") (Stock Code: 998) listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, and a non-executive director of CITIC Ka Wah Bank Limited. Prior to joining CITIC Group, Mr. Kong held high-level positions in the China Everbright group of companies between 1984 and 2000, including vice chairman and president of China Everbright Group Limited and China Everbright Holdings Company Limited. Mr. Kong has extensive business connections and over 25 years' experience in investment and finance.

Mr. Mi Zengxin, aged 59, is a Vice Chairman of the Company. He was re-designated as a non-executive director of the Company in August 2009. Mr. Mi was an executive director of the Company between 2004 and 2009. He is also a director of several subsidiaries of the Group. Mr. Mi is responsible for the strategic development of the Group. He holds a Master's Degree in Science from Beijing University of Science and Technology. He is currently an executive director and a vice president of CITIC Group, the chairman of CITIC USA Holdings Limited and CITIC Australia Pty Limited ("**CA**"), the deputy chairman and a non-executive director of Asia Satellite Telecommunications Holdings Limited (Stock Code: 1135) listed on the Main Board of the Stock Exchange, and a director of CITIC United Asia. He also holds executive management positions in several other subsidiaries of CITIC Group. Mr. Mi has many years of experience in multi-national business, corporate management and various industries.

Board of Directors and Senior Management

Mr. Sun Xinguo, aged 59, is the President and Chief Executive Officer of the Company. He has been an executive director of the Company since 2002. He is also a director of several subsidiaries of the Group. Mr. Sun is responsible for the corporate development of the Group. He holds a Bachelor of Arts Degree from Fudan University and graduated from the Advanced Management Program (AMP167) of Harvard Business School in 2004. He is currently a director of CITIC Group and Keentech Group Limited ("**Keentech**"). He also holds directorships in several other subsidiaries of CITIC Group. Mr. Sun has over 34 years' experience in project investment, marketing and operation, import and export, securities investment and corporate finance.

Ms. Li So Mui, aged 55, joined in 2000 as an executive director and the Company Secretary of the Company. She is also a director of several subsidiaries of the Group. Ms. Li is responsible for the financial management and general administration of the Group. She holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Association of International Accountants. Ms. Li has over 32 years' experience in the accounting and banking field.

Mr. Qiu Yiyong, aged 53, joined in 2002 as an executive director of the Company. He is also a director of several subsidiaries of the Group. Mr. Qiu is responsible for the corporate development of the Group. He holds a Bachelor of Economics Degree from Xiamen University and is a qualified senior statistician in the PRC. He is currently a director of CITIC Group and Keentech, and the managing director of CITIC United Asia. He also holds directorships in several other subsidiaries of CITIC Group. In October 2008, he resigned as a director of DVN (Holdings) Limited (Stock Code: 500) listed on the Main Board of the Stock Exchange. Prior to joining CITIC Group, Mr. Qiu was a director of two companies listed on the Stock Exchange. Mr. Qiu has over 28 years' experience in investment management and extensive experience in mining management.

Mr. Tian Yuchuan, aged 45, was appointed as an executive director of the Company in December 2009. He was an executive director of the Company between 2001 and 2004 and rejoined the Company as an executive vice president in April 2008. He is also a director of several subsidiaries of the Group. Mr. Tian is responsible for the corporate development of the Group. He holds a Bachelor of Arts Degree from the Beijing Foreign Studies University. Mr. Tian served as a director, chief executive officer, chief financial officer and managing director in several companies listed on the Stock Exchange and the Shenzhen Stock Exchange from 2004 to 2007. He also held senior positions in several subsidiaries of CITIC Group between 1986 and 2004. Mr. Tian has over 24 years' experience in multi-national businesses, corporate management, international equity investments and corporate finance.

Mr. Zeng Chen, aged 46, joined in 2004 as an executive director of the Company. He is also a director of several subsidiaries of the Group. Mr. Zeng is responsible for the management and operations of the Group. He holds a Master's Degree in International Finance from Shanghai University of Finance and Economics. He is currently a director of CITIC Group, the managing director of CA and a non-executive director of Macarthur Coal and Marathon Resources Limited (the latter two companies are listed on the ASX). He is the chairman and a non-executive director of CATL which was delisted from the ASX in January 2009. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Zeng has over 21 years' experience in business operations and development, project investment, asset restructuring and the aluminium and coal industry.

Board of Directors and Senior Management

Mr. Wong Kim Yin, aged 39, joined in 2008 as a non-executive director of the Company. He holds an Executive Master's Degree in Business Administration from the University of Chicago Graduate School of Business. He is a managing director of Temasek Holdings (Private) Limited ("**Temasek Holdings**") responsible for investments in the energy industry. Prior to joining Temasek Holdings in 2004, he worked for The AES Corporation, a power company listed on the New York Stock Exchange, and was responsible for merger and acquisition and greenfield project development in Asia Pacific. Mr. Wong has over 12 years' experience in investment management.

Mr. Zhang Jijing, aged 54, was re-designated as a non-executive director of the Company in August 2009. Mr Zhang was an executive director of the Company between 2002 and 2009. He is also a member of the remuneration committee and nomination committee of the Company and a director of several subsidiaries of the Group. He holds a Bachelor of Engineering Degree from Hefei Polytechnic University in Anhui Province and a Master's Degree in Economics from the Graduate School of Chinese Academy of Social Sciences in Beijing. He is currently a director, an assistant president and the head of the Strategy & Planning Department of CITIC Group, an executive director and the managing director of CITIC Pacific Limited (Stock Code: 267) listed on the Main Board of the Stock Exchange, the deputy chairman of CA, a director of Keentech, and a non-executive director of CITIC Securities Co., Ltd. listed on the Shanghai Stock Exchange and China CITIC Bank. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Zhang has over 24 years' experience in corporate management, industrial investment, business finance and the aluminium industry.

Ms. Yap Chwee Mein, aged 39, joined in 2008 as an alternate to Mr. Wong Kim Yin. She holds a Master's Degree in Business Administration from the University of Michigan and is a Chartered Financial Analyst. She is a managing director of Temasek Holdings responsible for investments in the PRC and a director of Temasek Holdings (HK) Limited. Prior to joining Temasek Holdings in 2004, she worked for investment banking division of JPMorgan Singapore, covering clients in the Asia. Before that, she worked for JPMorgan's New York office, in the capital markets team and the mergers and acquisition group. Ms. Yap has over 10 years' experience in investment management.

Mr. Fan Ren Da, Anthony, aged 49, joined in 2000 as an independent non-executive director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions. Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Raymond Industrial Limited (Stock Code: 229), Chinney Alliance Group Limited (Stock Code: 385), Renhe Commercial Holdings Company Limited (Stock Code: 1387) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Board of Directors and Senior Management

Mr. Ngai Man, aged 64, joined in 2006 as an independent non-executive director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He has been a senior adviser to the chairmen of Charoen Pokphand Group and Chia Tai Group since 1988. He is also a director of Longtime Company Limited and Orient Telecom & Technology Holdings Limited. Mr. Ngai has over 37 years' experience in various industries in South-east Asia including telecommunications, trading, hotels and leisure, petrochemicals, real estate and agriculture. In 1995, he was recognised as an "honorary citizen" by the Shenzhen Municipal Government.

Mr. Tsang Link Carl, Brian, aged 46, joined in 2000 as an independent non-executive director of the Company. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He is a practising solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li. He holds a LLB Degree from the King's College, London. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. Mr. Tsang is an independent non-executive director of Walker Group Holdings Limited (Stock Code: 1386) and a non-executive director of Midland IC&I Limited (Stock Code: 459), both listed on the Main Board of the Stock Exchange. In June 2009, he resigned as an independent non-executive director of Pacific Century Premium Developments Limited (Stock Code: 432) listed on the Main Board of the Stock Exchange. In 2005, he was appointed as an adjudicator of the Registration of Persons Tribunal. In 2006, he was appointed as a member of Disciplinary Panel of HKICPA and a member of the Appeal Panel on Housing.

Senior Management - Biographies

Mr. Cha Johnathan Jen Wah, aged 45, joined in 2005 as the General Counsel of the Company. He is a solicitor admitted in Hong Kong and in England and Wales. Mr. Cha has over 19 years' experience in mergers and acquisitions, corporate finance, regulatory and general commercial work.

Mr. Chung Ka Fai, Alan, aged 42, joined in 1996 as the Chief Accountant of the Company. He is an associate member of the Australian Society of Certified Practising Accountants. Prior to joining the Company, he worked for various multi-national companies. Mr. Chung has over 19 years' experience in the accounting field.

Mr. Yang Zaiyan, aged 51, was appointed in October 2009 as a vice president of the Company. Mr. Yang is responsible for the management, planning and development of the Group's oil investments and portfolio. He holds a Bachelor of Engineering Degree from Huadong Petroleum Institute and is a senior geologist. Prior to joining the Company, he was engaged in CNPC and Sinochem Group organisations. Mr. Yang has over 27 years' experience in the oil and gas industry.

Corporate Governance Report

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

Compliance with the Code on Corporate Governance Practices

The Board is of the view that the Company has, for the year ended 31 December 2009, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the deviation to paragraphs A.4.1 and E.1.2 of the CG Code as respectively set out in the sections "Non-executive Directors" and "Investor Relations and Shareholders' Rights" below.

Board of Directors

The Board currently comprises a total of 12 members, with five executive directors, four non-executive directors and three independent non-executive directors:

Executive Directors:

Mr. Shou Xuancheng	(Vice Chairman)	(resigned on 23 October 2009)
Mr. Sun Xinguo	(President and Chief Executive Officer)	
Ms. Li So Mui		
Mr. Qiu Yiyong		
Mr. Tian Yuchuan		(appointed on 1 December 2009)
Mr. Zeng Chen		

Non-executive Directors:

Mr. Kong Dan	(Chairman)	(re-designated on 7 August 2009)
Mr. Mi Zengxin	(Vice Chairman)	(re-designated on 7 August 2009)
Mr. Ma Ting Hung		(retired on 26 June 2009)
Mr. Wong Kim Yin		
Mr. Zhang Jijing		(re-designated on 7 August 2009)
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

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

Corporate Governance Report

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

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

The following changes to the Board occurred during the year.

In June 2009, due to other business and personal commitments, Mr. Ma Ting Hung did not offer himself for re-election at the Company's annual general meeting and therefore ceased to be a non-executive director of the Company on conclusion of such annual general meeting.

In August 2009, Mr. Kong Dan, Mr. Mi Zengxin and Mr. Zhang Jijing were re-designated as non-executive directors of the Company.

In October 2009, Mr. Shou Xuancheng retired and resigned as an executive director and a vice chairman of the Company.

In December 2009, Mr. Tian Yuchuan was appointed as an executive director of the Company.

The biographies of the directors and senior management are set out on pages 20 to 23 of this annual report.

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

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

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

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

Corporate Governance Report

Chairman and Chief Executive Officer

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

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

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

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

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

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

Non-executive Directors

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

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

Corporate Governance Report

Paragraph A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for specific terms. However, under the Company's bye-laws, one-third of the directors (including those appointed for a specific term) for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in paragraph A.4.1 of the CG Code.

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

Board Meetings

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

There was satisfactory attendance for board meetings, which evidence prompt attention of the directors to the affairs of the Company. A total of five board meetings were held in 2009.

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

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

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

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

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

Corporate Governance Report

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 (or on terms no less exacting than the Model Code) (the "**Securities Dealings Code**") 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 Securities Dealings Code throughout the year.

Board Committees

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

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

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

Remuneration Committee

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

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

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

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

Corporate Governance Report

Members of the committee are:

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

Two meetings were held in the year. In the first meeting, the committee considered and approved the remuneration package of the newly appointed executive director. In the second meeting, the committee reviewed and approved the performance-based remuneration package of each individual executive director. No director was involved in deciding his/her own remuneration.

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

Nomination Committee

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

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

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

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

Members of the committee are:

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

No formal meeting was considered necessary during the year.

Corporate Governance Report

Audit Committee

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

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

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

Members of the committee are:

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

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

The committee meets as and when required to discharge its responsibilities, and at least twice in each financial year. Two meetings were held in the year and a majority of the members attended the meetings. The committee reviewed, together with the senior management and the external auditors, the financial statements for the year ended 31 December 2008 and the financial statements for the six months ended 30 June 2009, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters and internal control systems.

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

The committee recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the forthcoming annual general meeting, Ernst & Young be re-appointed as the external auditors for the Company for 2010.

Corporate Governance Report

Attendance at Meetings of the Board and the Board Committees

		Number of meetings held during the year Attended / Eligible to attend			
		Board	Remuneration committee	Nomination committee	Audit committee
Executive Directors:					
Mr. Shou Xuancheng	(resigned on 23 October 2009)	2/3			
Mr. Sun Xinguo		5/5			
Ms. Li So Mui		5/5			
Mr. Qiu Yiyong		5/5			
Mr. Tian Yuchuan	(appointed on 1 December 2009)	2/2			
Mr. Zeng Chen		5/5			
Non-executive Directors:					
Mr. Kong Dan	(re-designated on 7 August 2009)	5/5		0/0	
Mr. Mi Zengxin	(re-designated on 7 August 2009)	4/5			
Mr. Ma Ting Hung	(retired on 26 June 2009)	2/2			
Mr. Wong Kim Yin		5/5			
Mr. Zhang Jijing	(re-designated on 7 August 2009)	5/5	2/2	0/0	
Independent Non-executive Directors:					
Mr. Fan Ren Da, Anthony		5/5	2/2	0/0	2/2
Mr. Ngai Man		5/5	2/2	0/0	2/2
Mr. Tsang Link Carl, Brian		4/5	1/2	0/0	1/2

Financial Reporting

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

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

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

Internal Controls

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

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

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

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

Corporate Governance Report

Auditors' Remuneration

Ernst & Young were re-appointed by shareholders at the annual general meeting held on 26 June 2009 as the Company's external auditors until the next annual general meeting. They are primarily responsible for providing audit services in connection with annual financial statements of the Group for the year ended 31 December 2009.

For the year, the total remuneration in respect of statutory audit services amounted to HK$11,486,000 and in respect of non-audit services amounted to HK$1,273,000.

Investor Relations and Shareholders' Rights

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

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

Paragraph E.1.2 of the CG Code provides that the chairman of the independent board committee should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. Mr. Tsang Link Carl, Brian, the chairman of the independent board committee, was unable to attend the special general meeting of the Company held on 13 March 2009 due to personal reasons. Other members of the independent board committee were present and available to answer questions at that meeting.

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

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

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

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

Report of the Directors

The directors present their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

Principal Activities

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

(a) CITIC Australia Trading Limited ("**CATL**") became an indirect wholly-owned subsidiary of the Company after the completion of its privatisation and delisting from the Australian Securities Exchange; and

(b) an increase in the effective equity interest from 48% to 52.4% in 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**") at a consideration of RMB204.5 million (HK$232.3 million).

Segment Information

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's revenue and non-current assets by geographical area of operations for the year ended 31 December 2009 is set out in note 4 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 47 to 151.

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

Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the past five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out on page 152. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

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

Share Capital and Share Options

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

Pre-emptive Rights

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

Report of the Directors

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

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

Distributable Reserves

As at 31 December 2009, the Company had no reserves available for distribution. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution or payment of dividends to shareholders provided that the Company is able to pay off its debts as and when they fall due. The Company's share premium account, with a balance of HK$7,319,707,000 as at 31 December 2009, may be distributed in the form of fully paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK$6,012,000 (2008: HK$3,818,000).

Major Customers and Major Suppliers

In the year under review, sales to the Group's five largest customers accounted for 42.6% of the total sales for the year and sales to the largest customer included therein amounted to 12.2%. Purchases from the Group's five largest suppliers accounted for 57.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to 38.0%.

CITIC Metal Company Limited ("**CITIC Metal**"), a direct wholly-owned subsidiary of CITIC Group, was one of the Group's five largest customers. Details of the transactions are set out in note (a) under the heading "Connected Transactions and Continuing Connected Transactions - Continuing connected transactions" below.

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

Report of the Directors

Directors

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

Executive Directors:

Mr. Shou Xuancheng	(resigned on 23 October 2009)
Mr. Sun Xinguo	
Ms. Li So Mui	
Mr. Qiu Yiyong	
Mr. Tian Yuchuan	(appointed on 1 December 2009)
Mr. Zeng Chen	

Non-executive Directors:

Mr. Kong Dan	(re-designated on 7 August 2009)
Mr. Mi Zengxin	(re-designated on 7 August 2009)
Mr. Ma Ting Hung	(retired on 26 June 2009)
Mr. Wong Kim Yin	
Mr. Zhang Jijing	(re-designated on 7 August 2009)
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

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

In accordance with bye-law 86(2) of the Company's bye-laws, Mr. Tian Yuchuan must retire and, if eligible, may offer himself for re-election at the next following general meeting.

In accordance with bye-laws 87(1) and (2) of the Company's bye-laws, Mr. Kong Dan, Mr. Sun Xinguo, Mr. Zeng Chen and Mr. Tsang Link Carl, Brian will retire by rotation and, being eligible, will, offer themselves for re-election at the forthcoming annual general meeting.

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

Report of the Directors

Directors' and Senior Management's Biographies

Biographical details of the directors and the senior management of the Company are set out on pages 20 to 23 of this annual report.

Directors' Service Contracts

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

Directors' Remuneration

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

Directors' Interests in Contracts

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

Save as disclosed herein and so far as is known to the directors, as at 31 December 2009, none of the directors or their respective associates was materially interested in any subsisting contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

Directors' Competing Interests

On 1 April 2009, Mr. Zhang Jijing ("**Mr. Zhang**") was appointed as a non-executive director of CITIC Pacific Limited ("**CITIC Pacific**") (Stock Code: 267) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He was re-designated as an executive director and appointed as the managing director of CITIC Pacific on 18 November 2009. CITIC Pacific is engaged in a diversified range of businesses, including, but not limited to, the manufacturing of special steel, iron ore mining, property development and investment, basic infrastructure (such as energy, tunnels and communications) and marketing and distribution. Further details of the nature, scope and size of the businesses of CITIC Pacific as well as its management can be found in the latest annual report of CITIC Pacific. In the event that there are transactions between CITIC Pacific and the Company, Mr. Zhang will abstain from voting. Save as disclosed above, Mr. Zhang is not directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

Save as disclosed herein and so far as is known to the directors, as at 31 December 2009, none of the directors or their respective associates had any interest in a business apart from the businesses of the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Report of the Directors

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

As at 31 December 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules 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. Sun Xinguo	Directly beneficially owned	5,525,000	—	0.09
Ms. Li So Mui	Directly beneficially owned	224,000	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 28,000 shares are held by the spouse of Mr. Zhang Jijing. Accordingly, Mr. Zhang Jijing is deemed to be interested in the 28,000 shares.

Long positions in share options of the Company

Name of director	Number of options directly beneficially owned
Mr. Kong Dan	20,000,000
Mr. Mi Zengxin	10,000,000
Ms. Li So Mui	2,000,000
Mr. Zeng Chen	10,000,000
Mr. Zhang Jijing	10,000,000
	52,000,000

Report of the Directors

Long positions in the ordinary shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporation	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	Ordinary shares	18,000	Directly beneficially owned	—
Mr. Zhang Jijing	CITIC Pacific Limited	Share options	500,000	Directly beneficially owned	0.01

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

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

(a) as at 31 December 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; and

(b) as at 31 December 2009, none of the directors was a director or employee of a company which has an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above and in the section "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate of the Group.

Report of the Directors

Share Option Scheme

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

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

Name and category of participant	Number of share options: At 1 January 2009	Granted during the year	Exercised during the year [(1)]	At 31 December 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) [(3)]	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) [(3)]	**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 lapsed or was cancelled during the year.

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

(3) The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$2.277 per share.

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

As at 31 December 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:

Report of the Directors

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 People's Republic of China.

(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 31 December 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 or no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

Report of the Directors

Other member of the Group

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

Note:

(1) Apexhill Investments Limited ("**Apexhill**"), a company incorporated in the British Virgin Islands, is an indirect wholly-owned subsidiary of CITIC Group.

Connected Transactions and Continuing Connected Transactions

During the year, the Group had the following connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

(a) On 4 February 2009, a loan agreement was entered into between the Company, Apexhill and CITIC Dameng Investments Limited ("**CITIC Dameng Investments**"), pursuant to which the Company and Apexhill advanced HK$240 million (the "**CRH Portion**") and HK$60 million respectively to CITIC Dameng Investments to enable it to provide additional capital to CITIC Dameng JV by way of a capital increase (the "**Capital Increase**").

CITIC Dameng Investments is a wholly-owned subsidiary of CITIC Dameng Holdings Limited ("**CITIC Dameng Holdings**") which, in turn, is owned as to 80% indirectly by the Company and as to 20% directly by Apexhill. Apexhill is an indirect wholly-owned subsidiary of CITIC Group. CITIC Dameng Investments owned 60% of CITIC Dameng JV before the completion of the Capital Increase. The advance of the CRH Portion constitutes a connected transaction for the Company as CITIC Dameng Investments is a connected person of the Company under the Listing Rules. In addition, the Capital Increase also constitutes a connected transaction for the Company as CITIC Dameng JV is a connected person of the Company under the Listing Rules.

In April 2009, the Capital Increase was completed and the Group's effective equity interest in CITIC Dameng JV increased from 48% to 52.4% at a consideration of RMB204.5 million (HK$232.3 million). Details of the CRH Portion and 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.

Report of the Directors

(b) On 20 March 2009, a loan facility agreement was entered into between Huazhou Mining Investment Limited ("**Huazhou Mining**") and the Offshore Banking Service Centre of Bank of Communications Co., Ltd. (the "**Lender**"), pursuant to which the Lender lent up to US$10 million (HK$78 million) to Huazhou Mining. The proceeds of the loan were used to finance the capital and operating expenses of the manganese business operated by a subsidiary of Huazhou Mining in Gabon. The obligations of Huazhou Mining under the loan facility agreement are secured indirectly by an indemnity provided by CITIC Dameng JV.

Huazhou Mining, being a subsidiary of CITIC Dameng Holdings, is a connected person of the Company. Accordingly, the indemnity constitutes a connected transaction for the Company. Details of the transaction are set out in the announcement of the Company dated 20 March 2009.

Continuing connected transactions

(a) On 5 September 2008, an amendment was made to a cooperation agreement (the "**Cooperation Agreement**") signed between CITIC Australia Commodity Trading Pty. Ltd. ("**CACT**") and CITIC Metal on 5 April 2007. CACT is a direct wholly-owned subsidiary of CATL, and 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 under the Cooperation Agreement concern the sale of iron ore by CACT to CITIC Metal, and 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 year, the total 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).

(b) 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 (in accordance with the Listing Rules) of CITIC Dameng JV, and associates of Guangxi Dameng (in accordance with the Listing Rules), which constitute continuing connected transactions for the Company.

The transactions involve 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.

Report of the Directors

In May 2008, certain annual caps were increased to reflect 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 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	equivalent to HK$'000
Guangxi Dameng	Sale of natural discharge manganese dioxide	6,475	7,347
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	453,880
	Sale of manganese carbonate powder	19,200	21,786
	Sale of metallurgical manganese ore powder	8,000	9,078
	Provision of services, including mine selection, powder milling and manganese carbonate powder processing	1,400	1,589
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	40,849
	Sale of metallurgical manganese ore	24,000	27,233
	Sale of natural discharge manganese dioxide sand	21,000	23,829
南寧市電池廠 (Nanning Battery Plant)	Purchase of packaging bags for manganese products	7,762	8,808
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	20,425
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	36,310

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

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

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

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

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

Report of the Directors

The Board has received a letter from the auditors of the Company confirming that the above continuing connected transactions:

(a) have received the approval of the Board;
(b) are in accordance with the pricing policies of the Company;
(c) have been entered into in accordance with their respective contracts; and
(d) have not exceeded their respective approved annual caps set out above for the year.

The Company has complied with the applicable requirements under the Listing Rules in respect of continuing connected transactions engaged in by the Group.

Events after the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 50 to the financial statements.

Sufficiency of Public Float

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

Audit Committee

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

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

Auditors

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

On behalf of the Board
Mi Zengxin
Vice Chairman

Hong Kong, 26 March 2010

Independent Auditors' Report

Ernst & Young
安永

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

We have audited the financial statements of CITIC Resources Holdings Limited set out on pages 47 to 151, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

26 March 2010

Year ended 31 December 2009 HK$'000

Consolidated Income Statement

	Notes	2009	2008
REVENUE	5	**19,425,447**	18,761,463
Cost of sales		**(17,543,659)**	(15,547,583)
Gross profit		**1,881,788**	3,213,880
Other income and gains	5	**164,941**	342,823
Selling and distribution costs		**(677,880)**	(312,080)
Administrative expenses		**(551,433)**	(717,775)
Other expenses, net		**(373,194)**	(31,603)
Finance costs	9	**(822,383)**	(937,945)
Share of profit of an associate		**82,530**	162,665
		(295,631)	1,719,965
Write-back of provision/(provision) for impairment of items of property, plant and equipment	6	**446,907**	(6,420,737)
PROFIT/(LOSS) BEFORE TAX	6	**151,276**	(4,700,772)
Income tax credit/(expense)	10	**(2,731)**	5,164,147
PROFIT FOR THE YEAR		**148,545**	463,375
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**115,687**	204,256
Minority interests		**32,858**	259,119
		148,545	463,375
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	12		
Basic		**HK 1.91 cents**	HK 3.61 cents
Diluted		**HK 1.91 cents**	HK 3.60 cents

Year ended 31 December 2009 HK$'000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2009	2008
PROFIT FOR THE YEAR		**148,545**	463,375
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value	22	**47,864**	(72,564)
Reclassification adjustments for gains on disposal included in the consolidated income statement	22	**—**	44,190
Income tax effect	22	**(14,359)**	18,141
		33,505	(10,233)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	28	**175,028**	(158,733)
Reclassification adjustments for losses included in the consolidated income statement	28	**41,689**	23,446
Income tax effect	28	**(47,160)**	87,224
		169,557	(48,063)
Share of other comprehensive income of an associate		**65,611**	(34,316)
		235,168	(82,379)
Exchange differences on translation of foreign operations		**169,737**	(733,342)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**438,410**	(825,954)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**586,955**	(362,579)
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**603,910**	(693,674)
Minority interests		**(16,955)**	331,095
		586,955	(362,579)

31 December 2009 HK$'000

Consolidated Statement of Financial Position

	Notes	2009	2008
NON-CURRENT ASSETS			
Property, plant and equipment	13	**16,847,211**	16,329,307
Prepaid land lease premiums	14	**83,332**	77,433
Goodwill	15	**341,512**	341,512
Other intangible assets	16	**311,993**	318,875
Other assets	17	**487,378**	431,568
Investment in an associate	21	**2,138,286**	1,617,052
Available-for-sale investments	22	**69,758**	17,871
Prepayments, deposits and other receivables	23	**285,013**	137,371
Deferred tax assets	36	**187,929**	139,399
Total non-current assets		**20,752,412**	19,410,388
CURRENT ASSETS			
Inventories	24	**1,458,153**	1,546,048
Accounts receivable	25	**2,121,418**	1,715,307
Prepayments, deposits and other receivables	23	**631,177**	912,317
Loan receivable	26	**—**	3,222
Equity investments at fair value through profit or loss	27	**2,472**	1,909
Derivative financial instruments	28	**4,043**	37,586
Tax recoverable		**81,589**	160,683
Cash and bank balances	29	**4,480,336**	4,770,747
Total current assets		**8,779,188**	9,147,819
CURRENT LIABILITIES			
Accounts payable	30	**811,943**	823,088
Tax payable		**105,546**	538,806
Accrued liabilities and other payables	31	**792,212**	763,489
Derivative financial instruments	28	**43,248**	43,221
Bank and other borrowings	32	**2,251,687**	2,871,609
Finance lease payables	33	**8,968**	—
Bond obligations	34	**—**	355,649
Provisions	35	**43,527**	56,553
Total current liabilities		**4,057,131**	5,452,415
NET CURRENT ASSETS		**4,722,057**	3,695,404
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,474,469**	23,105,792

31 December 2009 HK$'000

Consolidated Statement of Financial Position

	Notes	2009	2008
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,474,469**	23,105,792
NON-CURRENT LIABILITIES			
Bank and other borrowings	32	**4,717,083**	3,019,210
Finance lease payables	33	**57,672**	—
Bond obligations	34	**7,614,842**	7,589,498
Deferred tax liabilities	36	**2,839,505**	2,759,529
Derivative financial instruments	28	**107,092**	94,456
Provisions	35	**363,309**	306,319
Other payables		**4,937**	11,442
Total non-current liabilities		**15,704,440**	13,780,454
NET ASSETS		**9,770,029**	9,325,338
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	37	**302,528**	302,328
Reserves	39(a)	**8,132,180**	7,589,607
		8,434,708	7,891,935
Minority interests		**1,335,321**	1,433,403
TOTAL EQUITY		**9,770,029**	9,325,338

Sun Xinguo
Director

Li So Mui
Director

Year ended 31 December 2009 HK$'000

Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Company												
	Notes	Issued capital	Share premium account	Contributed surplus	Capital reserve	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 39(a))	Retained profits	Sub-total	Minority interests	Total equity
At 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
Total comprehensive income/(loss) for the year		–	–	–	–	(805,318)	(10,233)	(82,379)	–	–	204,256	(693,674)	331,095	(362,579)
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	–	82,130	82,130
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	(99,439)	(99,439)
Capital injection from a minority shareholder		–	–	–	–	–	–	–	–	–	–	–	19,726	19,726
Issue of new shares	37(a), 39(b)	39,434	2,484,350	–	–	–	–	–	–	–	–	2,523,784	–	2,523,784
Share issue expenses	37, 39(b)	–	(13,448)	–	–	–	–	–	–	–	–	(13,448)	–	(13,448)
Equity-settled share option arrangements	37, 39(b)	–	–	–	–	–	–	–	3,810	–	–	3,810	–	3,810
Transfer from retained profits		–	–	–	–	–	–	–	–	20,591	(20,591)	–	–	–
At 31 December 2008		302,328	7,314,719 *	65,527 *	– *	(507,582) *	– *	(24,394) *	23,235 *	40,931 *	677,171 *	7,891,935	1,433,403	9,325,338

Year ended 31 December 2009 HK$'000

Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Company												
	Notes	Issued capital	Share premium account	Contributed surplus	Capital reserve (note 39(a))	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 39(a))	Retained profits	Sub-total	Minority interests	Total equity
At 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
Total comprehensive income/(loss) for the year		–	–	–	–	219,550	33,505	235,168	–	–	115,687	603,910	(16,955)	586,955
Acquisition of minority interests		–	–	–	(38,579)	23,972	–	–	–	–	–	(14,607)	(67,015)	(81,622)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	(64,950)	(64,950)
Capital injection into a subsidiary		–	–	–	(50,838)	–	–	–	–	–	–	(50,838)	50,838	–
Issue of new shares upon exercise of share options	37, 39(b)	200	4,988	–	–	–	–	–	(880)	–	–	4,308	–	4,308
Transfer from retained profits		–	–	–	–	–	–	–	–	8,663	(8,663)	–	–	–
At 31 December 2009		302,528	7,319,707 *	65,527 *	(89,417) *	(264,060) *	33,505 *	210,774 *	22,355 *	49,594 *	784,195 *	8,434,708	1,335,321	9,770,029

* These reserve accounts comprise the consolidated reserves of HK$8,132,180,000 (2008: HK$7,589,607,000) in the consolidated statement of financial position.

Year ended 31 December 2009 HK$'000

Consolidated Statement of Cash Flows

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**151,276**	(4,700,772)
Adjustments for:			
Interest income	5	**(54,854)**	(92,358)
Gain on disposal of available-for-sale listed investments	5	**—**	(46,133)
Gain on purchase of bond obligations	5	**—**	(25,623)
Equity-settled share option expense	6	**—**	3,810
Depreciation	6	**973,956**	1,481,079
Amortisation	6	**72,651**	77,988
Loss on disposal/write-off of items of property, plant and equipment	6	**7,089**	36,250
Provision/(write-back of provision) for impairment of items of property, plant and equipment	6	**(446,907)**	6,420,737
Provision for long service and leave payments	6	**70,330**	49,374
Provision for impairment of accounts receivable	6	**12,989**	1,322
Write-down/(reversal of write-down) of inventories to net realisable value	6	**(51,351)**	174,827
Provision for impairment of available-for-sale listed investments	6	**—**	14,952
Write-back of provision for ecological cost	6	**(5,638)**	—
Fair value losses/(gains) on derivative financial instruments – embedded derivatives	6	**24,583**	(46,545)
Loss/(gain) on deemed disposal of investment in an associate	6	**66,214**	(125,981)
Net unrealised gains on derivative financial instruments	28	**41,689**	23,446
Finance costs	9	**822,383**	937,945
Share of profit of an associate		**(82,530)**	(162,665)
Write-off of payables	5	**(18,613)**	(3,618)
		1,583,267	4,018,035
Decrease/(increase) in inventories		**191,880**	(726,643)
Increase in accounts receivable		**(105,861)**	(407,597)
Decrease/(increase) in prepayments, deposits and other receivables		**60,143**	(53,392)
Increase/(decrease) in accounts payable		**(79,761)**	209,097
Increase/(decrease) in accrued liabilities and other payables		**(28,377)**	63,111
Decrease in provisions		**(95,929)**	(4,494)
Cash generated from operations		**1,525,362**	3,098,117
Australian income tax paid		**(5,401)**	(44,963)
Kazakhstan income tax paid		**(308,308)**	(1,149,406)
PRC income tax paid		**(10,273)**	(62,877)
Net cash flows from operating activities		**1,201,380**	1,840,871

Year ended 31 December 2009 HK$'000

Consolidated Statement of Cash Flows

	Notes	2009	2008
Net cash flows from operating activities		**1,201,380**	1,840,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**54,854**	92,358
Purchases of items of property, plant and equipment		**(1,377,122)**	(2,067,179)
Purchase of other intangible assets	16	**(1,387)**	(204)
Purchases of prepaid land lease premiums	14	**(9,397)**	(105)
Proceeds from disposal of items of property, plant and equipment		**25,805**	2,895
Proceeds from disposal of available-for-sale listed investments		**—**	177,449
Net cash outflow from acquisition of subsidiaries	40	**—**	(116,887)
Acquisition of an additional equity interest in an associate		**(93)**	(757,357)
Acquisition of minority interest		**(81,622)**	—
Dividend received from an associate		**34,737**	—
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(1,595,289)**	—
Repayment of a loan receivable	26	**3,222**	18,393
Net cash flows used in investing activities		**(2,946,292)**	(2,650,637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital, net of expenses	37	**4,308**	2,510,336
Purchase of bond obligations	34(a)	**—**	(46,137)
Repayment of bonds		**(355,649)**	—
Dividends paid to minority shareholders		**(64,950)**	(99,439)
Capital injection from a minority shareholder		**—**	19,726
New bank and other borrowings		**10,817,652**	8,558,033
Repayment of bank and other borrowings		**(9,897,722)**	(6,489,498)
Capital element of finance lease payables		**55,950**	—
Interest paid		**(754,501)**	(855,389)
Finance charges paid		**(36,554)**	(7,446)
Net cash flows from/(used in) financing activities		**(231,466)**	3,590,186
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,976,378)**	2,780,420
Cash and cash equivalents at beginning of year		**4,770,747**	2,074,457
Effect of foreign exchange rate changes, net		**90,678**	(84,130)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,885,047**	4,770,747
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,169,716**	853,342
Non-pledged time deposits with original maturity of less than three months when acquired		**1,715,331**	3,917,405
		2,885,047	4,770,747

Note:
Reconciliation of cash and cash equivalents:

	2009	2008
Cash and bank balances and non-pledged time deposits with original maturity of less than three months when acquired	**2,885,047**	4,770,747
Non-pledged time deposits with original maturity of more than three months when acquired	**1,595,289**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**4,480,336**	4,770,747

31 December 2009 HK$'000

Statement of Financial Position

	Notes	2009	2008
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,929**	2,041
Interests in subsidiaries	18	**6,633,160**	6,072,325
Prepayments, deposits and other receivables	23	**5,688**	8,418
Total non-current assets		**6,640,777**	6,082,784
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**10,907**	9,700
Cash and bank balances	29	**2,487,099**	2,107,647
Total current assets		**2,498,006**	2,117,347
CURRENT LIABILITIES			
Accrued liabilities and other payables		**2,374**	3,492
NET CURRENT ASSETS		**2,495,632**	2,113,855
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,136,409**	8,196,639
NON-CURRENT LIABILITIES			
Bank borrowing	32	**2,184,000**	1,170,000
NET ASSETS		**6,952,409**	7,026,639
EQUITY			
Issued capital	37	**302,528**	302,328
Reserves	39(b)	**6,649,881**	6,724,311
TOTAL EQUITY		**6,952,409**	7,026,639

Sun Xinguo
Director

Li So Mui
Director

Notes to Financial Statements

1. Corporate Information

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

The principal activity of the Company is investment holding.

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

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

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

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

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

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

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

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

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

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

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

2.1 Basis of Preparation

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

Notes to Financial Statements

2.1 Basis of Preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

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

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for certain cases giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

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
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 18 Amendment *	Amendment to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent
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

Notes to Financial Statements

2.2 Changes in Accounting Policy and Disclosures (continued)

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
HK(IFRIC) – Int 18	Transfers of Assets from Customers (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008) **	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 48 to the financial statements while the revised liquidity risk disclosures are presented in note 49 to the financial statements.

(b) HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

Notes to Financial Statements

2.2 Changes in Accounting Policy and Disclosures (continued)

(c) HKAS 1 (Revised) Presentation of Financial Statements

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.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions [2]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [6]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [1]
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement [5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary [1]
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases [2]

Notes to Financial Statements

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

Apart from the above, the HKICPA has also issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group has concluded that while the adoption of HKAS 24 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised), HKAS 39 Amendment and HKFRS 9 may result in changes in accounting policies and disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

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

Joint ventures

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Joint ventures (continued)

A joint venture is treated as:

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

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

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

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

Jointly-controlled assets

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

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

Jointly-controlled entities

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. The Group's equity voting rights in Macarthur Coal Limited ("**Macarthur Coal**") was less than 20% during the period from 24 June 2009 to 31 December 2009 (2008: 1 January 2008 to 13 July 2008). However, the Group was able to exercise significant influence over Macarthur Coal and the investment was accounted for as an associate of the Group.

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

Goodwill

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

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

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

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

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Excess over the cost of business combinations

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

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

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

Freehold land is not depreciated.

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

Oil and gas properties

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

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

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Oil and gas properties (continued)

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

Capital works

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

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

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

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

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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

Other assets

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable to transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment is recognised in the consolidated income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the consolidated income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement in accordance with the policies set out for "Revenue recognition" below.

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Derecognition of financial assets

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

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

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "**loss event**") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the original effective interest rate of the financial asset (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities including accounts and other payables, bank and other borrowings, bond obligations and finance lease payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement includes interest charged on these financial liabilities.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation of effective interest rate is recognised in the consolidated income statement.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, forward commodity contracts and interest rate swaps to hedge its foreign currency risk, commodity price risk and interest rate risk, respectively. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

The fair value of commodity contracts that meet the definition of a derivative as defined by HKAS 39 but are entered into in accordance with the Group's expected purchase requirements is recognised in the consolidated income statement.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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

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

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in finance costs in the consolidated income statement.

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as effective hedging instruments are classified consistent with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

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

Cash and cash equivalents

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Provisions

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

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

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

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

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

Provision for the ecological cost represents the estimated costs for restoring the Group's oilfield in Kazakhstan to their original condition and cleaning all accumulated waste. The Group has estimated and provided for the expected costs of removal and clean-up on a periodical basis, and the liability is discounted using the average long-term risk-free interest rates adjusted for risks specific to the Kazakhstan market.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration the interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

Revenue recognition

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

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

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

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

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

Leases

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

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

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

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

Employee benefits

Share-based payment transactions

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

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using the Black-Scholes option pricing model.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

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

Other employee benefits

Pension schemes

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

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. Subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits (continued)

Pension schemes (continued)

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

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

Paid leave carried forward

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

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

Notes to Financial Statements

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies

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

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

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

Notes to Financial Statements

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Tax

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

Employee benefits - share-based payment transactions

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

Fair value of financial instruments

Where fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimation uncertainty

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

Notes to Financial Statements

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2009 was HK$341,512,000 (2008: HK$341,512,000). More details are given in note 15 to the financial statements.

Oil and gas reserves and mining reserves

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable value decline below their carrying amounts of inventories. Due to changes in technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Notes to Financial Statements

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments 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 aluminium ingots, iron ore, alumina, coal and steel; and the import of other commodities and manufactured goods such as vehicle and industrial batteries, tyres, alloy wheels and various metals such as steel and aluminium extrusion products in Australia;

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, cash and bank balances, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, bank and other borrowings, finance lease payables, bond obligations, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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Notes to Financial Statements

4. Operating Segment Information (continued)

Year ended 31 December 2009	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Others	Total
Segment revenue:							
Sales to external customers	1,029,113	344,030	13,083,451	2,086,364	2,882,489	—	19,425,447
Other income	2,239	18,749	30,717	19,764	14,715	—	86,184
	1,031,352	362,779	13,114,168	2,106,128	2,897,204	—	19,511,631
Segment results	(72,549)	68,514	198,111	178,493	178,785	—	551,354
Reconciliation:							
Interest income and unallocated gains							78,757
Loss on deemed disposal of investment in an associate							(66,214)
Write-back of provision for impairment of items of property, plant and equipment							446,907
Unallocated expenses							(119,675)
Profit from operating activities							891,129
Unallocated finance costs							(822,383)
Share of profit of an associate							82,530
Profit before tax							151,276
Segment assets	2,248,772	382,149	1,678,407	3,143,289	14,901,221	—	22,353,838
Reconciliation:							
Investment in an associate							2,138,286
Unallocated assets							5,039,476
Total assets							29,531,600
Segment liabilities	711,359	75,949	84,353	578,992	607,201	—	2,057,854
Reconciliation:							
Unallocated liabilities							17,703,717
Total liabilities							19,761,571
Other segment information:							
Depreciation and amortisation	119,248	16,922	1,613	152,315	751,567	—	1,041,665
Unallocated amounts							4,942
							1,046,607
Other non-cash expenses/(income)	—	12,356	—	(56,288)	5,570	—	(38,362)
Capital expenditure	32,916	50,011	1,353	526,818	771,546	—	1,382,644
Unallocated amounts							5,262
							1,387,906 *

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease premiums and other intangible assets.

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Notes to Financial Statements

4. Operating Segment Information (continued)

Year ended 31 December 2008	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Others	Total
Segment revenue:							
Sales to external customers	1,666,954	449,039	9,572,962	2,862,864	4,209,644	—	18,761,463
Other income	7,860	—	4,800	18,731	490	—	31,881
	1,674,814	449,039	9,577,762	2,881,595	4,210,134	—	18,793,344
Segment results	95,927	188,526	149,181	504,112	1,360,769	(17,940)	2,280,575
Reconciliation:							
Interest income and unallocated gains							184,961
Gain on deemed disposal of investment in an associate							125,981
Provisions for impairment of items of property, plant and equipment							(6,420,737)
Unallocated expenses							(96,272)
Loss from operating activities							(3,925,492)
Unallocated finance costs							(937,945)
Share of profit of an associate							162,665
Loss before tax							(4,700,772)
Segment assets	2,015,091	296,798	1,448,436	2,745,208	15,327,690	—	21,833,223
Reconciliation:							
Investment in an associate							1,617,052
Unallocated assets							5,107,932
Total assets							28,558,207
Segment liabilities	187,159	137,159	204,963	295,596	829,722	5,670	1,660,269
Reconciliation:							
Unallocated liabilities							17,572,600
Total liabilities							19,232,869
Other segment information:							
Depreciation and amortisation	123,446	13,294	1,780	88,985	1,314,361	14,092	1,555,958
Unallocated amounts							3,109
							1,559,067
Other non-cash expenses	—	—	—	148,191	27,958	—	176,149
Unallocated amounts							14,952
							191,101
Capital expenditure	118,234	40,292	724	592,397	1,319,415	8,846	2,079,908
Unallocated amounts							6,159
							2,086,067 *

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease premiums and other intangible assets.

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4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	2009	2008
PRC	**13,032,583**	7,176,637
Australia	**1,351,048**	2,627,373
Europe	**3,440,552**	4,869,184
North America	**63,201**	147,575
Kazakhstan	**106,705**	181,319
Other Asian countries	**1,011,152**	3,331,905
Others	**420,206**	427,470
	19,425,447	18,761,463

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2009	2008
Hong Kong	**8,329**	11,825
PRC	**4,529,647**	3,746,012
Australia	**4,452,614**	3,532,665
Kazakhstan	**10,659,527**	11,136,474
Gabon	**95,760**	63,912
Other Asian countries	**678,001**	732,804
	20,423,878	19,223,692

The non-current assets information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	Operating segment	**2009**	2008
Customer A	Import and export of commodities	**2,374,609**	3,112,296
Customer B	Crude oil	**2,277,277**	3,227,546

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Notes to Financial Statements

5. Revenue, Other Income and Gains

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

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

	Notes	2009	2008
Revenue			
Sale of goods:			
Aluminium smelting		**1,029,113**	1,666,954
Coal		**344,030**	449,039
Import and export of commodities		**13,083,451**	9,572,962
Manganese		**2,086,364**	2,862,864
Crude oil		**2,882,489**	4,209,644
		19,425,447	18,761,463
Other income and gains			
Interest income		**54,854**	92,358
Handling service fees		**30,312**	6,629
Gain on disposal of available-for-sale listed investments	22	**—**	46,133
Write-off of payables		**18,613**	3,618
Sale of scrap		**2,358**	8,104
Gain on purchase of fixed rate senior notes	34(a)	**—**	25,623
Government subsidies and value added tax rebate *		**11,251**	17,804
Gain on deemed disposal of investment in an associate		**—**	125,981
Others		**47,553**	16,573
		164,941	342,823
		19,590,388	19,104,286

* Various government grants have been received for employing handicapped workers and setting up research activities. There are no unfulfilled conditions or contingencies relating to these subsidies.

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Notes to Financial Statements

6. Profit/(Loss) Before Tax

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

	Notes	2009	2008
Cost of inventories sold *		**17,543,659**	15,547,583
Depreciation	13	**973,956**	1,481,079
Amortisation of other assets ***	17	**62,988**	68,160
Amortisation of other intangible assets	16	**7,601**	8,158
Amortisation of prepaid land lease premiums	14	**2,062**	1,670
Exploration and evaluation costs **		**37,225**	60,461
Minimum lease payments under operating leases on land and buildings		**42,028**	26,920
Auditors' remuneration		**11,486**	12,920
Employee benefit expense (including directors' remuneration - note 7):			
Wages and salaries		**686,462**	698,797
Equity-settled share option expense	37, 39(b)	**—**	3,810
Pension scheme contributions		**661**	330
Provision for long service and leave payments	35	**70,330**	49,374
		757,453	752,311
Loss on disposal/write-off of items of property, plant and equipment **		**7,089**	36,250
Provision/(write-back of provision) for impairment of items of property, plant and equipment	13	**(446,907)**	6,420,737
Provision for impairment of available-for-sale listed investments **	22	**—**	14,952
Exchange losses/(gains), net **		**213,490**	(113,838)
Write-down/(reversal of write-down) of inventories to net realisable value		**(51,351)**	174,827
Provision for impairment of accounts receivable **	25	**12,989**	1,322
Fair value losses/(gains) on derivative financial instruments - embedded derivatives		**24,583**	(46,545)
Write-back of provision for ecological cost	35	**(5,638)**	—
Loss/(gain) on deemed disposal of investment in an associate		**66,214**	(125,981)

* Cost of inventories sold for the year ended 31 December 2009 included an amount of HK$1,361,767,000 (2008: HK$2,105,280,000), which comprised employee benefit expense, write-down/(reversal of write-down) of inventories to net realisable value, depreciation and amortisation of the ESA and other intangible assets. Such amount has also been included in the respective expense items disclosed above.

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

*** The amortisation relates to the ESA.

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Notes to Financial Statements

7. Directors' Remuneration

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

	2009	2008
Fees:		
Executive directors and non-executive directors	**663**	834
Independent non-executive directors	**1,015**	828
	1,678	1,662
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**8,697**	9,172
Bonuses	**6,068**	7,589
Equity-settled share option expense	**—**	3,810
Pension scheme contributions	**146**	303
	14,911	20,874
	16,589	22,536

(a) Independent non-executive directors

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

	2009	2008
Fan Ren Da, Anthony	**355**	276
Ngai Man	**330**	276
Tsang Link Carl, Brian	**330**	276
	1,015	828

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

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Notes to Financial Statements

7. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
2009						
Executive Directors:						
Shou Xuancheng [6]	—	1,888	940	—	10	2,838
Sun Xinguo	—	2,108	1,320	—	12	3,440
Li So Mui	—	2,108	1,155	—	12	3,275
Qiu Yiyong	140	—	—	—	—	140
Tian Yuchuan [7]	—	190	69	—	1	260
Zeng Chen	140	2,403	2,584	—	111	5,238
Non-executive Directors:						
Kong Dan [5]	—	—	—	—	—	—
Mi Zengxin [5]	—	—	—	—	—	—
Ma Ting Hung [4]	103	—	—	—	—	103
Wong Kim Yin	140	—	—	—	—	140
Zhang Jijing [5]	140	—	—	—	—	140
Yap Chwee Mein	—	—	—	—	—	—
	663	8,697	6,068	—	146	15,574
2008						
Executive Directors:						
Kong Dan	—	—	—	3,810	—	3,810
Mi Zengxin	—	—	—	—	—	—
Shou Xuancheng	—	2,108	1,485	—	12	3,605
Sun Xinguo	—	2,108	1,485	—	12	3,605
Li So Mui	—	2,363	1,650	—	12	4,025
Qiu Yiyong	140	—	—	—	—	140
Zeng Chen	140	2,593	2,969	—	267	5,969
Zhang Jijing	140	—	—	—	—	140
Non-executive Directors:						
Ma Ting Hung	207	—	—	—	—	207
Tang Kui [1]	52	—	—	—	—	52
Wong Kim Yin [2]	155	—	—	—	—	155
Yap Chwee Mein [3]	—	—	—	—	—	—
	834	9,172	7,589	3,810	303	21,708

During the years ended 31 December 2009 and 2008, Mr. Kong Dan and Mr. Mi Zengxin elected not to receive any fee from the Company. Saved as aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

1. Resigned on 1 April 2008
2. Appointed on 1 April 2008
3. Appointed on 1 April 2008 as alternate to Mr. Wong Kim Yin
4. Retired on 26 June 2009
5. Re-designated as non-executive directors on 7 August 2009
6. Resigned on 23 October 2009
7. Appointed on 1 December 2009

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Notes to Financial Statements

8. Five Highest Paid Employees

The five highest paid employees during the year included four (2008: five) directors and one senior management staff (2008: Nil). Details of the remuneration of these directors are set out in note 7 and details of the remuneration of such senior management staff is as follows:

	2009	2008
Salaries, allowances and benefits in kind	2,234	—
Bonus	749	—
Pension scheme contribution	12	—
	2,995	—

The number of non-director, highest paid employees whose remuneration fell within the band between HK$2,500,001 and HK$3,000,000 is one (2008: Nil).

9. Finance Costs

An analysis of finance costs is as follows:

	Group	
	2009	2008
Interest expense on bank and other borrowings repayable:		
Within one year	156,453	239,267
In the second to fifth years, inclusive	51,265	71,380
Beyond five years	22,724	16,001
Interest expense on fixed rate senior notes, net	524,059	528,741
Interest expense on finance leases	3,785	—
Total interest expense on financial liabilities not at fair value through profit or loss	758,286	855,389
Amortisation of fixed rate senior notes	23,027	23,027
	781,313	878,416
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time (note 35)	3,254	44,068
Others *	37,816	15,461
	822,383	937,945

* Including amortisation of up-front fees of HK$2,730,000 (2008: HK$8,015,000)

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Notes to Financial Statements

10. Income Tax

	Group 2009	2008
Current - Hong Kong	—	—
Current - Elsewhere		
Charge for the year	**212,604**	1,274,107
Overprovision in prior years	**(170,221)**	(28,548)
Deferred - note 36	**(39,652)**	(6,409,706)
Total tax expense/(credit) for the year	**2,731**	(5,164,147)

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 year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2008: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Australia

Australian income tax has been applied at the statutory rate of 30% (2008: 30%) on the estimated assessable profits arising in Australia during the year.

Indonesia

The corporate tax rates applicable to the subsidiary which is operating in Indonesia is 30% (2008: 30%).

The Group's subsidiary owning a participating interest in oil and gas properties in Indonesia is subject to branch tax at the effective rate of 14% (2008: 14%).

PRC

Certain PRC subsidiaries of the Group are subject to a full corporate income tax exemption for 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 from 1 January 2008), the PRC corporate income tax rates for domestic and foreign-invested enterprises (including Sino-foreign equity joint ventures) are unified at 25%. Sino-foreign equity joint ventures which were established before the 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.

Notes to Financial Statements

10. Income Tax (continued)

Kazakhstan

In accordance with the subsoil use contract, the Group's jointly-controlled entities with operations domiciled in Kazakhstan shall pay excess profit tax ("**EPT**") on its profit after corporate income tax each year, pursuant to the Tax Code of Kazakhstan. During the year ended 31 December 2008, EPT should be paid on a basis of the cumulative real internal rate of return (the "**IRR**") exceeding 20%. The IRR was calculated based on the after-tax cash flow (the "**ATCF**") and by further discounting using the published oil machinery and equipment index. The ATCF should be calculated as the cumulative gross income less all expenses relating to petroleum operations, including transporting expenses, operating costs, capital expenditures and all taxes. EPT was paid at progressive rates from 4% to 30% of the profit after corporate income tax, as shown in the table below:

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

On 10 December 2008, the President of Kazakhstan signed the Code of the Republic of Kazakhstan on Taxes and Other Obligation Payments to the Budget (the "**New Tax Code**") which became 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 were reduced from 30% in 2008 to 20%, 17.5% and 15% in 2009, 2010 and 2011 onwards, respectively. A new calculation methodology on EPT was also introduced based on annual, not cumulative, profitability.

Pursuant to the legislation passed by the Government of the Republic of Kazakhstan on 16 November 2009, the corporate tax rates applicable to the Group's jointly-controlled entities established and operating in Kazakhstan will be increased to 20% in 2010 to 2012 and 17.5% in 2013. The corporate tax rate applicable in 2014 and onwards is 15%. All these were effective from 1 January 2009.

According to HKAS 12 Income Taxes, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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Notes to Financial Statements

10. Income Tax (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the Hong Kong statutory rate to the tax expense/(credit) at the Group's effective tax rate is as follows:

	Group	
	2009	2008
Profit/(loss) before tax	**151,276**	(4,700,772)
Tax at the Hong Kong statutory rate of 16.5% (2008: 16.5%)	**24,960**	(775,627)
Higher tax rates on profits arising elsewhere	**37,559**	298,945
Lower tax rate/tax holiday or concessions for specific provinces or enacted by local authorities	**(25,416)**	(83,048)
Adjustments in respect of current tax of previous periods	**(170,221)**	(28,548)
Effect on deferred tax of increase/(decrease) in rates	**33,502**	(4,758,338)
Income not subject to tax	**(105,507)**	(104,770)
Expenses not deductible for tax	**204,421**	215,949
Effect of withholding tax on the distributable profit of the Group's PRC subsidiaries and Kazakhstan jointly-controlled entities	**20,053**	82,786
Tax losses utilised from previous periods	**(16,620)**	(11,496)
Tax charge/(credit) at the Group's effective rate	**2,731**	(5,164,147)

The share of tax attributable to an associate amounting to HK$73,527,000 (2008: HK$55,377,000) is included in "Share of profit of an associate" in the consolidated income statement.

The Group has unrecognised deferred tax assets from tax losses arising in Hong Kong and the PRC in an aggregate amount of HK$210,161,000 (2008: HK$198,105,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. In respect of tax losses arising in the PRC, the losses are available for offsetting for a maximum of five years. Deferred tax assets have not been recognised in respect of these tax losses because they have arisen in companies that have been loss-making for some years, and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. Profit attributable to Shareholders of the Company

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2009 includes a loss of HK$78,452,000 (2008: HK$102,006,000) (note 39(b)) which has been dealt with in these financial statements.

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Notes to Financial Statements

12. Earnings per Share attributable to Ordinary Shareholders of the Company

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

In the prior year, the calculation of basic earnings per share amounts was also adjusted to reflect the Rights Issue (as defined below).

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

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

	2009	2008
Earnings		
Profit attributable to ordinary shareholders of the Company used in the basic earnings per share calculation	**115,687**	204,256

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,048,882,106**	5,656,944,841
Effect of dilution - weighted average number of ordinary shares: share options	**13,404,366**	20,605,730
	6,062,286,472	5,677,550,571

The computation of diluted earnings per share amounts for the years ended 31 December 2009 and 2008 does not assume the conversion of certain share options since the exercise of these options would result in an increase in earnings per share.

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Notes to Financial Statements

13. Property, Plant and Equipment

Group

31 December 2009	Notes	Oil and gas properties	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Construction in progress and construction material	Furniture and fixtures	Buildings and structures	Capital works	Total
Cost:										
At 1 January 2009		20,669,446	6,649	5,467	1,883,595	1,067,439	37,854	932,031	174,878	24,777,359
Change in provision for abandonment cost	35	35,950	—	—	—	—	—	—	—	35,950
Additions		245,593	—	148	157,227	873,126	4,922	90,284	5,822	1,377,122
Disposals/write-off		(5,623)	—	(197)	(56,183)	—	(638)	(7,536)	—	(70,177)
Transfers		659,846	—	—	107,023	(999,109)	1,639	230,601	—	—
Exchange realignment		(775,210)	1,959	44	282,906	(110,958)	(3,780)	83,271	48,831	(472,937)
At 31 December 2009		20,830,002	8,608	5,462	2,374,568	830,498	39,997	1,328,651	229,531	25,647,317
Accumulated depreciation and impairment:										
At 1 January 2009		7,815,195	—	4,760	454,166	7,654	9,593	116,195	40,489	8,448,052
Depreciation provided during the year	6	728,037	—	248	174,289	—	5,349	59,986	6,047	973,956
Disposals/write-off		(3,063)	—	(180)	(32,651)	—	(416)	(973)	—	(37,283)
Transfers		10	—	—	—	—	(10)	—	—	—
Write-back of provision for impairment	6	(446,907)	—	—	—	—	—	—	—	(446,907)
Exchange realignment		(247,574)	—	18	70,546	—	(325)	28,429	11,194	(137,712)
At 31 December 2009		7,845,698	—	4,846	666,350	7,654	14,191	203,637	57,730	8,800,106
Net book value:										
At 31 December 2009		12,984,304	8,608	616	1,708,218	822,844	25,806	1,125,014	171,801	16,847,211

Note: The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles, plant, machinery, tools and equipment as at 31 December 2009 amounted to HK$67,693,000 (2008: Nil).

As at 31 December 2009, the Group's property, plant and equipment of HK$207,614,000 (2008: HK$385,679,000) were pledged against the bank loans as further detailed in note 32(a)(ii) to the financial statements.

Freehold land of the Group is located in Australia.

At the date of approval of these financial statements, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of HK$330,460,000 (2008: HK$143,212,000). In addition, the Group's construction in progress with an aggregate net carrying amount of HK$42,209,000 (2008: HK$30,609,000) was situated on certain parcels of land in respect of which the Group was in the process of applying for land use rights certificates. The directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings and parcels of land, and the aforesaid matters did not have any significant impact on the Group's financial position as at 31 December 2009.

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Notes to Financial Statements

13. Property, Plant and Equipment (continued)

Group

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

During the prior year, the directors considered that certain oil and gas properties in the Karazhanbas oilfield, Kazakhstan were impaired and therefore impairment losses of HK$6,416,481,000 were recognised in the consolidated income statement for the year ended 31 December 2008. The triggers for the impairment tests were primarily the volatility of crude oil price, the decrease in production volume and the New Tax Code in Kazakhstan (imposing additional tax levies on the Group's crude oil operation) which reduced the estimated recoverable amounts of these related assets. In addition, certain property, plant and equipment of the Group's other operations were impaired and net impairment losses of HK$4,256,000 were also recognised in the consolidated income statement for the year ended 31 December 2008.

At the end of the current reporting period, the directors reassessed the recoverable amounts of the oil and gas properties in Kazakhstan and considered that previously recognised impairment losses may have decreased. The increase in the recoverable amounts of these oil and gas properties was primarily a reflection of an increase in the oil reserves of the Karazhanbas oilfield with reference to oil reserves estimated by an independent professional reserve valuer. Accordingly, a previously recognised impairment loss of the oil and gas properties in an amount of HK$446,907,000 was reversed and credited to the consolidated income statement in the current year.

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Notes to Financial Statements

13. Property, Plant and Equipment (continued)

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

The Group generally estimates value in use using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 15.6% (2008: 14.4%). This discount rate is derived from the Group's post-tax weighted average cost of capital.

Company

31 December 2009	Leasehold improvements	Motor vehicles and equipment	Total
Cost:			
At 1 January 2009	677	1,911	2,588
Additions	—	435	435
At 31 December 2009	677	2,346	3,023
Accumulated depreciation:			
At 1 January 2009	113	434	547
Provided during the year	136	411	547
At 31 December 2009	249	845	1,094
Net book value at 31 December 2009	428	1,501	1,929

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

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Notes to Financial Statements

14. Prepaid Land Lease Premiums

	Group	
	2009	2008
Carrying amount at 1 January	**79,126**	74,021
Additions	**9,397**	105
Amortisation (note 6)	**(2,062)**	(1,670)
Exchange realignment	**7**	6,670
Carrying amount at 31 December	**86,468**	79,126
Current portion included in prepayments, deposits and other receivables	**(3,136)**	(1,693)
Non-current portion	**83,332**	77,433

The leasehold land is held under a medium-term lease and is situated in the PRC. Leasehold land of HK$55,841,000 (2008: HK$57,147,000) is pledged for certain bank loans as further detailed in note 32(a)(ii) to the financial statements.

15. Goodwill

	Group	
	2009	2008
Cost and carrying amount:		
At beginning and end of year	**341,512**	341,512

Impairment testing of goodwill

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

- aluminium smelting segment of HK$316,830,000 (2008: HK$316,830,000); and
- import and export of commodities segment of HK$24,682,000 (2008: HK$24,682,000).

Aluminium smelting segment

The recoverable amount of the aluminium smelter cash-generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 7.3% (2008: 11.4%).

Import and export of commodities segment

In the current year, the recoverable amount of the import and export of commodities cash-generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 6.3%. In the prior year, the recoverable amount was determined by reference to the quoted share price of the Group's listed vehicle operating in the import and export of commodities segment in Australia. This listed vehicle was delisted from the Australian Securities Exchange (the "**ASX**") during the year and became a wholly-owned subsidiary of the Group.

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Notes to Financial Statements

16. Other Intangible Assets

Mining rights

	Group 2009	Group 2008
Cost:		
At 1 January	**338,225**	152,444
Additions	**1,387**	204
Acquisition of subsidiaries (note 40)	**—**	175,459
Exchange realignment	**(930)**	10,118
At 31 December	**338,682**	338,225
Accumulated amortisation:		
At 1 January	**19,350**	10,406
Provided during the year (note 6)	**7,601**	8,158
Exchange realignment	**(262)**	786
At 31 December	**26,689**	19,350
Net carrying amount at 31 December	**311,993**	318,875

17. Other Assets

	Group 2009	Group 2008
Cost:		
At 1 January	**693,614**	882,613
Exchange realignment	**204,406**	(188,999)
At 31 December	**898,020**	693,614
Accumulated amortisation:		
At 1 January	**262,046**	263,193
Provided during the year (note 6)	**62,988**	68,160
Exchange realignment	**85,608**	(69,307)
At 31 December	**410,642**	262,046
Net book value:		
At 31 December	**487,378**	431,568

Other assets represent the Group's interest in the ESA.

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Notes to Financial Statements

18. Interests in Subsidiaries

	Company 2009	2008
Unlisted shares, at cost	**173,133**	173,133
Due from subsidiaries	**7,419,256**	6,800,824
Due to subsidiaries	**(78,227)**	(74,868)
	7,514,162	6,899,089
Impairment	**(881,002)**	(826,764)
	6,633,160	6,072,325

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

Particulars of the subsidiaries of the Company as at 31 December 2009 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
SEA Wood Investment Holdings Limited	British Virgin Islands/ Hong Kong	US$10,000	100	Investment holding
Starbest Venture Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Star Elite Venture Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Resources Finance (2007) Limited ("**CR Finance**")	British Virgin Islands/ Hong Kong	US$1	100	Financing
Indirectly held				
Nusoil Manufacturing Limited	British Virgin Islands/ Hong Kong	US$100	100	Investment holding
Wing Lam (International) Timber Limited ("**Wing Lam**")	Hong Kong	HK$60,000,000	100	Investment holding
Global Enterprises (HK) Limited	Hong Kong	HK$2	100	Provision of management services

Notes to Financial Statements

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Maxpower Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC New Highland Petroleum Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Toplight Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Resources Australia Pty Limited ("**CRA**")	State of Victoria, Australia	A$357,650,000	100	Investment holding
CITIC Portland Holdings Pty Limited	State of Victoria, Australia	A$196,791,454	100	Investment holding
CITIC Australia (Portland) Pty Limited	State of Victoria, Australia	A$45,675,117	100	Aluminium smelting
CITIC Portland Surety Pty Limited	State of Victoria, Australia	A$1	100	Investment holding
CITIC Nominees Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Portland Finance 1 Pty Limited	State of Victoria, Australia	A$2	100	Financing
CITIC (Portland) Nominees I Pty Limited (note (a))	State of Victoria, Australia	A$2	100	Investment holding
CITIC (Portland) Nominees II Pty Limited (note (a))	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nominees Pty Limited Partnership	State of Victoria, Australia	A$6,693,943	100	Investment holding
CITIC Australia Coal Pty Limited	State of Victoria, Australia	A$6,589,637	100	Investment holding
CITIC Australia Coal Exploration Pty Limited	State of Victoria, Australia	A$2,845,375	100	Exploration, development and mining of coal

Notes to Financial Statements

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Australia Coppabella Pty Limited	State of Victoria, Australia	A$5,000,002	100	Mining and production of coal
CITIC Olive Downs Pty Limited	State of Victoria, Australia	A$99,958	100	Exploration and development of coal mines
CITIC Bowen Basin Pty Limited	State of Victoria, Australia	A$378,353	100	Exploration and development of coal mines
CITIC Capricorn Pty Limited	State of Victoria, Australia	A$9,549	100	Exploration and development of coal mines
CITIC Moorvale West Pty Limited	State of Victoria, Australia	A$2	100	Exploration and development of coal mines
CITIC West/North Burton Pty Limited	State of Victoria, Australia	A$34,238	100	Exploration and development of coal mines
CITIC West Rolleston Pty Limited	State of Victoria, Australia	A$196,390	100	Exploration and development of coal mines
CITIC West Walker Pty Limited	State of Victoria, Australia	A$91,812	100	Exploration and development of coal mines
CITIC Mining Equipment Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Australia Trading Limited ("**CATL**") (note (b))	State of Victoria, Australia	A$4,710,647	100	Investment holding
CITIC Australia Commodity Trading Pty Limited	State of Victoria, Australia	A$500,002	100	Import and export of commodities and manufactured goods

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18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CATL Sub-holdings Pty Limited	State of Victoria, Australia	A$2	100	Dormant
CITIC Tyres & Wheels Pty Limited	State of Victoria, Australia	A$100	100	Import of tyres and alloy wheels
Tyre Choice Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Batteries Pty Limited	State of Victoria, Australia	A$2	100	Import of batteries
CITIC Nickel Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nickel Australia Pty Limited	State of Victoria, Australia	A$1	100	Exploration and development of nickel mines
CITIC Nickel International Pty Limited	State of Victoria, Australia	A$1	100	Exploration and development of nickel mines
北京千泉投資顧問有限公司 # + (Beijing Springs Investment Consultants Co. Limited)	PRC	RMB1,243,173	100	Consulting
北京怡信美城商務信息諮詢有限公司 # + (Beijing Yi Xin Mei Cheng Commercial Communication Information Consulting Co. Ltd.)	PRC	RMB500,000	100	Consulting
Richfirst Holdings Limited	British Virgin Islands/ Hong Kong	US$100	100	Investment holding
Cogent Assets Limited	British Virgin Islands/ Hong Kong	US$2	100	Investment holding
CITIC Petrochemical Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding

Notes to Financial Statements

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Petrochemical Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Group Smart Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Highkeen Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Dameng Holdings Limited	Bermuda/ Hong Kong	HK$100,000	80	Investment holding
CITIC Dameng Investments Limited	British Virgin Islands/ Hong Kong	US$1	80	Investment holding
CITIC Dameng Trading Limited	Hong Kong	HK$10,000	80	Dormant
CITIC Dameng (HK) Limited	Hong Kong	HK$1	80	Dormant
中信大錳礦業有限責任公司 ^ (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**")	PRC	RMB579,710,100	52.4	Manganese mining and processing of manganese related products
廣西南寧寬廣工貿有限責任公司 # + (Guangxi Nanning Kuanguang Industry & Trade Co., Ltd.)	PRC	RMB1,000,000	40.35 ##	Provision of transportation services
廣西斯達特錳材料有限公司 # + (Guangxi Start Manganese Materials Co., Ltd.)	PRC	RMB24,280,000	37.29 ##	Processing and sale of manganese related products
廣西大新縣大寶鐵合金有限公司 # + (Guangxi Daxin Dabao Ferroalloy Co., Ltd.)	PRC	RMB2,680,000	31.44 ##	Processing and sale of manganese related products
天等縣大錳鐵合金有限公司 # + (Tiandeng Dameng Ferroalloy Co., Ltd.)	PRC	RMB50,000,000	31.44 ##	Processing and sale of ferroalloy products

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18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
廣西欽州市桂鑫冶金有限公司 # + (Guangxi Qinzhou Guixin Ferroalloy Co., Ltd.)	PRC	RMB30,000,000	36.68 ##	Processing and sale of high carbon ferrochromium products
中信大錳(廣西)礦業投資有限責任公司 # + (CITIC Dameng (Guangxi) Mining Investment Limited)	PRC	RMB50,000,000	52.4	Investment holding
中信大錳(天等)新材料有限公司 # + (CITIC Dameng (Tiandeng) New Materials Co., Ltd.)	PRC	RMB20,000,000	52.4	Processing and sale of manganese related products
中信大錳(崇左)新材料有限公司 # + (CITIC Dameng (Chongzuo) New Materials Co., Ltd.)	PRC	RMB20,000,000	52.4	Processing and sale of manganese related products
中信大錳田東新材料有限公司 # + (CITIC Dameng Tiandong New Materials Co., Ltd.)	PRC	RMB20,000,000	52.4	Processing and sale of manganese related products
中信大錳北部灣(廣西)新材料有限公司 # + (CITIC Dameng Beibuwan (Guangxi) New Materials Co., Ltd.)	PRC	RMB20,000,000	52.4	Processing and sale of manganese related products
Huazhou Mining Investment Limited ("**Huazhou Mining**")	British Virgin Islands/ Hong Kong	US$5,820,000	31.4 ##	Investment holding
Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) ("**Huazhou (Gabon)**")	Gabon	XAF10,000,000	26.7 ##	Exploitation of manganese mines and selection of minerals
CITIC Indonesia Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Seram Energy Limited	British Virgin Islands/ Indonesia	US$1	100	Investment holding

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18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Haiyue Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Tincy Group Energy Resources Limited	Hong Kong/ PRC	HK$10,000,000	90	Exploration, development and operation of oilfields
CITIC Oil & Gas Holdings Limited	British Virgin Islands/ Hong Kong	US$100	100	Investment holding
Renowned Nation Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
KBM Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Netherlands Energy Coöperatief U.A.	Netherlands/ Hong Kong	EUR100	100	Investment holding
Perfect Vision Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
KAZCITIC Investment LLP	Kazakhstan	KZT682,705,099	100	Property holding
Ample Idea Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
中信石油技術開發(北京)有限公司 # + (CITIC Petroleum Technology Development (Beijing) Limited)	PRC	US$100,000	100	Oil technology development
CITIC PNG Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC PNG Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Lion Energy Limited	British Virgin Islands/ Hong Kong	US$100	100	Investment holding

Notes to Financial Statements

18. Interests in Subsidiaries (continued)

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

Notes:

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

(b) On 20 January 2009, CATL successfully implemented a selective capital reduction involving the cancellation of all the shares held by its minority shareholders for a total cash payment of A$15,104,000 (HK$81,622,000) and became a 100% owned subsidiary of the Group. On the same date, CATL was delisted from the ASX.

19. Interests in Jointly-Controlled Entities

As at 31 December 2009, the Group's jointly-controlled entities primarily engaged in the exploration, development, production and sale of oil and provision of oilfield related services in Kazakhstan. Particulars of the jointly-controlled entities are as follows:

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

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Notes to Financial Statements

19. Interests in Jointly-Controlled Entities (continued)

The following table illustrates the summarised financial information of the Group's proportionate share of the jointly-controlled entities, which was proportionately consolidated by the Group as at 31 December 2009 and for the year then ended.

	2009	2008
Proportionate share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**10,689,282**	11,118,183
Current assets	**1,390,840**	2,269,821
Current liabilities	**(6,181,819)**	(7,730,842)
Non-current liabilities	**(2,980,510)**	(2,844,462)
Net assets	**2,917,793**	2,812,700

	2009	2008
Proportionate share of the jointly-controlled entities' results:		
Revenue	**2,663,084**	3,890,771
Other income	**17,875**	14,053
	2,680,959	3,904,824
Total expenses	**(1,996,931)**	(5,604,006)
Tax	**(36,177)**	3,569,523
Profit after tax	**647,851**	1,870,341

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20. Interests in Jointly-Controlled Assets

As at 31 December 2009, the Group held interests in the following joint ventures:

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

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

(c) 7% participating interest in the Coppabella and Moorvale coal mines joint venture (the "**CMJV**"), the principal activities of which are the mining and sale of coal;

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

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

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

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

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

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

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

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

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

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

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20. Interests in Jointly-Controlled Assets (continued)

The jointly-controlled assets as detailed in (c) to (k) above have different reporting dates to that of the Group, being 30 June compared to 31 December. The jointly-controlled assets as detailed in (a) to (k) are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The Group's interests in the net assets employed in the Portland Aluminium Smelter joint venture are included in the consolidated statement of financial position under the classifications shown below:

	2009	2008
Non-current assets	**2,552,617**	2,001,401
Current assets	**104,275**	108,153
Current liabilities	**(165,389)**	(141,493)
Non-current liabilities	**(263,027)**	(235,452)
Share of net assets employed in the Portland Aluminium Smelter joint venture	**2,228,476**	1,732,609

The Group's interests in the net assets employed in the Seram Interest are included in the consolidated statement of financial position under the classifications shown below:

	2009	2008
Non-current assets	**817,543**	805,238
Current assets	**234,045**	291,974
Current liabilities	**(33,189)**	(74,518)
Non-current liabilities	**(37,104)**	(42,810)
Share of net assets employed in the Seram Interest	**981,295**	979,884

The Group's interests in the combined net assets employed in the remaining jointly-controlled assets are included in the consolidated statement of financial position under the classifications shown below:

	2009	2008
Non-current assets	**845,322**	494,930
Current assets	**275,743**	342,057
Current liabilities	**(386,552)**	(528,841)
Non-current liabilities	**(17,605)**	(16,915)
Share of net assets employed in the remaining jointly-controlled assets	**716,908**	291,231

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21. Investment in an Associate

	Group	
	2009	2008
Share of net assets	**2,138,286**	1,617,052

Particulars of the Group's associate are as follows:

Name	Registered ordinary share capital	Place of incorporation	Percentage of equity interest attributable to the Group		Principal activities
			2009	2008	
Macarthur Coal #	A$713,420,000	Australia	**17.01**	20.39	Operation, exploration, development and mining of coal

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

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

The shares of Macarthur Coal are listed on the ASX and the market value of the Group's shares in Macarthur Coal as at 31 December 2009 was A$486,585,000 (HK$3,404,000,000) (2008: A$131,046,000 (HK$708,172,000)).

The following table illustrates the summarised financial information of Macarthur Coal extracted from its financial statements for the year ended 31 December 2009:

	2009	2008
Assets	**10,238,366**	6,302,318
Liabilities	**2,666,337**	2,416,291
Revenue	**3,675,305**	4,497,278
Profit after tax	**625,615**	1,107,515

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22. Available-for-sale Investments

	Group	
	2009	2008
Non-current equity investments:		
Listed equity investment in Australia, at fair value	**65,541**	13,654
Unlisted equity investment in the PRC, at cost	**4,217**	4,217
	69,758	17,871
The costs of the above investments were:		
Australia	**33,366**	28,606
PRC	**4,217**	4,217
	37,583	32,823

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

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$47,864,000, before related deferred tax liabilities of HK$14,359,000 (2008: a gross loss of HK$72,564,000, before related deferred tax assets of HK$18,141,000).

During the prior year, there had been a significant decline in the market value of the Group's listed equity investment. The directors considered that such a decline indicated that the listed investment had been impaired and an impairment loss of HK$14,952,000 (note 6) was recognised in the consolidated income statement for the year ended 31 December 2008. In addition, a net gain of HK$46,133,000 (note 5) was recognised by the Group upon disposal of available-for-sale listed investments, after netting off of a loss of HK$44,190,000 released from available-for-sale investment revaluation reserve during the prior year.

As at 31 December 2009, the Group's unlisted equity investment with a carrying amount of HK$4,217,000 (2008: HK$4,217,000) were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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23. Prepayments, Deposits and Other Receivables

	Group		Company	
	2009	2008	**2009**	2008
Prepayments	**421,061**	277,421	**11,760**	14,356
Deposits and other receivables	**456,272**	704,513	**4,835**	3,762
Due from minority shareholders of subsidiaries or its affiliates	**38,857**	67,754	**—**	—
	916,190	1,049,688	**16,595**	18,118
Portion classified as current assets	**(631,177)**	(912,317)	**(10,907)**	(9,700)
Portion classified as non-current assets	**285,013**	137,371	**5,688**	8,418

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

24. Inventories

	Group	
	2009	2008
Raw materials	**701,176**	894,478
Work in progress	**116,418**	88,490
Finished goods	**640,559**	563,080
	1,458,153	1,546,048

25. Accounts Receivable

	Group	
	2009	2008
Trade receivables	**1,923,561**	1,676,795
Notes receivable	**219,930**	46,690
Impairment	**(22,073)**	(8,178)
	2,121,418	1,715,307

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

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25. Accounts Receivable (continued)

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

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
Within one month	**898,937**	1,059,620
One to two months	**677,953**	490,085
Two to three months	**271,065**	93,490
Over three months	**273,463**	72,112
	2,121,418	1,715,307

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

	Group	
	2009	2008
At 1 January	**8,178**	9,565
Impairment losses recognised (note 6)	**12,989**	1,322
Amount written off as uncollectible	**(1,238)**	(2,818)
Exchange realignment	**2,144**	109
At 31 December	**22,073**	8,178

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$22,073,000 (2008: HK$8,178,000) with an aggregate carrying amount before provision of HK$22,073,000 (2008: HK$8,178,000). The individually impaired accounts receivable relate to customers that were in financial difficulties and the receivables are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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25. Accounts Receivable (continued)

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

	Group	
	2009	2008
Neither past due nor impaired	**1,987,148**	1,521,743
Less than one month past due	**20,743**	39,309
One to three months past due	**42,401**	95,295
Over three months past due	**71,126**	58,960
	2,121,418	1,715,307

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

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

Included in the total accounts receivable is an amount due from the Group's fellow subsidiary of HK$417,644,000 (2008: HK$271,946,000), which is repayable on similar credit terms to those offered to other customers of the Group.

26. Loan Receivable

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

27. Equity Investments at Fair Value through Profit or Loss

	Group	
	2009	2008
Current unlisted equity investments, at fair value:		
Australia	**2,472**	1,909

The above equity investments were classified as held for trading for both years.

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28. Derivative Financial Instruments

	Group			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts and currency options	2,750	—	—	40,438
Forward commodity contracts	1,293	—	37,586	—
Interest rate swaps and options	—	220	—	2,783
Derivative financial instruments – embedded derivative	—	150,120	—	94,456
	4,043	150,340	37,586	137,677
Portion classified as non-current: Derivative financial instruments – embedded derivative	—	(107,092)	—	(94,456)
Current portion	4,043	43,248	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 entered into derivative financial instruments transactions in the normal course of business in order to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

Forward currency contracts – cash flow hedges

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

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

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28. Derivative Financial Instruments (continued)

Forward currency contracts – cash flow hedges (continued)

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

As at 31 December, the terms of the outstanding forward contracts held by the Group were as follows:

	2009		2008	
	Weighted average exchange rate	**Contractual amount**	Weighted average exchange rate	Contractual amount
Forward contracts:				
(i) Sell A$/Buy US$				
Less than 3 months	**0.8973**	**91,347**	0.6808	143,644
In 1 to 2 years, inclusive	**0.8973**	**209,565**	0.6808	17,174
(ii) Buy A$/Sell US$				
Less than 3 months	**0.8843**	**96,405**	0.8612	100,525
In 3 to 12 months, inclusive	—	—	0.7695	102,222
In 1 to 2 years, inclusive	—	—	0.7566	9,997

The amounts disclosed above represent currencies sold and measured at the contracted rates.

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

Forward commodity contracts – cash flow hedges

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

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

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

Notes to Financial Statements

28. Derivative Financial Instruments (continued)

Forward commodity contracts – cash flow hedges (continued)

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

	2009			2008		
	Quantity hedged metric tonne	Average price per tonne HK$	Contractual amount HK$'000	Quantity hedged metric tonne	Average price per tonne HK$	Contractual amount HK$'000
Aluminium forward (sold):						
Less than 3 months	**250**	**22,175**	**5,541**	1,550	20,342	31,532
In 3 to 12 months, inclusive	**—**	**—**	**—**	2,250	22,175	49,895
In 1 to 2 years, inclusive	**—**	**—**	**—**	250	22,175	5,545

Interest rate swap contracts and options – cash flow hedges

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

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

Currently, there is one swap in place which covers 50% of the outstanding balance of US$41,143,000 (HK$320,922,000) in respect of a term loan borrowed by CITIC Australia (Portland) Pty Limited and are timed to expire as each loan repayment falls due. The interest rate is fixed at 2.35% p.a. over the whole term of the contract and the variable interest rates are set by reference to six-month LIBOR.

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

	2009		2008	
	Weighted average rate %	Notional amount HK$'000	Weighted average rate %	Notional amount HK$'000
US$ interest rate swap:				
In 1 to 5 years, inclusive	**2.35**	**160,446**	2.35	175,500

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Notes to Financial Statements

28. Derivative Financial Instruments (continued)

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

The terms of the forward contracts and options have been negotiated to match the terms of the commitments. The cash flow hedges of expected future sales and expected future purchases were assessed to be highly effective and a net gain, before deferred tax, of HK$169,557,000 (2008: loss of HK$158,733,000) was included in the hedging reserve as follows:

	2009
Total fair value gains included in the hedging reserve	**175,028**
Reclassified from other comprehensive income and recognised in the consolidated income statement	**41,689**
Deferred tax	**(47,160)**
Net gains on cash flow hedges	**169,557**

Derivative financial instrument – embedded derivative

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

29. Cash and Bank Balances

	Group		Company	
	2009	2008	**2009**	2008
Cash and bank balances	**1,169,716**	853,342	**3,568**	13,488
Time deposits *	**3,310,620**	3,917,405	**2,483,531**	2,094,159
	4,480,336	4,770,747	**2,487,099**	2,107,647

* Time deposits of HK$663,901,000 (2008: HK$1,428,991,000) and HK$647,870,000 (2008: HK$1,424,938,000) of the Group and of the Company, respectively, as at 31 December 2009 were placed with CITIC Ka Wah Bank Limited.

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

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29. Cash and Bank Balances (continued)

At the end of the reporting period, the cash and bank balances and time deposits of the Group and the Company denominated in Renminbi ("**RMB**") amounted to the equivalent of HK$612,546,000 (2008: HK$1,027,537,000) and HK$1,395,000 (2008: HK$2,060,000), respectively, and the cash and bank balances of the Group denominated in Kazakhstan Tenge ("**KZT**") amounted to the equivalent of HK$70,738,000 (2008: HK$356,309,000). Although RMB and KZT are not freely convertible into other currencies, the Group is permitted to exchange RMB and KZT for other currencies through banks authorised to conduct foreign exchange business under the foreign exchange control regulations of the PRC and the Republic of Kazakhstan.

30. Accounts Payable

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
Within one month	**739,818**	705,837
One to two months	**25,336**	44,395
Two to three months	**18,194**	14,977
Over three months	**28,595**	57,879
	811,943	823,088

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

31. Accrued Liabilities and Other Payables

Included in the total amount of accrued liabilities and other payables is an amount of HK$2,225,000 (2008: HK$4,604,000) due to CITIC Group, the ultimate holding company of the Company, being an interest expense payable on loans totalling US$37,000,000 (HK$288,608,000) (2008: US$37,000,000 (HK$288,608,000)) that had been advanced by CITIC Group (note 32(e)).

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32. Bank and Other Borrowings

	Notes	Group 2009	Group 2008
Bank loans – secured * # @	(a)	**838,846**	1,407,668
Bank loans – unsecured * #	(b)	**5,561,941**	3,951,008
Unsecured other loans from:			
– Transport Infrastructure Corridor *	(c)	**4,017**	4,113
– Exploration Permit for coal *	(d)	**4,392**	4,124
– CITIC Group #	(e)	**288,608**	288,608
– a fellow subsidiary #	(f)	**195,006**	195,006
– a fellow subsidiary ^	(g)	**15,960**	28,430
– a minority shareholder ^	(h)	**60,000**	—
– former minority shareholders ^	(i)	**—**	11,862
		6,968,770	5,890,819

		Company 2009	Company 2008
Bank loan – unsecured #	(b)	**2,184,000**	1,170,000

* Fixed rate
\# Floating rate
^ Interest-free
@ Including the effects of a related interest rate swap as further detailed in note 28 to the financial statements

Notes to Financial Statements

32. Bank and Other Borrowings (continued)

Notes:

(a) The secured bank loans of HK$838,846,000 include:

(i) a loan of US$41,143,000 (HK$320,922,000) repayable by instalments by 31 December 2013, which is interest-bearing at LIBOR plus margin, and is secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture; and

(ii) the loans of RMB456,000,000 (HK$517,924,000) with various due dates between 10 January 2010 and 30 September 2015, which are interest-bearing at rates ranging from 4.78% to 5.94% p.a.; secured by property, plant and equipment of HK$207,614,000 (2008: HK$385,679,000), prepaid land lease premiums of HK$55,841,000 (2008: HK$57,147,000); and guaranteed by a subsidiary of the Group and a minority shareholder.

(b) The unsecured bank loans of HK$5,561,941,000 include:

(i) a loan of US$280,000,000 (HK$2,184,000,000) repayable by instalments by 23 January 2013, which is interest-bearing at LIBOR plus 0.58% p.a. (increased to LIBOR plus 1.10% p.a. from 23 November 2009);

(ii) trade finance facilities of A$174,566,000 (HK$1,221,267,000) which are interest-bearing at LIBOR (or cost of fund) plus margin, and are guaranteed by CRA;

(iii) the loans of US$125,000,000 (HK$963,395,000) with due dates on 1 December 2011 and 4 August 2012, which are interest-bearing at LIBOR plus 2.47% p.a. and LIBOR plus 2.67% p.a., respectively;

(iv) the loans of RMB973,200,000 (HK$1,105,361,000) with various due dates between 10 February 2010 and 23 December 2012, which are interest-bearing at rates ranging from 2.28% to 5.40% p.a.; and

(v) a loan of US$11,350,000 (HK$87,918,000) repayable on 15 December 2012, which is interest-bearing at LIBOR plus 0.85% p.a., and is guaranteed by an indemnity provided by a subsidiary of the Group.

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

(d) The loan was obtained from the manager of the CMJV, which is unsecured, interest-bearing at 6% p.a. and is repayable by annual instalments by 11 December 2013.

(e) The loan was granted by CITIC Group, the ultimate holding company of the Company. The loan is unsecured, interest-bearing at LIBOR plus 1.50% p.a. and is repayable by instalments by 7 September 2012.

(f) The loan was obtained from CITIC Australia Pty Limited, a direct wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan is unsecured, interest-bearing at LIBOR plus 1.70% p.a. and is repayable on 30 June 2010.

(g) The loan was obtained from CITIC United Asia Investments Limited, an indirect wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan is unsecured, interest-free and is not repayable within one year.

(h) The loan was obtained from Apexhill Investments Limited, a minority shareholder of CITIC Dameng Holdings Limited, and an indirect wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan is unsecured, interest-free and is not repayable within one year.

(i) The loans were obtained from former minority shareholders of a subsidiary of the Group, details of which are set out in note 42(a) to the financial statements. The loans were unsecured and interest-free. The subsidiary was deregistered in accordance with the laws and regulations of the PRC, and therefore the loans were written back as other income during the year.

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32. Bank and Other Borrowings (continued)

	Group	
	2009	2008
Bank loans repayable:		
Within one year or on demand	**2,038,691**	2,659,261
In the second year	**1,720,399**	125,010
In the third to fifth years, inclusive	**2,573,550**	2,499,833
Beyond five years	**68,147**	74,572
	6,400,787	5,358,676
Other loans repayable:		
Within one year	**2,391**	1,743
In the second year	**2,535**	1,846
In the third to fifth years, inclusive	**3,483**	4,648
	8,409	8,237
Loan from CITIC Group:		
Within one year	**15,599**	15,599
In the second year	**15,599**	15,599
In the third to fifth years, inclusive	**257,410**	257,410
	288,608	288,608
Loan from a fellow subsidiary:		
Within one year	**195,006**	195,006
Loan from a fellow subsidiary:		
Beyond one year	**15,960**	28,430
Loan from a minority shareholder:		
Beyond one year	**60,000**	—
Loans from former minority shareholders:		
Beyond one year	**—**	11,862
Total bank and other borrowings	**6,968,770**	5,890,819
Portion classified as current liabilities	**(2,251,687)**	(2,871,609)
Non-current portion	**4,717,083**	3,019,210

	Company	
	2009	2008
Bank loan repayable:		
Within one year or on demand	**—**	—
In the second year	**546,000**	—
In the third to fifth years, inclusive	**1,638,000**	1,170,000
Total bank borrowing	**2,184,000**	1,170,000
Portion classified as current liabilities	**—**	—
Non-current portion	**2,184,000**	1,170,000

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32. Bank and Other Borrowings (continued)

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

Group

	Effective interest rate p.a.	Carrying amounts		Fair values	
	%	**2009**	2008	**2009**	2008
Bank loans – secured	4.31 - 5.35	**627,032**	651,442	**593,175**	628,050
Bank loans – unsecured	2.96 - 4.86	**3,735,064**	2,047,973	**3,509,327**	1,965,326
Unsecured other loans from:					
– Transport Infrastructure Corridor	7.22	**2,630**	3,103	**2,436**	2,973
– Exploration Permit for coal	7.55	**3,388**	3,391	**3,062**	3,206
– CITIC Group	3.81	**273,009**	273,009	**256,587**	163,761
– a fellow subsidiary	2.61	**15,960**	28,430	**15,158**	26,850
– a minority shareholder	2.61	**60,000**	—	**56,986**	—
– former minority shareholders	—	**—**	11,862	**—**	9,672
		4,717,083	3,019,210	**4,436,731**	2,799,838

Company

	Effective interest rate p.a.	Carrying amounts		Fair values	
	%	**2009**	2008	**2009**	2008
Bank loan – unsecured	3.91	**2,184,000**	1,170,000	**2,021,138**	1,107,108

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33. Finance Lease Payables

The Group leases certain of its plant and machinery for its coal mine operation. These leases are classified as finance leases and have remaining lease terms ranging from four to six years.

As at 31 December 2009, the total future minimum lease payments under finance lease payables and their present values were as follows:

Group

	Minimum lease payments		Present values of minimum lease payments	
	2009	2008	**2009**	2008
Amount payables:				
Within one year	**13,621**	—	**8,968**	—
In the second year	**17,091**	—	**13,172**	—
In the third to fifth years, inclusive	**27,571**	—	**20,330**	—
Beyond five years	**27,942**	—	**24,170**	—
Total minimum finance lease payments	**86,225**	—	**66,640**	—
Future finance charges	**(19,585)**	—		
Total net finance lease payables	**66,640**	—		
Portion classified as current liabilities	**(8,968)**	—		
Non-current portion	**57,672**	—		

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34. Bond Obligations

	Notes	Group 2009	2008
Senior notes, listed in Singapore	(a)	**7,614,842**	7,589,498
Bonds, listed in Kazakhstan (the "**Bonds**")	(b)	**—**	355,649
Total bond obligations		**7,614,842**	7,945,147
Portion classified as current liabilities		**—**	(355,649)
Non-current portion		**7,614,842**	7,589,498

Notes:

(a) On 17 May 2007, 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% p.a. 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 addition, the Company and its subsidiaries may incur additional indebtedness when the Group is in compliance with the terms and conditions of the Notes.

During the prior year, the Group purchased certain Notes with face value of US$9,200,000 (HK$71,760,000) at discounted prices and a gain of US$3,285,000 (HK$25,623,000) (note 5) was recognised in the consolidated income statement for the year ended 31 December 2008.

As at 31 December 2009, the fair value of the Notes was estimated at US$976,900,000 (HK$7,619,820,000), which was determined based on the closing market price of the Notes on that date.

(b) The Bonds were 11,100,000 non-callable coupon bonds in an 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 bore interest at a rate of 8% p.a. 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 was capped at 14% p.a. The interest was payable semi-annually. The Bonds were fully repaid on 13 January 2009.

35. Provisions

Group

	Notes	Long service and leave payments	Provision for rehabilitation cost	Provision for abandonment cost	Provision for ecological cost	Provision for land reclamation	Total
At 1 January 2009		90,199	127,207	95,603	46,874	2,989	362,872
Additional provision	6, 13	70,330	—	35,950	—	—	106,280
Amounts utilised during the year		(92,613)	(2,012)	(692)	—	(612)	(95,929)
Increase/(decrease) in discounted amounts arising from the passage of time	9	—	(13,982)	10,879	6,357	—	3,254
Reversal of unutilised amounts	6	—	—	—	(5,638)	—	(5,638)
Exchange realignment		22,083	35,357	(12,763)	(8,680)	—	35,997
At 31 December 2009		89,999	146,570	128,977	38,913	2,377	406,836
Portion classified as current liabilities		(41,635)	(1,892)	—	—	—	(43,527)
Non-current portion		48,364	144,678	128,977	38,913	2,377	363,309

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36. Deferred Tax

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

Deferred tax liabilities – 2009

	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments	Withholding taxes	Total
At 1 January 2009	2,569,417	15,206	174,906	2,759,529
Deferred tax charged/(credited) to the consolidated income statement during the year (note 10)	(37,291)	(7,383)	20,053	(24,621)
Effect of increase in tax rate (note 10)	33,502	—	—	33,502
Deferred tax charged to equity during the year	—	61,519	—	61,519
Exchange realignment	34,733	3,305	(28,662)	9,376
Gross deferred tax liabilities at 31 December 2009	2,600,361	72,647	166,297	2,839,305

Deferred tax assets – 2009

	Losses available for offsetting against future taxable profits
At 1 January 2009	139,399
Deferred tax credited to the consolidated income statement during the year (note 10)	48,533
Exchange realignment	(203)
Gross deferred tax assets at 31 December 2009	187,729
Net deferred tax liabilities at 31 December 2009	2,651,576

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Net deferred tax assets recognised in the consolidated statement of financial position	187,929
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,839,505)
	(2,651,576)

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36. Deferred Tax (continued)

Deferred tax liabilities – 2008

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

Deferred tax assets – 2008

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

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

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

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Notes to Financial Statements

37. Share Capital

Shares

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

During the year, 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.

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

	Notes	Number of shares in issue	Issued capital	Share premium account	Share option reserve	Total
At 1 January 2008		5,257,884,381	262,894	4,843,817	19,425	5,126,136
Rights Issue	(a), 39(b)	788,682,657	39,434	2,484,350	—	2,523,784
Share issue expenses	39(b)	—	—	(13,448)	—	(13,448)
Equity-settled share option arrangements	39(b)	—	—	—	3,810	3,810
At 31 December 2008 and 1 January 2009		**6,046,567,038**	**302,328**	**7,314,719**	**23,235**	**7,640,282**
Share options exercised	39(b)	**4,000,000**	**200**	**4,988**	**(880)**	**4,308**
At 31 December 2009		**6,050,567,038**	**302,528**	**7,319,707**	**22,355**	**7,644,590**

Note:

(a) On 15 July 2008, the Company completed the issue of 788,682,657 shares by way of a rights issue (the "**Rights Issue**") at a subscription price of HK$3.20 per rights share on the basis of three rights shares for every twenty existing shares. The proceeds of the Rights Issue, before issue expenses, amounted to HK$2,523,784,000 and was paid in cash. Further details of the Rights Issue are set out in the announcements of the Company dated 30 May 2008 and 14 July 2008 and the circular of the Company dated 20 June 2008.

Share options

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

Notes to Financial Statements

38. Share Option Scheme

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

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

(a)	Purpose	–	To enable the Company to grant options to Eligible Participants (as defined below) as incentives and rewards for their contributions to the Group.
(b)	Eligible Participants	–	Being employees or executives or officers of the Company or any of its subsidiaries (including their respective executive and non-executive directors) and consultants, business associates and advisers who will provide or have provided services to the Group.
(c)	Total number of shares available for issue under the New Scheme	–	The total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the total number of shares of the Company in issue.
(d)	Maximum entitlement of each Eligible Participant	–	The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue at the date of grant.
(e)	Period during which the shares must be taken up under an option	–	The period during which an option may be exercised is determined by the board of directors of the Company (the "**Board**") at its absolute discretion, except that no option may be exercised after 10 years from the grant date.
(f)	Minimum period for which an option must be held before it can be exercised	–	The minimum period for which an option must be held before it can be exercised is one year.
(g)	Basis of determining the exercise price	–	The exercise price payable in respect of each share must be at least the higher of (i) the closing price of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

Notes to Financial Statements

38. Share Option Scheme (continued)

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

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

The following share options were outstanding under the New Scheme as at the end of the reporting period:

	2009 Weighted average exercise price per share HK$	2009 Number of share options	2008 Weighted average exercise price per share HK$	2008 Number of share options
At 1 January	**1.773**	**57,000,000**	1.777	57,000,000
Exercised during the year	**1.077**	**(4,000,000)**	—	—
At 31 December	**1.825**	**53,000,000**	1.773	57,000,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.383 per share.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	Number of share options	Exercise price per share * HK$	Exercise period
2009	**28,000,000**	**1.077**	**02-06-2006 to 01-06-2010**
	5,000,000	**1.057**	**28-12-2006 to 27-12-2010**
	20,000,000	**3.065**	**07-03-2008 to 06-03-2012**
	53,000,000		
2008	32,000,000	1.077	02-06-2006 to 01-06-2010
	5,000,000	1.057	28-12-2006 to 27-12-2010
	20,000,000	3.065	07-03-2008 to 06-03-2012
	57,000,000		

* The exercise price of the share options is subject to adjustment in case of a rights issue or bonus issue, or other similar changes in the share capital of the Company.

At the end of the reporting period, the Company had 53,000,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 53,000,000 additional ordinary shares of the Company, additional share capital of HK$2,650,000 and share premium of HK$94,091,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 53,000,000 share options outstanding under the New Scheme, which represented 0.88% of the Company's shares in issue as at that date.

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39. Reserves

(a) Group

Movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 51 and 52 of the financial statements.

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

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

The capital reserve which arose from the acquisition of shares from minority shareholders of CATL and the capital increase in CITIC Dameng JV represents the difference between the consideration and the book value of the share of the net assets acquired.

(b) Company

	Notes	Share premium account	Contributed surplus	Exchange fluctuation reserve	Share option reserve	Accumulated losses	Total
As at 1 January 2008		4,843,817	172,934	255	19,425	(685,066)	4,351,365
Exchange realignment		—	—	240	—	—	240
Rights Issue	37	2,484,350	—	—	—	—	2,484,350
Share issue expenses	37	(13,448)	—	—	—	—	(13,448)
Equity-settled share option arrangements	37	—	—	—	3,810	—	3,810
Loss for the year	11	—	—	—	—	(102,006)	(102,006)
At 31 December 2008 and 1 January 2009		**7,314,719**	**172,934**	**495**	**23,235**	**(787,072)**	**6,724,311**
Exchange realignment		**—**	**—**	**(86)**	**—**	**—**	**(86)**
Share options exercised	37	**4,988**	**—**	**—**	**(880)**	**—**	**4,108**
Loss for the year	11	**—**	**—**	**—**	**—**	**(78,452)**	**(78,452)**
At 31 December 2009		**7,319,707**	**172,934**	**409**	**22,355**	**(865,524)**	**6,649,881**

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

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

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Notes to Financial Statements

40. Acquisition of Subsidiaries

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

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

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

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

	Notes	
Net assets acquired:		
Property, plant and equipment	13	46,936
Other intangible assets	16	175,459
Prepayments, deposits and other receivables		10,350
Inventories		57
Cash and bank balances		7,895
Accrued liabilities and other payables		(33,785)
Minority interests		(82,130)
		124,782
Satisfied by:		
Cash		79,050
Capital injection		45,732
		124,782
Cash consideration paid		(124,782)
Cash and bank balances acquired		7,895
Net outflow of cash and cash equivalents in respect of the Gabon Acquisition		(116,887)

Notes to Financial Statements

41. Note to the Consolidated Statement of Cash Flows

Major non-cash transaction

During the year, the Group has offset the rent tax and mineral extraction tax payables of HK$90,689,000 and fines payables of HK$18,122,000 against EPT receivable.

42. Litigations

(a) In January 1999, Dongguan Xinlian Wood Products Company Limited ("**Dongguan Xinlian**"), a wholly-owned subsidiary of the Company held through Wing Lam, received a writ of summons 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. During 1999 to 2007, the case was heard through various court instances in the PRC and certain members of the Plaintiff's management team were sentenced to imprisonment for creating forged documents. 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. Since then, the Plaintiff has not taken any action in respect of the case. During the year, the deregistration procedures of Dongguan Xinlian were completed in accordance with applicable laws and regulations in the PRC. Dongguan Xinlian was officially deregistered upon approval from 東莞市工商行政管理局 (The Municipal Administration for Industry and Commerce of Dongguan) on 17 December 2009.

(b) During 2007, the books and records of KBM were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of withholding tax from the source of payment for the years 2002 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 and a penalty.

During 2008, KBM appealed to the Courts of Astana City and the Supreme Court of the Republic of Kazakhstan (the "**Supreme Court**") but received decisions which were not in favour of KBM. 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$24,168,000) in the financial statements for the year ended 31 December 2008.

Having considered the decisions from the Supreme Court, in 2009 KBM decided not to proceed with the appeal. The case was then considered concluded.

(c) During 2007, the books and records of KBM have been audited by the Kazakhstan tax authorities with regard to the calculation and accrual of the excess profit tax for the years 2002 to 2004. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay an additional tax, fines and penalty.

During 2008, KBM appealed to the Courts of Astana City and the Supreme Court but received decisions which were not in favour of KBM. Partial provision has been made on certain claim amounts in respect of the decision from the Courts of Astana City on excess profit tax, fines and penalty in an aggregate amount of KZT1,889,187,000 (HK$122,074,000) in the financial statements for the year ended 31 December 2008.

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Notes to Financial Statements

42. Litigations (continued)

(c) (Continued)

In 2009, an appeal was made to the Supervisory Board of the Supreme Court (the "**Supervisory Board**"), and KBM finally received a decision which was in its favour. Based on the decision of the Supervisory Board, KBM revised and the Kazakhstan tax authorities acknowledged the excess profit tax computation for the prior years from 1997 to 2008. As a result, the Group's 50% share of the provision for the fines and penalty in an aggregate amount of KZT487,424,000 (HK$25,595,000) and the overpayment of the excess profit tax in the prior years of KZT2,917,309,000 (HK$153,185,000) were reversed and credited to administrative expenses and income tax, respectively, in the Group's consolidated income statement.

(d) In 2007, the books and records of KBM were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of value added tax ("**VAT**") receivable for a four-month period in 2006. As a result, KBM has not been refunded VAT receivable in an amount of KZT1,604,789,000 (HK$83,804,000). In 2007 and 2008, KBM filed appeals with the Specialised Interregional Economic Court of Mangistau Oblast, Kazakhstan (the "**Economic Court**") but decisions were made against KBM. On 8 February 2010, KBM appealed to the Supervisory Board, but again received the same decision of the Economic Court.

In light of the advice of the Group's legal advisers, the directors believe that KBM is able to offset the VAT receivable against VAT payables in the future. Accordingly, no provision has been made.

(e) In 2009, the customs authority of Kazakhstan conducted a customs audit on KBM and issued a claim (the "**Customs Duty Claim**") against KBM for an aggregate amount of KZT4,351,014,000 (HK$227,214,000) and related penalties of KZT854,110,000 (HK$44,602,000). On 19 January 2010, KBM filed an objection against the Customs Duty Claim in the Economic Court. However, on 25 March 2010, KBM received a decision not in its favour. KBM is now in the process of making an appeal to the Mangistau Oblast Court.

As KBM was working under a stable customs regime and exempted from the customs duty, the directors believe that KBM has a valid defence against the Customs Duty Claim. Accordingly, no provision has been made.

43. Contingent Liabilities

As at 31 December 2009 and 2008, the Notes issued by CR Finance, a direct wholly-owned subsidiary of the Company, are irrevocably and unconditionally guaranteed by the Company.

44. Operating Lease Commitments

As at 31 December 2009 and 2008, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2009	2008
Within one year	**20,453**	26,337
In the second to fifth years, inclusive	**21,258**	28,436
Beyond five years	**55,042**	53,341
	96,753	108,114

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Notes to Financial Statements

45. Commitments

In addition to the operating lease commitments detailed in note 44 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	Group	
	2009	2008
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**491,680**	495,587
Authorised, but not contracted for:		
Minimum work programme for the Karazhanbas oilfield	**522,600**	315,900
Land and buildings	**199,460**	350,781
Plant and machinery	**184,200**	509,682
	906,260	1,176,363

As at 31 December 2009, capital commitments included in the above authorised but not contracted for commitments of HK$906,260,000 (2008: HK$854,802,000) fall due within one year and there is no such amount (2008: HK$321,561,000) falling due in the second year.

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

	Group	
	2009	2008
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**4,395,268**	4,215,222
Authorised, but not contracted for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**18,640**	—

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

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Notes to Financial Statements

46. Related Party Transactions and Connected Transactions

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

(a)

	Notes	Group 2009	2008
Fellow subsidiaries:			
Sale of products	(i)	**2,374,609**	3,112,296
Interest expense	(ii)	**6,260**	191
Related companies of a minority shareholder:			
Sale of products	(i)	**42,190**	38,763
Purchases of inventories	(iii)	**43,320**	159,801
Purchase of items of property, plant and equipment	(iii)	**14,654**	31,978
Minority shareholder:			
Sale of products	(i)	**—**	7,158
Purchase of items of property, plant and equipment	(iii)	**1,228**	—
Guarantee fee paid	(iv)	**5,918**	5,955
Service fee paid	(v)	**2,723**	—
Ultimate holding company:			
Interest expense	(vi)	**9,703**	15,812

Notes:

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

(ii) The interest expense was charged based on six-month LIBOR plus 1.7% p.a.

(iii) The purchases from the related companies of a minority shareholder and the purchase from a minority shareholder were made according to the published prices and conditions offered by such related companies or such minority shareholder, as the case may be, to their independent customers.

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

(v) The service fee related to the provision of staff quarter and other facilities and related management services by a minority shareholder to the Group. The service fee was determined based on an actual cost reimbursement basis.

(vi) The interest expense was charged based on six-month LIBOR plus 1.5% p.a.

(b) During the year, the Group has paid rental charges of HK$2,786,000 (2008: HK$2,863,000) to CITIC House Pty Limited, an indirect wholly-owned subsidiary of CITIC Group.

(c) During the year, the Group has paid rental charges of HK$1,357,000 (2008: HK$1,320,000) to CITIC Group.

(d) Compensation of key management personnel of the Group: The directors of the Company are the key management personnel of the Group. Details of their remuneration are disclosed in note 7 to the financial statements.

The above (a) to (c) related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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Notes to Financial Statements

47. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

2009 Financial assets	**Financial assets at fair value through profit or loss - held for trading**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
Available-for-sale investments	—	—	69,758	69,758
Accounts receivable	—	2,121,418	—	2,121,418
Financial assets included in prepayments, deposits and other receivables	—	163,573	—	163,573
Equity investments at fair value through profit or loss	2,472	—	—	2,472
Derivative financial instruments	4,043	—	—	4,043
Cash and bank balances	—	4,480,336	—	4,480,336
	6,515	6,765,327	69,758	6,841,600

2009 Financial liabilities	**Financial liabilities at fair value through profit or loss - held for trading**	**Financial liabilities at amortised cost**	**Total**
Accounts payable	—	811,943	811,943
Financial liabilities included in accrued liabilities and other payables	—	762,778	762,778
Derivative financial instruments	150,340	—	150,340
Bank and other borrowings	—	6,968,770	6,968,770
Finance lease payables	—	66,640	66,640
Bond obligations	—	7,614,842	7,614,842
	150,340	16,224,973	16,375,313

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Notes to Financial Statements

47. Financial Instruments by Category (continued)

Group

2008 Financial assets	Financial assets at fair value through profit or loss - held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	17,871	17,871
Accounts receivable	—	1,715,307	—	1,715,307
Financial assets included in prepayments, deposits and other receivables	—	177,693	—	177,693
Loan receivable	—	3,222	—	3,222
Equity investments at fair value through profit or loss	1,909	—	—	1,909
Derivative financial instruments	37,586	—	—	37,586
Cash and bank balances	—	4,770,747	—	4,770,747
	39,495	6,666,969	17,871	6,724,335

2008 Financial liabilities	Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at amortised cost	Total
Accounts payable	—	823,088	823,088
Financial liabilities included in accrued liabilities and other payables	—	748,756	748,756
Derivative financial instruments	137,677	—	137,677
Bank and other borrowings	—	5,890,819	5,890,819
Bond obligations	—	7,945,147	7,945,147
	137,677	15,407,810	15,545,487

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Notes to Financial Statements

47. Financial Instruments by Category (continued)

Company

Financial assets	**2009 Loans and receivables**	2008 Loans and receivables
Due from subsidiaries	**7,419,256**	6,800,824
Financial assets included in prepayments, deposits and other receivables	**4,835**	3,762
Cash and bank balances	**2,487,099**	2,107,647
	9,911,190	8,912,233

Financial liabilities	**2009 Financial liabilities at amortised cost**	2008 Financial liabilities at amortised cost
Due to subsidiaries	**78,227**	74,868
Financial liabilities included in accrued liabilities and other payables	**2,374**	3,492
Bank borrowing	**2,184,000**	1,170,000
	2,264,601	1,248,360

48. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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Notes to Financial Statements

48. Fair Value Hierarchy (continued)

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Level 1	Level 2	Level 3	Total
Available-for-sale investments:				
Listed equity investments	65,541	—	—	65,541
Equity investments at fair value through profit or loss	2,472	—	—	2,472
Derivative financial instruments	—	4,043	—	4,043
	68,013	4,043	—	72,056

Liabilities measured at fair value as at 31 December 2009:

	Level 1	Level 2	Level 3	Total
Derivative financial instruments	—	220	150,120	150,340

Quoted market prices represent the fair value determined based on quoted prices in active markets as at the reporting date without any deduction of transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and non-observable market inputs.

(i) Financial instruments that use valuation techniques with only observable market inputs or non-observable market inputs that are not significant to the overall valuation include interest rate swaps, foreign exchange contracts and commodity forward contracts which are not traded on any recognised exchange.

(ii) The fair value of the ESA, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable.

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Notes to Financial Statements

48. Fair Value Hierarchy (continued)

The movements in fair value measurements in Level 3 during the year are as follows:

Derivative financial instruments	
At 1 January 2009	**94,456**
Total losses recognised in the consolidated income statement	**24,583**
Exchange realignment	**31,081**
At 31 December 2009	**150,120**

49. Financial Risk Management Objectives and Policies

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

The Group also enters into derivative transactions, including principally interest rate swaps, forward currency and commodity contracts. The purpose is to manage the interest rate, currency and commodity price risks arising from the Group's operations and its sources of finance. The details of derivative financial instruments are set out in note 28 to the financial statements.

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

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

The Group's policy is to manage its interest costs using a mix of fixed and floating rate debts with respect to the prevailing interest rate environment. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge the underlying debt obligations. Long-term notes issued at fixed coupon expose the Group to fair value interest rate risk. As at 31 December 2009, after taking into account the effect of the interest rate swap, 57% (2008: 65%) of the Group's interest-bearing borrowings bore interest at fixed rates.

Notes to Financial Statements

49. Financial Risk Management Objectives and Policies (continued)

Interest rate risk (continued)

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

	Group			Company	
	Increase/ (decrease) in interest rate basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000	Increase/ (decrease) in interest rate basis points	Increase/ (decrease) in equity HK$'000
2009					
US$	**(100)**	**38,916**	**34,075**	**(100)**	**21,840**
US$	**100**	**(38,916)**	**(34,075)**	**100**	**(21,840)**
2008					
US$	(100)	26,481	21,737	(100)	11,700
US$	100	(26,481)	(21,737)	100	(11,700)

Foreign currency risk

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

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

Notes to Financial Statements

49. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

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

	Increase/ (decrease) in US$ rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity *
	%	HK$'000	HK$'000
2009			
If US$ weakens against A$	**(10.0)**	**(114,741)**	**10,816**
If US$ strengthens against A$	**10.0**	**140,242**	**(13,257)**
If US$ weakens against KZT	**(19.5)**	**58,116**	**57,798**
If US$ strengthens against KZT	**19.5**	**(58,116)**	**(57,798)**
2008			
If US$ weakens against A$	(10.0)	(27,479)	71,187
If US$ strengthens against A$	10.0	33,878	(83,087)
If US$ weakens against KZT	(30.0)	69,480	68,794
If US$ strengthens against KZT	30.0	(69,480)	(68,794)

* Excluding retained profits

Commodity price risk

The Group is exposed to the risk of fluctuations in the market price of aluminium prevailing from time to time. The Group manages such risk by entering into commodity forward contracts to hedge future aluminum price volatilities. In addition, the Group entered into the ESA which is linked to the market price of aluminum and is considered a financial instrument embedded in the ESA. Such embedded derivatives need to be marked to market at the end of each reporting period based on future aluminum prices. On 31 December 2009, the aluminum price forward curves increased as compared to that on 31 December 2008 and the revaluation of the embedded derivatives resulted in an unrealised loss. Such evaluation has no cash flow consequences for operations but introduces volatility into the consolidated income statement.

As at the end of the reporting period, an increase in aluminum prices by 5%, with all other variables held constant, would decrease the Group's profit before tax and equity (due to changes in fair value of embedded derivatives) by HK$98,483,000 (2008: HK$69,571,000), and a decrease in aluminum prices by 5%, with all other variables held constant, would increase the Group's profit before tax and equity (due to changes in fair value of embedded derivatives) by HK$94,586,000 (2008: HK$69,263,000).

Notes to Financial Statements

49. Financial Risk Management Objectives and Policies (continued)

Credit risk

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 25 to the financial statements.

Liquidity risk

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

The Group's objective is to maintain an optimal balance of cash holding and funding through the use of bank loans and other interest-bearing loans, to maintain liquidity and maximise return to shareholders of the Company. As at 31 December 2009, 15.4% of the Group's debts would mature in less than one year (2008: 23.3%) based on the carrying values of borrowings reflected in the financial statements.

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Notes to Financial Statements

49. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2009				
	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Accounts payable	46,789	765,154	—	—	811,943
Financial liabilities included in accrued liabilities and other payables	83,914	600,542	—	—	684,456
Derivative financial instruments	—	5,002	38,246	107,092	150,340
Bank and other borrowings	—	357,045	2,125,429	4,997,967	7,480,441
Finance lease payables	—	—	13,621	72,604	86,225
Bond obligations	—	—	592,313	9,511,125	10,103,438
	130,703	1,727,743	2,769,609	14,688,788	19,316,843

	2008				
	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Accounts payable	72,856	750,232	—	—	823,088
Financial liabilities included in accrued liabilities and other payables	67,745	566,579	—	—	634,324
Derivative financial instruments	—	14,021	29,200	94,456	137,677
Bank and other borrowings	—	639,655	2,563,452	3,363,635	6,566,742
Bond obligations	355,649	—	592,312	10,037,625	10,985,586
	496,250	1,970,487	3,184,964	13,495,716	19,147,417

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Notes to Financial Statements

49. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Company

	2009				
	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Due to subsidiaries	**78,227**	**—**	**—**	**—**	**78,227**
Financial liabilities included in accrued liabilities and other payables	**1,727**	**—**	**—**	**—**	**1,727**
Bank borrowing	**—**	**646**	**45,523**	**2,286,426**	**2,332,595**
	79,954	**646**	**45,523**	**2,286,426**	**2,412,549**

	2008				
	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Due to subsidiaries	74,868	—	—	—	74,868
Financial liabilities included in accrued liabilities and other payables	2,568	—	—	—	2,568
Bank borrowing	—	923	30,230	1,268,247	1,299,400
	77,436	923	30,230	1,268,247	1,376,836

As at 31 December 2009 and 2008, the Notes issued by CR Finance, a direct wholly-owned subsidiary of the Company, are irrevocably and unconditionally guaranteed by the Company with an estimated maximum amount of HK$10,103,438,000 (2008: HK$10,629,938,000).

Capital management

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 2008.

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Notes to Financial Statements

49. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

During the year, certain financial covenants under the bank borrowings of the Group were not complied with. Prior to 31 December 2009, waivers were obtained by the Group from strict compliance with such financial covenants.

The Group monitors capital using a gearing ratio, which is total debts divided by the total capital. The Group's current objective is to gradually lower the gearing ratio to a reasonable level. Total debts includes bank and other borrowings, finance lease payables and bond obligations. Total capital includes equity attributable to shareholders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2009	2008
Bank and other borrowings	**6,968,770**	5,890,819
Finance lease payables	**66,640**	—
Bond obligations	**7,614,842**	7,945,147
Total debts	**14,650,252**	13,835,966
Total capital	**8,434,708**	7,891,935
Gearing ratio	**173.7%**	175.3%

50. Events after the Reporting Period

(a) In December 2009, Macarthur Coal, an associate of the Group, entered into a number of acquisition agreements to acquire certain coal assets in Australia, including, amongst others:

(i) acquisition of a 100% interest in Gloucester Coal Ltd. ("**Gloucester**") through an off-market takeover offer, satisfied through the issue of new shares of Macarthur Coal ("**Macarthur Shares**") or a cash alternative. Noble Group Limited ("**Noble**"), Gloucester's largest shareholder, will elect not to receive the cash alternative if it chooses to accept the takeover offer (the "**Gloucester Transaction**"); and

(ii) acquisition of a 25.34% interest in Middlemount Coal Pty Ltd. from Noble, satisfied through a combination of Macarthur Shares and cash (the "**Noble Transaction**").

The Gloucester Transaction and the Noble Transaction are subject to certain terms and conditions, including approval from relevant authorities, and are expected to be completed in 2010. Upon completion, the Group's interest in Macarthur Coal will be diluted from 17.01% to 12.54%.

Notes to Financial Statements

50. Events after the Reporting Period (continued)

(b) In December 2009, the Group entered into an agreement with Macarthur Coal to dispose of its 100% interest in CITIC Australia Coppabella Pty Limited, which in turn owns a 7% interest in the CMJV, for a consideration of A$105 million (HK$735 million), subject to adjustment, and to terminate the CITIC Marketing Agency Agreement for a cancellation fee of A$5 million (HK$35 million). The consideration and the cancellation fee will be satisfied through the issue of new Macarthur Shares (collectively the "**Coppabella Transaction**").

The Coppabella Transaction is subject to certain terms and conditions, including approval from relevant authorities, and is expected to be completed in 2010. Details of the transactions are set out in the announcement of the Company dated 22 December 2009.

Upon completion of the Gloucester Transaction, the Noble Transaction and the Coppabella Transaction, the Group's interest in Macarthur Coal is expected to be 15.32%.

(c) On 1 March 2010, the Group together with the joint venture participants of the Portland Aluminium Smelter, entered into a new base load electricity contract (the "**EHA**") with Loy Yang Power securing the supply of electricity to the aluminium smelter operation from 2016 to 2036. The EHA effectively allows the Group to secure electricity supply beyond 2016 when its current ESA expires. The pricing mechanism used in the EHA between the Group and Loy Yang Power includes a component that is subject to certain escalation factors which, in turn, are affected by the consumer price index, producer price index and labour cost. Loy Yang Power is the operator of the largest power station in the State of Victoria and Australia's largest open cut brown coal mine.

51. Comparative Amounts

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Certain comparative amounts have been reclassified to conform with the current year's presentation. The reclassification has no material impact on the comparative consolidated statement of financial position.

52. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 26 March 2010.

HK$'000

Five Year Financial Summary

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

Results

	Year ended 31 December				
	2009	2008	2007	2006	2005
Revenue	**19,425,447**	18,761,463	10,007,656	6,835,161	5,786,386
Profit/(loss) before tax	**151,276**	(4,700,772)	731,012	316,189	342,157
Income tax credit/(expense)	**(2,731)**	5,164,147	(209,630)	(70,152)	(110,642)
Profit for the year	**148,545**	463,375	521,382	246,037	231,515
Attributable to:					
Shareholders of the Company	**115,687**	204,256	282,777	200,815	221,703
Minority interests	**32,858**	259,119	238,605	45,222	9,812
	148,545	463,375	521,382	246,037	231,515

Assets, Liabilities and Minority Interests

	31 December				
	2009	2008	2007	2006	2005
Non-current assets	**20,752,412**	19,410,388	25,129,904	4,373,701	3,080,713
Current assets	**8,779,188**	9,147,819	5,877,734	4,954,660	2,939,314
Total assets	**29,531,600**	28,558,207	31,007,638	9,328,361	6,020,027
Current liabilities	**4,057,131**	5,452,415	4,419,749	2,854,539	1,437,385
Non-current liabilities	**15,704,440**	13,780,454	19,416,535	2,968,733	1,615,235
Total liabilities	**19,761,571**	19,232,869	23,836,284	5,823,272	3,052,620
Minority interests	**1,335,321**	1,433,403	1,099,891	279,746	25,634
	8,434,708	7,891,935	6,071,463	3,225,343	2,941,773

RESERVE QUANTITIES INFORMATION

Proven Oil Reserves (Unaudited)

million barrels

	Indonesia	PRC	Kazakhstan	Total
At 1 January 2009	5.2	5.7	151.0	161.9
Revision	(0.6)	6.1	26.0	31.5
Production	(0.4)	—	(6.2)	(6.6)
At 31 December 2009	4.2	11.8	170.8	186.8

The above figures represent the Group's net interests in the reserves held through subsidiaries and joint ventures.