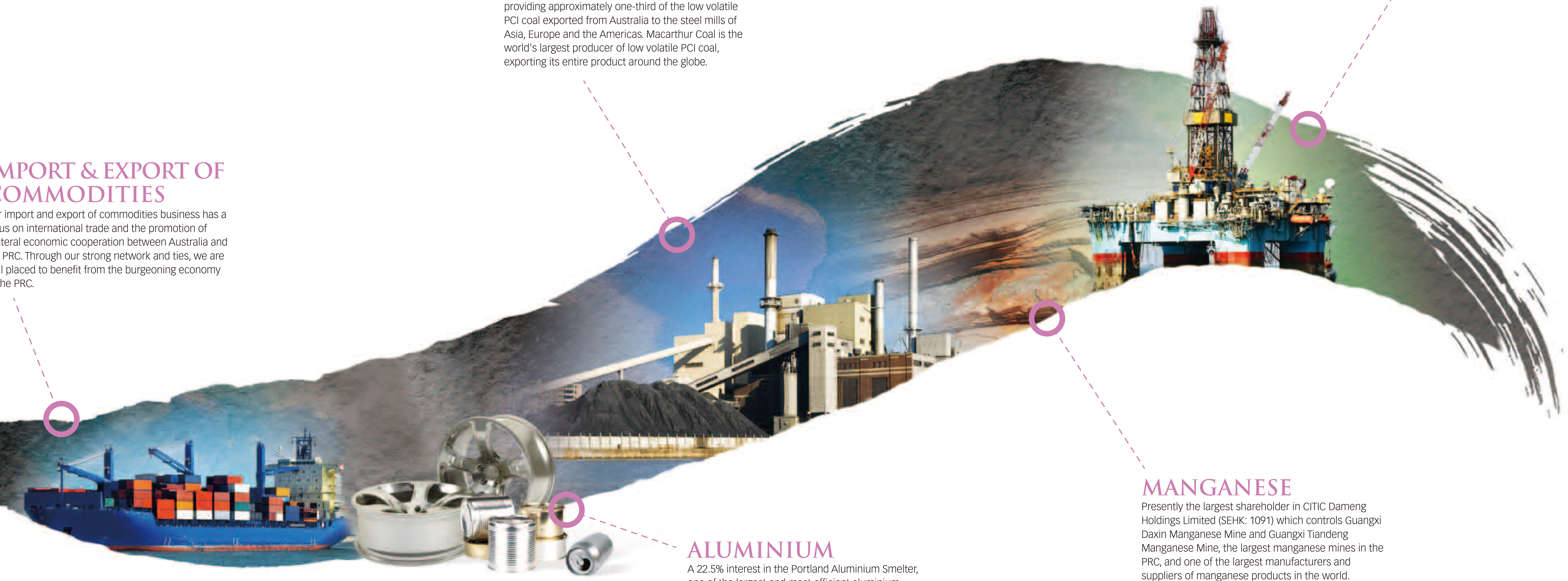
CITIC Resources Holdings Limited
中信資源控股有限公司
(incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

中信資源

年報 2010 Annual Report



IMPORT & EXPORT OF COMMODITIES

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

COAL

Presently the largest shareholder in Macarthur Coal Limited (ASX: MCC.AX) with whom we are partners in the Coppabella Mine and the Moorvale Mine together providing approximately one-third 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.

OIL

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

ALUMINIUM

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

MANGANESE

Presently the largest shareholder in CITIC Dameng Holdings Limited (SEHK: 1091) which controls Guangxi Daxin Manganese Mine and Guangxi Tiandeng Manganese Mine, the largest manganese mines in the PRC, and one of the largest manufacturers and suppliers of manganese products in the world.

Stock Code 股份代號: 1205

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Corporate Information 公司資料

BOARD OF DIRECTORS
董事會

Chairman
主席

Mr. Kong Dan *(Non-executive Director)*
孔　丹先生*（非執行董事）*

Vice Chairmen
副主席

Mr. Mi Zengxin *(Non-executive Director)*
秘增信先生*（非執行董事）*
Mr. Sun Xinguo *(Executive Director)*
孫新國先生*（執行董事）*

Executive Directors
執行董事

Mr. Zeng Chen
(President and Chief Executive Officer)
曾　晨先生*（總經理兼行政總裁）*
Ms. Li So Mui
李素梅女士

Non-executive Directors
非執行董事

Mr. Qiu Yiyong
邱毅勇先生
Mr. Tian Yuchuan
田玉川先生
Mr. Wong Kim Yin
黃錦賢先生
Mr. Zhang Jijing
張極井先生
Ms. Yap Chwee Mein
(Alternate to Mr. Wong Kim Yin)
葉粹敏女士*（黃錦賢先生的替代董事）*

Independent Non-executive Directors
獨立非執行董事

Mr. Fan Ren Da, Anthony
范仁達先生
Mr. Ngai Man
蟻　民先生
Mr. Tsang Link Carl, Brian
曾令嘉先生

AUDIT COMMITTEE
審核委員會

Mr. Tsang Link Carl, Brian *(Chairman)*
曾令嘉先生*（主席）*
Mr. Fan Ren Da, Anthony
范仁達先生
Mr. Ngai Man
蟻　民先生

REMUNERATION COMMITTEE
薪酬委員會

Mr. Fan Ren Da, Anthony *(Chairman)*
范仁達先生*（主席）*
Mr. Ngai Man
蟻　民先生
Mr. Tsang Link Carl, Brian
曾令嘉先生
Mr. Zhang Jijing
張極井先生

NOMINATION COMMITTEE
提名委員會

Mr. Ngai Man *(Chairman)*
蟻　民先生*（主席）*
Mr. Fan Ren Da, Anthony
范仁達先生
Mr. Tsang Link Carl, Brian
曾令嘉先生
Mr. Kong Dan
孔　丹先生
Mr. Zhang Jijing
張極井先生

COMPANY SECRETARY
公司秘書

Ms. Li So Mui
李素梅女士

REGISTERED OFFICE
註冊辦事處

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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26/F, Tesbury Centre
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香港灣仔皇后大道東28號
金鐘匯中心26樓

Stock Code 股份代號: 1205

AUDITORS
核數師

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong
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執業會計師
香港中環金融街8號
國際金融中心二期18樓

PRINCIPAL BANKERS
主要往來銀行

China Development Bank
國家開發銀行
CITIC Bank International Limited
中信銀行國際有限公司
Mizuho Corporate Bank, Ltd.
瑞穗實業銀行

孔丹 董事長

Chairman's Statement

On behalf of your Board, I present to you the Group's results for the year ended 31 December 2010.

With governments worldwide having implemented financial and economic policies to stimulate growth, the global economy showed encouraging signs during the year that it was continuing with its recovery from the adverse effects of the global financial crisis. This general improvement has benefited many industry sectors and driven increased demand for energy and natural resources including oil and coal. The improved market conditions and the Group's continuing efforts to reduce operating costs have enabled the Group to achieve better results for the year notwithstanding the need to provide for a significant asset impairment loss in respect of some of the Group's assets. Although there remains some cautiousness over the sustainability in the recovery of global markets and economies and despite anticipated rises in operating costs, the Group continues to be well positioned to implement its business strategy and to seek to enhance shareholder value.

FINANCIAL RESULTS

In 2010, the Group's revenue grew by 66% to HK$32,252.3 million. Profit attributable to shareholders was HK$1,101.7 million, representing an increase of 8.5 times from the previous year. Earnings per share was HK 18.21 cents, compared with HK 1.91 cents in 2009.

BUSINESS REVIEW

The Group achieved a satisfactory financial performance for 2010.

During the year, the Group successfully completed the spin-off of its manganese business through an offering and separate listing of the shares of CITIC Dameng Holdings Limited ("CDH") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A significant gain was recognised by the Group in respect of its interest in CDH as a result of the spin-off and separate listing of CDH. The separate listing of CDH allows the Group to place greater focus and concentrate its resources on its core businesses such as oil and coal which are strategically important for the Group's future growth.

The Group's oil assets represent a significant part of the Group's investments and performed steadily during the year. There was an overall improvement in performance from the Karazhanbas oilfield in Kazakhstan as a result of stable production of about 35,500 barrels of oil per day being maintained and supported by an increase in oil realised prices of 22% on average in 2010 as compared with 2009. The Group continues to gain experience in the exploitation of oil from the Karazhanbas oilfield and a better understanding of employing enhanced oil recovery methods there such as cyclic steam stimulation and steam flooding to produce oil at more efficient and sustainable rates and to enhance the production outlook of the Karazhanbas oilfield. An asset impairment loss in respect of the Karazhanbas oilfield has been recognised by the Group as a result of the imposition of a new export duty in Kazakhstan and a downward revision of the estimate of original oil in place in the Karazhanbas oilfield which has an impact on the estimates of total oil commercially recoverable from the oilfield.

The performance of the Group's interest in the Seram Island Non-Bula Block continues to lag the Group's projections. The Group drilled new wells to enhance production and carried out necessary repairs to existing wells where production has fallen as a result of their natural decline.

In relation to the Yuedong oilfield in the Hainan-Yuedong Block, PRC government approval was obtained in respect of the overall development plan in August 2010 and this enabled the Group to commence pilot production during the year. In 2010, the Group started the construction of three additional artificial islands, and construction of production facilities thereon is scheduled to complete by late 2013. The commencement of pilot production at the Yuedong oilfield marks a milestone for the Group's investment in the Hainan-Yuedong Block and the Group expects to significantly enhance the value of its oil assets portfolio upon full production.

Moving forward, the Group will seek to improve the productivity of its existing oil assets and implement cost efficiency measures to maximize the investment returns from its oil business.

The Group's coal business is another strategically important investment of the Group and includes a 16.14% interest in Macarthur Coal Limited (which is listed on the Australian Securities Exchange), a 7% direct interest in the Coppabella and Moorvale coal mines joint venture (owned and operated principally by Macarthur Coal Limited) and various interests in other projects under development and exploration. The coal business made a significant profit contribution in 2010. Although Australia's coal export has been affected by flooding and adverse weather conditions in Queensland since late 2010, the average selling prices of both low volatile pulverized coal injection coal ("LV PCI coal") and thermal coal have increased dramatically as a result of shortages in the market. The outlook for demand for LV PCI coal remains positive after taking into account the strong demand for its usage in global steel production. The Group's coal business is expected to continue to be a major asset capable of delivering economic significance for the Group.

The import and export of commodities business of the Group recorded another year of strong growth in both revenue and profit. The Group continues to extend the scope of its export business in the PRC which remains an important market. It is expected that the robust economic growth of the PRC coupled with the established selling channels of the Group will sustain the operating momentum of the Group's import and export of commodities business.

Following the rebound in aluminium prices and improvement in the global economy, the Group's Portland aluminium smelting business performed better than in 2009. The signing of a new base load electricity contract in March 2010 with Loy Yang Power has helped secure a stable electricity supply for the project from 2016 through 2036. The Group expects the demand and prices for aluminium to improve steadily in the near term.

Manganese prices also benefited from a resurgence in the demand for manganese products as a result of increased demand for steel products generally during 2010. As a result, a satisfactory performance was recorded in 2010 by CDH which operated the Group's manganese business prior to its spin-off and separate listing on the Stock Exchange. Following the spin-off and separate listing of CDH, the Group's interest in CDH has diluted to 38.98% with CDH ceasing to be a subsidiary of the Group. The separate listing of CDH will allow the Group to focus its resources more effectively on its core businesses to deliver greater value to shareholders.

BUSINESS OUTLOOK

Although the global economy has stabilised following the financial crisis, there remain some uncertainties and cautiousness over a sustained full economic recovery. Accordingly, the Group will proactively monitor the risks affecting its operations and take appropriate actions if necessary.

Going forward, the Group will continue to strive to produce long-term economic benefits for shareholders by seeking to enhance its businesses through organic growth, more efficient deployment of resources and exploring potential investment opportunities in the energy and resources sectors.

BOARD MEMBER CHANGES

With effect from 1 September 2010, Mr. Sun Xinguo was appointed an executive vice chairman of the Company and Mr. Zeng Chen was appointed the president and chief executive officer of the Company. I wish to extend my congratulations to Mr. Sun and Mr. Zeng on their appointments.

In November 2010, Mr. Qiu Yiyong and Mr. Tian Yuchuan, executive directors of the Company, were re-designated as non-executive directors.

APPRECIATION

2010 has been a robust year for the Group. I thank my fellow directors, management and dedicated staff for their hard work and efforts in what was an extremely busy year for the Group.

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, 25 March 2011

Management's Discussion and Analysis

The board of directors (the "**Board**") of CITIC Resources Holdings Limited (the "**Company**") presents the 2010 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		
	2010	2009	Increase
Revenue	**32,252,330**	19,425,447	66.0%
Gross profit	**2,941,512**	1,881,788	56.3%
EBITDA [1]	**2,567,672**	1,573,359	63.2%
Profit before tax and finance costs	**1,516,799**	973,659	55.8%
Profit attributable to shareholders	**1,101,660**	115,687	852.3%
Earnings per share (Basic)	**HK 18.21 cents**	HK 1.91 cents	853.4%
Gross profit margin [2]	**9.1%**	9.7%	
EBITDA coverage ratio [3]	**3.1 times**	1.9 times	

Financial position and ratios

	31 December		Increase/
	2010	2009 (Restated)	(decrease)
Cash and bank balances	**2,315,488**	4,480,336	(48.3%)
Total assets	**27,063,006**	29,531,600	(8.4%)
Total debts [4]	**12,351,449**	14,650,252	(15.7%)
Equity attributable to shareholders	**10,177,646**	8,434,708	20.7%
Total capital [5]	**22,529,095**	23,084,960	(2.4%)
Current ratio [6]	**2.2 times**	2.1 times	
Total debts to total capital	**54.8%**	63.5%	
Net total debts to net total capital [7]	**49.7%**	54.7%	

1 profit before tax – write-back of provision/(provision) for impairment of items of property, plant and equipment – gain on loss of control of subsidiaries + finance costs + depreciation + amortisation
2 gross profit / revenue x 100%
3 EBITDA / finance costs
4 bank and other borrowings + finance lease payables + bond obligations
5 total debts + equity attributable to shareholders
6 current assets / current liabilities
7 (total debts – cash and bank balances) / (total capital – cash and bank balances) x 100%

The Group achieved a satisfactory financial performance for 2010. The global economy showed encouraging signs during the year that it was continuing with its recovery from the adverse effects of the global financial crisis. Demand for energy and natural resources increased. Energy and commodities prices began to recover. The Group's businesses improved throughout 2010.

The improved market conditions and the Group's continuing efforts to reduce operating costs have enabled the Group to achieve a better result for the year.

A gain of HK$2,650.2 million was recognised by the Group in respect of its interest in CITIC Dameng Holdings Limited ("**CDH**") as a result of the spin-off and separate listing of CDH. Also, an impairment loss of HK$2,514.1 million was provided for in the oil and gas properties of the Karazhanbas oilfield (as defined in the section "Crude oil (the Karazhanbas oilfield, Kazakhstan)" below).

The following is a comparison of the 2010 results of each business segment with their corresponding results in 2009.

Aluminium smelting

- Revenue ▲ 18%
  Net loss after tax (from ordinary activities) ▼ 34%

  The very difficult operating conditions which the Group's aluminium smelting operations experienced in 2009, resulting in its first ever loss, seem to have passed. Selling prices of aluminium (denominated in United States dollars) have recovered significantly in 2010, an increase of about 80% when comparing the highest price in 2010 against the lowest price in 2009. Prices returned to a level that has enabled the Group to record a profit from normal operations in 2010. However, the profit was offset by the revaluation of an embedded derivative as described below, resulting in a net loss position for the year although the loss was less than 2009.

  The Australian dollar grew quite sharply from 2Q 2009 until the end of 2010, particularly in 4Q 2010. This affected the net result of the Group's aluminium smelting business because the revenue is denominated in United States dollars. Nevertheless, the favourable exchange rates between the appreciating Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) helped improve revenue by 16% and reduce net loss by 9% as compared to 2009.

- Increase in revenue was mainly due to rising selling prices of aluminium. Following the gradual recovery of the global economy, selling prices for aluminium gradually improved from 3Q 2009 onwards. The average selling price in United States dollars increased 35% when compared to 2009. This helped offset a drop of 10% in sales volume as a result of the curtailment program implemented in 3Q 2009 to reduce production by 15% which also targeted a similar reduction in production costs.

- Cost cutting measures have proved to be effective and helped improve profit margins. Due to rising selling prices and reduced costs, both gross profit margin and net result improved significantly in 2010 when compared to those in 2009.

  As the Group's aluminium smelting business is a net United States dollar denominated asset, the higher value of the Australian dollar as at 31 December 2010 compared to that as at 31 December 2009 resulted in an exchange loss of HK$39.4 million (2009: HK$23.8 million).

- Included in "Other expenses, net" in the consolidated income statement is a loss of HK$113.5 million (2009: HK$24.6 million) arising from the revaluation of an embedded derivative.

  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 derivative needs to be marked to market at the end of each reporting period based on future aluminium prices. Its fair value gain or loss is recognised in the consolidated income statement. On 31 December 2010, the aluminium forward price had increased as compared to that on 31 December 2009 and the revaluation of the embedded derivative resulted in an unrealised loss.

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

- As the ESA expires in 2016, a new base load electricity contract (the "**EHA**") was signed on 1 March 2010 with Loy Yang Power to secure a stable supply of electricity to the Portland Aluminium Smelter from 2016 through 2036. 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.

Coal

Revenue	▲ 47%
Net profit after tax (from ordinary activities)	▲ 69%
Share of profit of associates	▲ 168%

  Improvements in both revenue and net profit were helped by the favourable exchange rates between the appreciating Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) which contributed to an increase of about 20% and 23% respectively as compared to 2009.

- Increase in revenue was mainly due to an increase in selling prices of coal compared to 2009. The average selling price in Australian dollars rose 31%. The rising prices were attributable to growing demand from non-traditional customers.

  Effective April 2010, coal prices for long term contracts are fixed on a quarterly basis instead of on an annual basis. Such change represents a response by suppliers to capture increasing demand and better prices. In May 2010, because of interrupted rail and port logistics, selling prices for coal increased sharply. Selling prices remained at higher levels afterwards as a result of growing demand.

  Demand for low volatile pulverized coal injection coal ("**LV PCI coal**") remained strong during the year. Sales to traditional customers were stable and spot sales to non-traditional customers such as Chinese customers in the People's Republic of China (the "**PRC**") continued to increase as the PRC imported coal from Australia to satisfy a shortfall.

  In December 2010, flooding and adverse weather conditions in Queensland, Australia hampered the mining activities in the area, including those of the Coppabella and Moorvale coal mines joint venture (the "**CMJV**"). Therefore, the sales volume from December 2010 was greatly affected. Force majeure was declared and remains in force at the date of this report.

- Production costs such as overburden costs, rail and port charges, royalty charges, coal preparation and re-handling charges increased as compared to 2009 while mine management costs fell. The increases were caused by infrastructure constraints and higher mining strip ratio.

  As the Group's coal business is a net United States dollar denominated asset, the higher value of the Australian dollar as at 31 December 2010 compared to that as at 31 December 2009 resulted in an exchange loss of HK$18.3 million (2009: HK$34.2 million).

- The Group's shareholding in Macarthur Coal Limited ("**Macarthur Coal**"), listed on the Australian Securities Exchange (the "**ASX**"), is currently 16.14%. The Group remains the single largest shareholder of Macarthur Coal.

  Given the improved selling prices and high demand for LV PCI coal and thermal coal, Macarthur Coal recorded strong underlying sales in 2010. The share of profit attributable to the Group's interest in Macarthur Coal for the year increased to HK$220.9 million (2009: HK$82.5 million) and was included in "Share of profit of associates" in the consolidated income statement.

  At the end of 1H 2010, the Group's shareholding in Macarthur Coal was 17.01%. In August 2010, Macarthur Coal raised new equity through an institutional placement of new ordinary shares. The Group invested A$50.0 million (HK$346.4 million) to subscribe for new shares of Macarthur Coal. In October 2010, Macarthur Coal raised further new equity through a share purchase plan and a dividend reinvestment plan. The Group participated in these fund raising activities in an aggregate amount of A$8.1 million (HK$56.1 million). The Group's shareholding in Macarthur Coal was ultimately diluted to 16.14%.

  As a result of the dilution of its shareholding in Macarthur Coal, the Group recorded a gain on deemed disposal of investment in an associate of HK$69.0 million (2009: a loss of HK$66.2 million). The gain was credited to "Other income and gains" while the loss was included in "Other expenses, net" in the consolidated income statement.

- In July 2010, the Group terminated its agreement entered into in December 2009 to dispose of its 7% direct interest in the CMJV to Macarthur Coal and to terminate the Coppabella and Moorvale Marketing Agreement (together, the "**Coppabella Transaction**") as a number of conditions precedent including the waiver of the pre-emptive rights of the CMJV participants (other than Macarthur Coal) to acquire the Group's 7% direct interest in the CMJV were not forthcoming. Details of the termination of the Coppabella Transaction are set out in the announcement of the Company dated 26 July 2010.

  Following termination of the Coppabella Transaction, the Group continues to hold the direct interest in the CMJV and the right to market all coal produced by the CMJV to, among others, Chinese customers in the PRC. Also, there was no change in the Group's interest in Macarthur Coal of 17.01% during 1H 2010 as a result. Macarthur Coal currently owns 73.3% of the CMJV.

Import and export of commodities

- Revenue ▲ 88%
  Net profit after tax (from ordinary activities) ▲ 37%

  CITIC Australia Trading Pty Limited (formerly known as CITIC Australia Trading Limited) ("**CATL**"), which conducts the Group's import and export of commodities business, has been able to further expand its export business in the PRC during the year. Demand from the PRC followed the growth of its GDP which stood at 10.3% in 2010. Commodities prices rebounded from the low prices seen in 2009. Through its established selling channels, CATL recorded a significant increase in its profit for the year.

  Improvements in both revenue and net profit were also helped by the favourable exchange rates between the appreciating Australian dollar and the Hong Kong dollar (as a presentation currency of the financial statements) which contributed to an increase of about 26% and 18% respectively as compared to 2009.

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

  There was a significant growth in exports revenue, attributable to an increase in both selling prices and sales volume. All of the exported products enjoyed increased selling prices though a couple of products experienced a drop in sales volume. Average selling prices of exported products jumped more than 19% as compared to 2009. As a result, the export business was able to generate larger profit margins which helped improve its overall profitability.

  Aluminium ingot exports recorded a substantial increase in both selling prices and sales volume as compared to 2009 as a shortage of supply in the PRC helped boost demand.

  Iron ore exports to steel mills in the PRC experienced a decrease in sales volume as compared to 2009, although this was fully compensated by a significant increase in selling prices. 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.

  Since its maiden shipment of coal to the PRC in July 2009, CATL has been experiencing a rapid growth in coal exports. Due to strong demand in the PRC, coal exports recorded a substantial increase in both selling prices and sales volume when compared to 2009.

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

  Due to an increase in sales volume, the imports division showed an improvement in both revenue and net profit during the year.

Manganese

- CDH was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 November 2010 following a successful initial public offering of its shares. The Group's shareholding in CDH was therefore diluted to 38.98% and CDH ceased to be a subsidiary, and became an associate, of the Group.

  Up to and including 17 November 2010, the financial results of CDH and its subsidiaries (the "**CDH Group**") were consolidated in the Group's results. As from 18 November 2010, the financial results of the CDH Group are instead included in "Share of profit of associates" in the consolidated income statement. The Group's shareholding in CDH is classified as "Investments in associates" in the consolidated statement of financial position as at 31 December 2010.

- (1 January to 17 November 2010) (the "**Period**")

Revenue	▲	5%
Net profit after tax (from ordinary activities)	▲	213% (non-controlling interests already deducted)

  The demand for manganese products has improved since 2H 2009 and prices have gradually increased. With demand for steel products growing prompting a recovery in steel markets, the Group's manganese business was able to achieve a comparatively improved performance during the Period.

- Increase in revenue during the Period was driven by higher selling prices compared to 2009.

  Most of the manganese ore produced is now used for downstream processing and producing manganese products which generate higher profits. During the Period, the average selling prices of electrolytic manganese metal experienced a significant increase of more than 18% compared to their average selling prices in 2009. Sales volume of electrolytic manganese metal increased 18% when compared to 2009.

- Although there was a substantial rise in direct costs, such as raw materials, electricity and labour costs, the gross profit margins were maintained.

- In June 2010, Highkeen Resources Limited ("**Highkeen**") and Apexhill Investments Limited ("**Apexhill**") agreed to capitalise, on a pro rata basis, certain of their shareholder loans (the "**Shareholder Loans**") advanced to CDH by receiving new shares in CDH in satisfaction of the repayment of such loans.

  At the same time, the Company and Apexhill agreed to assign to CDH, on a pro rata basis, their interests, rights and benefits in certain loans (the "**2009 Loans**") due from CITIC Dameng Investments Limited ("**CDI**"). Highkeen (on behalf of the Company) and Apexhill received new shares in CDH in satisfaction of the assignment of such loans.

  Highkeen is an indirect wholly-owned subsidiary of the Company whereas Apexhill is an indirect wholly-owned subsidiary of CITIC Group. CDI is a wholly-owned subsidiary of CDH.

  The Shareholder Loans were originally advanced to CDH in 2005 to finance CDH's investment in 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**") through CDI. The 2009 Loans were used by CDI to finance an increase in its equity interest in CITIC Dameng JV in 2009.

  Details of the capitalisation of the Shareholder Loans and assignment of the 2009 Loans are set out in the announcement of the Company dated 2 July 2010.

- In July 2010, CDH submitted its renewed listing application to the Stock Exchange in relation to the initial public offering and separate listing of its shares (for the purposes of this section defined as the "**Proposed Spin-off**").

  Details of the Proposed Spin-off are set out in the announcement of the Company dated 23 July 2010.

- In August 2010, Highkeen and Apexhill agreed to further capitalise, also on a pro rata basis, additional shareholder loans (the "**Additional Shareholder Loans**") advanced by them to CDH by receiving new shares in CDH in satisfaction of the repayment of such loans. The Additional Shareholder Loans were originally advanced to CDH to finance CDH's investment in CITIC Dameng JV through CDI.

  The issue of new shares by CDH in June and August 2010 enlarged the capital base of CDH and reduced its gearing, thereby strengthening its financial position.

  Details of the capitalisation of the Additional Shareholder Loans are set out in the announcement of the Company dated 2 August 2010.

- In August 2010, for the purposes of the Proposed Spin-off, a reorganisation of the CDH Group (for the purposes of this section defined as the "**CDH Reorganisation**") commenced, which resulted in:

  (a) 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.) ("**Guangxi Dameng**"), through Guinan Dameng International Resources Limited ("**Guangxi Dameng BVI**"), its indirect wholly-owned subsidiary, subscribing for and holding new shares in CDH equivalent to, before completion of the Proposed Spin-off, 34.5% of the issued shares of CDH (for the purposes of this section defined as the "**CDH Subscription**"); and

  (b) Guangxi Dameng transferring its 34.5% equity interest in CITIC Dameng JV to CDI so that CDI holds 100% of the equity of CITIC Dameng JV and CITIC Dameng JV being converted into a PRC wholly foreign owned enterprise (for the purposes of this section defined as the "**JVCo Interest Acquisition**"). The CDH Subscription and the JVCo Interest Acquisition were not only steps for the Proposed Spin-off but also an internal reorganisation of the CDH Group.

  Prior to the CDH Subscription, CDH was owned as to 80% by Highkeen and 20% by Apexhill. Following completion of the CDH Subscription, CDH was owned as to 52.4%, 13.1% and 34.5% by Highkeen, Apexhill and Guangxi Dameng BVI respectively.

  Prior to the JVCo Interest Acquisition, CITIC Dameng JV was owned as to 65.5% by CDI and as to 34.5% by Guangxi Dameng. Following completion of the JVCo Interest Acquisition, CITIC Dameng JV became wholly-owned by CDI which, in turn, is wholly-owned by CDH. After completion of the CDH Reorganisation, the effective interest of the Group, Apexhill and Guangxi Dameng in CITIC Dameng JV remained 52.4%, 13.1% and 34.5% respectively.

  The CDH Subscription and the JVCo Interest Acquisition were approved at the special general meeting of the Company on 10 September 2010 and completed on 27 October 2010. CITIC Dameng JV is currently an indirect wholly-owned subsidiary of CDH and a PRC wholly foreign owned enterprise.

  Details of the CDH Subscription and the JVCo Interest Acquisition are set out in the announcement of the Company dated 12 August 2010 and the circular of the Company dated 26 August 2010.

- In November 2010, Highkeen, Apexhill and Guangxi Dameng BVI, being shareholders of CDH, entered into a deed of tax indemnity (the "**Deed of Tax Indemnity**") in favour of the CDH Group in respect of certain tax liabilities of the CDH Group prior to the listing of CDH, in proportion to their respective equity interests in CDH immediately prior to the completion of the Proposed Spin-off.

  Details of the Deed of Tax Indemnity are set out in the announcement of the Company dated 11 October 2010 and the circular of the Company dated 12 October 2010.

- The Proposed Spin-off was approved at the special general meeting of the Company on 27 October 2010. CDH was successfully listed on the Main Board of the Stock Exchange on 18 November 2010.

  Following completion of the Proposed Spin-off and the over-allotment option granted by CDH, the effective interests of the Group, Apexhill and Guangxi Dameng in CDH were diluted from 52.4%, 13.1% and 34.5% to 38.98%, 9.74% and 25.66% respectively.

  As a result of the dilution of its shareholding in CDH, the Group recorded a gain on loss of control of subsidiaries of HK$2,650.2 million in the consolidated income statement. The gain represents the excess of the fair value over the net assets value of the CDH Group at the completion of the Proposed Spin-off.

  Further details of the Proposed Spin-off are set out in the announcements of the Company dated 21 September and 11 October 2010 and the circular of the Company dated 12 October 2010. Announcements were also made by the Company in respect of the transaction on 18 October, 27 October, 29 October, 1 November (two announcements), 8 November, 11 November and 18 November 2010.

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 2010, the Seram Non-Bula Block had estimated proved oil reserves of 9.7 million barrels (2009: 8.7 million barrels).

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

Revenue	HK$211.9 million	▼ 3%
Segment results: loss	(HK$ 17.7 million)	▼ 70%
Net profit after tax (from ordinary activities)		N/A (2009: net loss)

  Though there was an improvement during the year, the performance of the Seram Interest continues to lag the Group's projections.

- The following table shows the performance of the Seram Interest for 2010 and 2009:

		2010 (51%)	2009 (51%)	Change
Average selling price	(US$ per barrel)	**72.8**	57.8	▲ 26%
Sales volume	(barrels)	**373,000**	487,000	▼ 23%
Revenue	(HK$ million)	**211.9**	219.4	▼ 3%
Total production	(barrels)	**371,000**	420,000	▼ 12%
Daily production	(barrels)	**1,010**	1,150	▼ 12%

  The decrease in sales volume was compensated by a significant increase in the average selling price of oil produced from the Seram Non-Bula Block, which was 26% higher during the year than in 2009.

  Production from new wells partially compensated the natural decline in production from existing wells although total production volume for 2010 was lower than that in 2009.

- To control operation costs and maintain steady output from existing wells, the Group enhanced the well management system and executed preventive maintenance while carrying out necessary repairs to existing wells where production has fallen as a result of their natural decline.

- Net book value of those exploration wells considered not to have further normal production in the near future were written off at the year end. The write-off amount of HK$81.9 million (2009: Nil) was included in "Other expenses, net" in the consolidated income statement as a write-off of items of property, plant and equipment.

- All seismic studies were finished in 1H 2010 following completion of the 3D seismic inversion studies which were required to support the drilling activities.

  Two development wells were drilled in the Oseil area in 2H 2010. One of them became a production well whilst the other one is being tested to determine if commercial production can commence.

  Two exploration wells, in the area of Nief Utara A and East Nief respectively, were drilled during the year. The well in Nief Utara A commenced production but performance was not satisfactory. The well in East Nief was considered uneconomical and not put into production.

  Successful drilling of new wells in 2010 helped add one million barrels to the proved oil reserves in the Seram Non-Bula Block.

- The Group planned to drill several additional exploration wells and one additional development well in 2011 in the Seram Non-Bula Block to enhance production.

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 as supplemented by an agreement signed in May 2010, 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 2010, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 19.8 million barrels (2009: 11.8 million barrels).

- Approval of the environmental impact assessment was obtained in 2Q 2010. Following this, in August 2010, the overall development plan of the Yuedong oilfield (the "**ODP**") was approved by the National Development and Reform Commission of the PRC.

- The first artificial island ("**Platform A**") is now equipped with oil extraction capability. In May 2010, the power supply system, which supplies electricity to the pilot production area on Platform A, was completed. Pilot production commenced in 4Q 2010, from a total of eight wells.

  In 2010, drilling of 23 wells was completed.

- The construction of three additional artificial islands started in 2010, and construction of production facilities thereon is scheduled to complete by late 2013. According to the ODP, in total around 160 wells will be drilled on the four artificial islands. Full production is expected to begin by the end of 2014.

- 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 begins in the Yuedong oilfield.

Crude oil (the Karazhanbas oilfield, Kazakhstan)

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

  KBM is engaged in the development, production and sale of oil and holds the right to explore, develop, produce and sell oil from the Karazhanbas Oil and Gas Field (the "**Karazhanbas oilfield**") in Mangistau Oblast, the Republic of Kazakhstan ("**Kazakhstan**") until 2020.

  As at 31 December 2010, the Karazhanbas oilfield had estimated proved oil reserves of 317.2 million barrels (2009: 341.5 million barrels).

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

Revenue	HK$3,591.1 million	▲ 35%	
Segment results	HK$ 598.6 million	▲ 117%	
Net profit after tax (from ordinary activities)		▲ 56%	(non-controlling interests already deducted)

- The following table shows the performance of the Kazakhstan Interests for 2010 and 2009:

		2010 (50%)	2009 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**78.2**	60.9	▲ 28%
Dated Brent crude oil	(US$ per barrel)	**79.9**	61.8	▲ 29%
Average crude oil realised price	(US$ per barrel)	**67.3**	55.3	▲ 22%
Sales volume	(barrels)	**6,869,000**	6,217,000	▲ 10%
Revenue	(HK$ million)	**3,591.1**	2,663.1	▲ 35%
Total production	(barrels)	**6,482,000**	6,236,000	▲ 4%
Daily production	(barrels)	**17,800**	17,100	▲ 4%

Increase in revenue was due to an increase in oil realised prices of 22% and an increase in sales volume of 10% as compared to 2009.

Production was stable in 2010 when compared to 2009. The continued deployment of enhanced oil recovery methods such as cyclic steam stimulation and steam flooding has enabled the Group to produce oil at more efficient and sustainable rates and to enhance the production outlook for the Karazhanbas oilfield.

- Following the implementation of new tax codes in Kazakhstan on 1 January 2009, the overall tax payable by the Karazhanbas oilfield increased. The new mineral extraction tax ("**MET**") is charged based on production volume and treated as cost of sales. The new rent tax is charged on export revenue and treated as selling costs.

  In August 2010, a new export duty was introduced in Kazakhstan. The export duty is charged based on oil exported and treated as selling costs. Therefore, these taxes have a negative impact on both segment results and net profit.

  Due to the higher revenue in the year, MET increased 34% and thus the cost of sales increased 23% compared to 2009. The rent tax also increased 70% and, together with the export duty, it raised the selling and distribution costs by 56% compared to 2009.

  During 2010, Tenge, the official currency of Kazakhstan, remained stable when compared to early 2009. As a result, there was no particular impact to KBM's accounts (of which Tenge is the functional currency), nor was there any from its United States dollar denominated bank loan as at 31 December 2010. In 2009, a non-cash net exchange loss of HK$118.0 million was charged under "Other expenses, net" in the consolidated income statement to reflect the Group's share of the impact from the devaluation of Tenge that occurred in early 2009.

  During the year, average lifting costs (which does not include depreciation, depletion and amortisation; MET and provision for inventories) increased to US$14.5 (2009: US$13.5) per barrel, representing a 7% increase compared to 2009. The increase was mainly due to increases in salaries and wages and water supply.

- On 16 August 2010, the new export duty charged at US$20 per tonne of oil exported became effective. The rate will double to US$40 per tonne in 2011. As a result of the combined effect of the imposition of the export duty and a downward revision of the estimate of original oil in place which has an impact on the estimates of total oil commercially recoverable from the oilfield, an impairment loss of HK$2,514.1 million was provided for in the oil and gas properties of the Karazhanbas oilfield and charged to 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 write-back of provision and the provision respectively. Further details of the deferred tax are set out in note 35 to the financial statements.

- Corporate tax rates applicable to the Kazakhstan Interests are 20% in 2009 to 2012, 17.5% in 2013 and 15% in 2014 and onwards. The calculation methodology on excess profit tax is based on annual profitability at progressive rates varying from 10% to 60%. The reduced corporate tax rates and the change to the calculation methodology have a positive effect on the Group's tax liabilities.

- In late 2010, tax concessions on MET for certain types of oilfields were introduced. The Group is assessing the relevant provisions for application of the concessions in respect of the Karazhanbas oilfield.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash

As at 31 December 2010, the Group had cash and bank balances of HK$2,315.5 million.

Borrowings

As at 31 December 2010, the Group had total debts of HK$12,351.4 million, which comprised:

- secured bank loan of HK$452.4 million;
- unsecured bank loans of HK$3,897.9 million;
- unsecured other loans of HK$295.4 million;
- finance lease payables of HK$65.3 million; and
- bond obligations of HK$7,640.4 million.

The secured bank loan was secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture. 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**"). In December 2010, the Company repaid from its surplus cash a total of US$70 million (HK$546 million) in advance of the scheduled repayment dates under the Loan.

Further details of the bank and other borrowings are set out in note 31 to the financial statements.

The Group leases certain of its plant and machinery for its coal mine operation. The leases are classified as finance leases. Further details of the finance lease payables are set out in note 32 to the financial statements.

The bond obligations represent the issue of US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**") by CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company, in May 2007. The obligations of CR Finance under the Notes are 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 33 to the financial statements.

As at 31 December 2010, the Group's total debts to total capital and net total debts to net total capital ratios improved to 54.8% and 49.7% (2009: 63.5% and 54.7%) respectively. Of the total debts, HK$1,370.5 million was repayable within one year, the majority of which being of a periodic renewal nature.

Share capital

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

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 48 to the financial statements.

New investment

In August 2010, Macarthur Coal raised new equity through an institutional placement of new ordinary shares. The Group invested A$50.0 million (HK$346.4 million) to subscribe for new shares of Macarthur Coal.

In October 2010, Macarthur Coal raised further new equity through a share purchase plan and a dividend reinvestment plan. The Group participated in these fund raising activities in an aggregate amount of A$8.1 million (HK$56.1 million). The Group's shareholding in Macarthur Coal is currently 16.14% and the Group remains the single largest shareholder of Macarthur Coal.

Opinion

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had around 5,100 full time employees, including management and administrative staff. Following the separate listing of CDH in November 2010, the full time employees of the CDH Group were not accounted for in the Group. Most of the Group's employees are employed in the PRC, Kazakhstan and Indonesia while the others are employed in Australia and Hong Kong.

The Group's remuneration policy seeks to provide 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 and Indonesia.

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 independently administered funds. 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	*Vice Chairman and Executive Director*
Mr. Zeng Chen	*President and Chief Executive Officer*
Ms. Li So Mui	*Executive Director*
Mr. Qiu Yiyong	*Non-executive Director*
Mr. Tian Yuchuan	*Non-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 63, is the Chairman of the Company. He was an executive director of the Company between 2007 and 2009 and was re-designated as a non-executive director of the Company in 2009. He is also a member of the nomination committee of the Company. He is responsible for the strategic planning of the Group. Mr. Kong holds a Master's Degree in Economics from the China Academy of Social Sciences Graduate School. He is currently the chairman and a director of 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, the chairman and a director of CITIC International Financial Holdings Limited (Stock Code: 183, but delisted on the Main Board of the Stock Exchange in November 2008), and a non-executive director of CITIC Bank International Limited. Mr. Kong was the chairman of CITIC Group between 2006 and 2010. Prior to joining CITIC Group in 2000, he 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 26 years' experience in investment and finance.

Mr. Mi Zengxin, aged 60, is a Vice Chairman of the Company. He was an executive director of the Company between 2004 and 2009 and was re-designated as a non-executive director of the Company in 2009. He is also a director of several subsidiaries of the Company. He is responsible for the strategic planning of the Group. Mr. Mi 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 and a director of CITIC USA Holding Inc., the deputy chairman and a non-executive director of Asia Satellite Telecommunications Holdings Limited (Stock Code: 1135) and a non-executive director of CDH (Stock Code: 1091) (both listed on the Main Board of the Stock Exchange). He also holds executive management positions in several other subsidiaries of CITIC Group. Mr. Mi has many years of experience in multi-national business and corporate management in various industries.

Mr. Sun Xinguo, aged 60, was appointed an executive Vice Chairman of the Company in September 2010. He has been an executive director of the Company since 2002 and was the President and Chief Executive Officer of the Company between 2005 and August 2010. He is also a director of several subsidiaries of the Company. He is responsible for the strategic development of the Group. Mr. Sun 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 35 years' experience in project investment, marketing and operation, import and export, securities investment and corporate finance.

Mr. Zeng Chen, aged 47, was appointed the President and Chief Executive Officer of the Company in September 2010. He has been an executive director of the Company since 2004. He is also a director of several subsidiaries of the Company. He is responsible for the corporate development, management and operations of the Group. Mr. Zeng holds a Master's Degree in International Finance from Shanghai University of Finance and Economics. He is currently a director of CITIC Group, the executive chairman of CITIC Australia Pty Limited, a non-executive director of Macarthur Coal and Marathon Resources Limited (both listed on the ASX), and a director (formerly 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 22 years' experience in business operations and development, project investment, asset restructuring and the aluminium and coal industry.

Ms. Li So Mui, aged 56, joined in 2000 as an executive director and the Company Secretary of the Company. She is also a director of several subsidiaries of the Company. She is responsible for the financial management and general administration of the Group. Ms. Li 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 33 years' experience in the accounting and banking field.

Mr. Qiu Yiyong, aged 54, was re-designated as a non-executive director of the Company in November 2010. He was an executive director of the Company between 2002 and November 2010. Mr. Qiu holds a Bachelor of Economics Degree from Xiamen University. He is currently a director of CITIC Group and Keentech, and the chairman and an executive director of CDH. He also holds directorships in several other subsidiaries of CITIC Group. In October 2008, Mr. Qiu 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 in 2000, he was a director of two companies listed on the Stock Exchange. Mr. Qiu has over 29 years' experience in investment management and extensive experience in mining management.

Mr. Tian Yuchuan, aged 46, was re-designated as a non-executive director of the Company in November 2010. He was an executive director of the Company between 2001 and 2004. He rejoined the Company as an executive vice president in 2008 and was an executive director of the Company between 2009 and November 2010. Mr. Tian holds a Bachelor of Arts Degree from the Beijing Foreign Studies University. He is currently an executive director and the chief executive officer of CDH. Mr. Tian held senior positions in several subsidiaries of CITIC Group between 1986 and 2004. He 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. Mr. Tian has over 25 years' experience in multi-national businesses, corporate management, international equity investments and corporate finance.

Board of Directors and Senior Management

Mr. Wong Kim Yin, aged 40, 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 transportation & industrials industries. Prior to joining Temasek Holdings in 2004, Mr. Wong 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 15 years' experience in investment management.

Mr. Zhang Jijing, aged 55, is a non-executive director of the Company. He was an executive director of the Company between 2002 and 2009 and was re-designated as a non-executive director of the Company in 2009. He is also a member of the remuneration committee and nomination committee of the Company and a director of several subsidiaries of the Company. Mr. Zhang 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 an executive director, a vice 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, 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 25 years' experience in corporate management, industrial investment, business finance and the aluminium industry.

Ms. Yap Chwee Mein, aged 40, 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, Ms. Yap worked in the 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 acquisitions group. Ms. Yap has over 11 years' experience in investment management.

Mr. Fan Ren Da, Anthony, aged 50, 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. Mr. Fan holds a Master's Degree in Business Administration from the USA. He is currently the chairman and managing director of AsiaLink Capital Limited. He is also 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), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), 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. Mr. Fan held senior positions with various international financial institutions.

Mr. Ngai Man, aged 65, 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. Mr. Ngai 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 38 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 47, 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. Mr. Tsang 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 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. He is a non-executive director of Midland IC&I Limited (Stock Code: 459) listed on the Main Board of the Stock Exchange. Mr. Tsang resigned as an independent non-executive director of Pacific Century Premium Developments Limited (Stock Code: 432) in June 2009 and Walker Group Holdings Limited (Stock Code: 1386) in February 2011, both listed on the Main Board of the Stock Exchange. In 2005, he was appointed 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 46, 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 20 years' experience in mergers and acquisitions, corporate finance, regulatory and general commercial work.

Mr. Chung Ka Fai, Alan, aged 43, joined in 1996 as the Chief Accountant of the Company. He is a certified practising accountant of CPA Australia. Prior to joining the Company, Mr. Chung worked for various multi-national companies. Mr. Chung has over 20 years' experience in the accounting field.

Mr. Luk Kar Yan, aged 43, joined in 2005 as a vice president of the Company. He is responsible for the financial management of the Group. Mr. Luk holds a Bachelor of Social Sciences Degree from the University of Hong Kong and a Master's Degree in Business Administration from the Hong Kong University of Science and Technology. He is an associate member of HKICPA. Mr. Luk has over 21 years' experience in the banking and corporate finance industry.

Mr. Yang Zaiyan, aged 52, joined in 2009 as a vice president of the Company. He is responsible for the management, planning and development of the Group's oil investments and portfolio. Mr. Yang holds a Bachelor of Engineering Degree from Huadong Petroleum Institute and is a senior geologist. Prior to joining the Company, Mr. Yang was engaged in CNPC and Sinochem Group organisations. Mr. Yang has over 28 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 2010, 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 deviations to paragraphs A.4.1 and E.1.2 of the CG Code as respectively set out in the sections "Non-executive Directors" and "Communication with Shareholders" below.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Sun Xinguo	(Vice Chairman – appointed on 1 September 2010)
Mr. Zeng Chen	(President and Chief Executive Officer – appointed on 1 September 2010)
Ms. Li So Mui	

Non-executive Directors:

Mr. Kong Dan	(Chairman)	
Mr. Mi Zengxin	(Vice Chairman)	
Mr. Qiu Yiyong		(re-designated on 18 November 2010)
Mr. Tian Yuchuan		(re-designated on 18 November 2010)
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

The Board comprises 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.

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.

On 1 September 2010, Mr. Sun Xinguo was appointed an executive vice chairman of the Company and ceased to act as the president and chief executive officer of the Company. On the same day, Mr. Zeng Chen was appointed the president and chief executive officer of the Company.

On 18 November 2010, Mr. Qiu Yiyong and Mr. Tian Yuchuan were re-designated as non-executive directors of the Company.

The biographies of the directors and senior management and their interests in shares and underlying shares of the Company and its associated corporations are respectively set out on pages 19 to 22 and pages 37 to 38 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.

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.

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 of 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 2010.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for dealings in securities of the Company by its directors (the "**Securities Dealings Code**") that is based on 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).

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.

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. Zhang Jijing	(Non-executive Director)	

One meeting was held in the year. In the 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 note 7 to the financial statements and in the section "Share Option Scheme" in the Report of the Directors respectively.

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 skill, 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.

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 all members attended the meetings. The committee reviewed, together with the senior management and the external auditors, the financial statements for the year ended 31 December 2009 and the financial statements for the six months ended 30 June 2010, 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 2011.

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. Sun Xinguo	5/5			
Mr. Zeng Chen	5/5			
Ms. Li So Mui	5/5			
Non-executive Directors:				
Mr. Kong Dan	2/5		0/0	
Mr. Mi Zengxin	5/5			
Mr. Qiu Yiyong (re-designated on 18 November 2010)	4/5			
Mr. Tian Yuchuan (re-designated on 18 November 2010)	5/5			
Mr. Wong Kim Yin	2/5			
Mr. Zhang Jijing	4/5	1/1	0/0	
Independent Non-executive Directors:				
Mr. Fan Ren Da, Anthony	5/5	1/1	0/0	2/2
Mr. Ngai Man	4/5	1/1	0/0	2/2
Mr. Tsang Link Carl, Brian	4/5	1/1	0/0	2/2

FINANCIAL REPORTING

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

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

The Board considered that, through a review made by the Audit Committee, the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgets are adequate.

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 46 and 47 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 system of internal control 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 internal audit team assesses and reports on the adequacy and effectiveness of the system of internal control by performing necessary reviews and testing.

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 Group. The internal audit team reported that no serious deficiencies were identified. The Board therefore considered the system of internal control of the Group effective and complied with the code provisions of the CG Code.

AUDITORS' REMUNERATION

Ernst & Young were re-appointed by shareholders at the annual general meeting held on 25 June 2010 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 2010.

For the year, the total remuneration in respect of statutory audit services amounted to HK$20,626,000 and in respect of non-audit services amounted to HK$12,792,000.

COMMUNICATION WITH SHAREHOLDERS

To enhance transparency, the Company endeavours to maintain on-going dialogues with shareholders through a wide array of channels such as annual general meetings and other general meetings. Shareholders are encouraged to participate in these meetings.

Pursuant to bye-law 58 of the Company's bye-laws, the Board may whenever it thinks fit call special general meetings and shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended).

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 Board should attend the annual general meeting. Mr. Kong Dan, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 June 2010 due to other important business engagements. In accordance with bye-law 63 of the Company's bye-laws, the directors present elected Mr. Sun Xinguo, the then president and chief executive officer of the Company, to chair the meeting.

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. Ngai Man, the chairman of the independent board committee, was unable to attend the special general meeting of the Company held on 27 October 2010 due to personal reasons. Another member of the independent board committee was 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 subsequently published on the website of Hong Kong Exchanges and Clearing Limited and the website of the Company at www.irasia.com/listco/hk/citicresources.

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

INVESTOR RELATIONS

The Company holds press conferences with the media and briefings 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 Investor Relations Department 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 2010.

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, other than the spin-off of the manganese related business, there were no significant changes in the nature of the Group's principal activities.

The Group completed the following transactions during the year:

(a) spin-off and separate listing of CITIC Dameng Holdings Limited ("**CDH**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Following this, the Group's effective equity interest in CDH was diluted from 52.40% to 38.98% and CDH ceased to be a subsidiary of the Group; and

(b) the Group invested A$58.1 million (HK$402.5 million) to subscribe for new shares of Macarthur Coal Limited, a company listed on the Australian Securities Exchange and engaged in the operation, exploration, development and mining of coal.

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 2010 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 48 to 149.

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 non-controlling 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 150. 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 36 and 37 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.

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 of the Group during the year are set out in note 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, 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 2010, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$37,412,000 (2009: HK$6,012,000).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 47.1% of the total sales for the year and sales to the largest customer included therein amounted to 11.9%. Purchases from the Group's five largest suppliers accounted for 68.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to 56.5%.

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 notes (a) and (b) under the section "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 more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors:

Mr. Sun Xinguo
Mr. Zeng Chen
Ms. Li So Mui

Non-executive Directors:

Mr. Kong Dan	
Mr. Mi Zengxin	
Mr. Qiu Yiyong	(re-designated on 18 November 2010)
Mr. Tian Yuchuan	(re-designated on 18 November 2010)
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

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-laws 87(1) and (2) of the Company's bye-laws, Mr. Qiu Yiyong, Mr. Wong Kim Yin, Mr. Zhang Jijing and Mr. Fan Ren Da, Anthony 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 (the "**Listing Rules**") and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT's BIOGRAPHIES

Biographical details of the directors and the senior management of the Company are set out on pages 19 to 22 of 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 2010, 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

Mr. Zhang Jijing ("**Mr. Zhang**") is an executive director and the managing director of CITIC Pacific Limited ("**CITIC Pacific**") (Stock Code: 267) listed on the Main Board of the Stock Exchange. 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 2010, none of the directors or their respective associates had any interest in a business apart from the businesses of the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

As at 31 December 2010, 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	4,295,000	—	0.07
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.17
Ms. Li So Mui	Directly beneficially owned	224,000	2,000,000	0.04
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.17

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
Mr. Zeng Chen	10,000,000
Ms. Li So Mui	2,000,000
Mr. Zhang Jijing	10,000,000
	52,000,000

Long positions in the ordinary shares and underlying shares of 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. Sun Xinguo	CITIC Dameng Holdings Limited	Ordinary shares	20,000	Directly beneficially owned	—
Ms. Li So Mui	CITIC Dameng Holdings Limited	Ordinary shares	3,154	Directly beneficially owned	—
Mr. Zhang Jijing	CITIC Pacific Limited	Share options	500,000	Directly beneficially owned	0.01
Mr. Tsang Link Carl, Brian	Dah Chong Hong Holdings Limited	Ordinary shares	18,000	Directly beneficially owned	—

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

Save as disclosed herein and in the section "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" below, and so far as is known to the directors, as at 31 December 2010:

(a) 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) none of the directors was a director or employee of a company which 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.

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.

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 37 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 2010	Granted during the year	Exercised during the year (1)	At 31 December 2010	Date of grant (2)	Exercise period (3)	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 01-06-2013	1.077
Mr. Zeng Chen	5,000,000	—	—	5,000,000	02-06-2005	02-06-2006 to 01-06-2013	1.077
Mr. Zeng Chen	5,000,000	—	—	5,000,000	28-12-2005	28-12-2006 to 27-12-2013	1.057
Ms. Li So Mui	2,000,000	—	—	2,000,000	02-06-2005	02-06-2006 to 01-06-2013	1.077
Mr. Zhang Jijing	10,000,000	—	—	10,000,000	02-06-2005	02-06-2006 to 01-06-2013	1.077
	52,000,000	—	—	**52,000,000**			
Eligible participants	1,000,000	—	—	**1,000,000**	02-06-2005	02-06-2006 to 01-06-2013	1.077
	53,000,000	—	—	**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) At the special general meeting of the Company held on 5 May 2010, the extension of the exercise periods of the following share options by three years was approved.

	Total no. of share options	Date of grant	Original expiry date	New expiry date
(a)	28,000,000	02-06-2005	01-06-2010	01-06-2013
(b)	5,000,000	28-12-2005	27-12-2010	27-12-2013

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

As at 31 December 2010, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO are as follows:

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 (the "**PRC**"). Mr. Mi Zengxin ("**Mr. Mi**"), Mr. Sun Xinguo ("**Mr. Sun**"), Mr. Zeng Chen ("**Mr. Zeng**"), Mr. Qiu Yiyong ("**Mr. Qiu**") and Mr. Zhang are directors of CITIC Group.

(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. Mr. Mi and Mr. Qiu are directors of CITIC Projects.

(3) Keentech, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Projects. Mr. Sun, Mr. Qiu and Mr. Zhang are directors of Keentech.

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

(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. Mr. Wong Kim Yin is a managing director 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 2010, no person had an interest or a short position in the shares or underlying shares of the Company required to be recorded in the register to be kept under section 336 of the SFO.

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 30 June 2010, Highkeen Resources Limited ("**Highkeen**"), an indirect wholly-owned subsidiary of the Company, and Apexhill Investments Limited ("**Apexhill**"), an indirect wholly-owned subsidiary of CITIC Group, agreed to capitalise, on a pro rata basis, certain of their shareholder loans (the "**Shareholder Loans**") advanced to CDH, in an aggregate principal amount of HK$235,050,000, by receiving 509,592 new shares in the share capital of CDH ("**CDH Shares**") and 127,398 CDH Shares respectively at an issue price of HK$369 per CDH Share in satisfaction of the repayment of such loans.

Also on 30 June 2010, the Company and Apexhill agreed to assign to CDH, on a pro rata basis, their interests, rights and benefits in certain loans (the "**2009 Loans**") due from CITIC Dameng Investments Limited ("**CDI**"), a direct wholly-owned subsidiary of CDH, in an aggregate principal amount of HK$300,000,000. Highkeen (on behalf of the Company) and Apexhill received 650,408 CDH Shares and 162,602 CDH Shares respectively at an issue price of HK$369 per CDH Share in satisfaction of the assignment of such loans.

CDH and Apexhill are connected persons of the Company. The capitalisation of the Shareholder Loans and the assignment of the 2009 Loans constitute connected transactions of the Company. Details of the capitalisation of the Shareholder Loans and the assignment of the 2009 Loans are set out in the announcement of the Company dated 2 July 2010.

(b) On 2 August 2010, Highkeen and Apexhill agreed to further capitalise, also on a pro rata basis, additional shareholder loans (the "**Additional Shareholder Loans**") advanced to CDH, in an aggregate principal amount of HK$84,600,000, by receiving 258,320 CDH Shares and 64,580 CDH Shares respectively at an issue price of HK$262 per CDH Share in satisfaction of the repayment of such loans.

The capitalisation of the Additional Shareholder Loans constitutes a connected transaction of the Company. Details of the capitalisation of the Additional Shareholder Loans are set out in the announcement of the Company dated 2 August 2010.

(c) On 12 August 2010, Guinan Dameng International Resources Limited ("**Guangxi Dameng BVI**"), an indirect wholly-owned subsidiary of 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.) ("**Guangxi Dameng**"), entered into a share subscription agreement with CDH, pursuant to which, Guangxi Dameng BVI agreed to subscribe for, and CDH agreed to allot and issue, 1,460,535 CDH Shares at an aggregate subscription price of the Hong Kong dollar equivalent of RMB463,280,000 (HK$532,772,000) plus HK$16,995,000 (the "**CDH Subscription**").

Also on 12 August 2010, CDI entered into a transfer agreement, pursuant to which CDI agreed to acquire the 34.5% interest in the equity of 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**") held by Guangxi Dameng at a consideration of RMB463,280,000 (HK$532,772,000) (the "**JVCo Interest Acquisition**"). After completion of the JVCo Interest Acquisition, CDI holds 100% of the equity of CITIC Dameng JV and CITIC Dameng JV became an indirect wholly-owned subsidiary of CDH and a PRC wholly foreign owned enterprise.

Guangxi Dameng and Guangxi Dameng BVI are connected persons of the Company. Accordingly, each of the CDH Subscription and the JVCo Interest Acquisition constitutes a discloseable and connected transaction of the Company. Details of the CDH Subscription and the JVCo Interest Acquisition are set out in the announcement of the Company dated 12 August 2010 and the circular of the Company dated 26 August 2010.

(d) On 3 November 2010, Highkeen, Apexhill and Guangxi Dameng BVI, being shareholders of CDH, entered into a deed of tax indemnity (the "**Deed of Tax Indemnity**") in favour of CDH and its subsidiaries (the "**CDH Group**") in respect of certain tax liabilities of the CDH Group prior to the listing of CDH, in proportion to their respective equity interests in CDH immediately prior to the completion of the listing.

CDH and each of its subsidiaries are connected persons of the Company. The entering into of the Deed of Tax Indemnity by Highkeen constitutes a connected transaction of the Company. Details of the Deed of Tax Indemnity are set out in the announcement of the Company dated 11 October 2010 and the circular of the Company dated 12 October 2010.

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 Limited ("**CACT**") and CITIC Metal on 5 April 2007 which relates to the sale of iron ore by CACT to CITIC Metal. 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.

CACT is an indirect wholly-owned subsidiary of the Company. CITIC Metal is a direct wholly-owned subsidiary of CITIC Group, and is a connected person of the Company. The transactions under the Cooperation Agreement constitute continuing connected transactions of the Company. Details of the transactions and annual cap for the year ended 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$1,200,000,000 (HK$9,360,000,000).

(b) As the Cooperation Agreement expired at the end of 2010, on 8 November 2010, CACT entered into a new cooperation agreement (the "**2011 Cooperation Agreement**") with CITIC Metal, which provides a framework to enable CACT to continue with the sale of iron ore and to engage in the sale of coal to CITIC Metal during the three years ending 31 December 2013, and in each case in accordance with the terms of the 2011 Cooperation Agreement and subject to their respective annual caps. The prices paid by CITIC Metal in respect of its purchase of iron ore and coal from CACT are determined on an arm's length basis and with reference to prevailing market prices.

CITIC Metal is a connected person of the Company. The sale of iron ore and/or coal by CACT to CITIC Metal pursuant to the 2011 Cooperation Agreement constitutes continuing connected transactions of the Company. Details of the 2011 Cooperation Agreement, transactions and annual caps for the three years ending 31 December 2013 are set out in the announcement of the Company dated 8 November 2010 and the circular of the Company dated 29 November 2010.

(c) On 10 January 2008, CITIC Dameng JV entered into contracts with Guangxi Dameng and associates of Guangxi Dameng. 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.

CITIC Dameng JV is an indirect non wholly-owned subsidiary of the Company. Guangxi Dameng is a substantial shareholder of CITIC Dameng JV. Accordingly, Guangxi Dameng and each of the associates of Guangxi Dameng is a connected person of the Company and the transactions under the contracts constitute continuing connected transactions of the Company. Details of the contracts, transactions and annual caps for the year ended 31 December 2010 are set out in the announcement of the Company dated 10 January 2008 and the circular of the Company dated 1 February 2008.

In May 2008, certain annual caps were increased to 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	2010 annual caps RMB'000	equivalent to HK$'000
Guangxi Dameng	Sale of natural discharge manganese dioxide	6,475	7,432
廣西桂林大錳錳業投資有限責任公司 (Guangxi Guilin Dameng Manganese Investment Co., Ltd.) ("**Guangxi Guilin**")	Purchase of electrolytic manganese metal	400,000	459,120
	Sale of manganese carbonate powder	19,200	22,038
	Sale of metallurgical manganese ore powder	8,000	9,182
	Provision of services, including mine selection, powder milling and manganese carbonate powder processing	1,400	1,607
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	25,000	28,695
	Sale of metallurgical manganese ore	24,000	27,547
	Sale of natural discharge manganese dioxide sand	21,000	24,104
南寧市電池廠 (Nanning Battery Plant)	Purchase of packaging bags for manganese products	7,878	9,042
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	20,660
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	36,730

From 1 January 2010 to 17 November 2010 (i.e. prior to the listing of CDH on the Main Board of the Stock Exchange on 18 November 2010), the purchases, sales and the provision of services with Guangxi Dameng and its associates did not exceed their applicable approved annual caps.

(d) On 28 October 2010, CITIC Dameng JV entered into an agreement with Guangxi Guilin, pursuant to which Guangxi Guilin provides electrolytic manganese metal processing services to CITIC Dameng JV on an ongoing or continuing basis for the period commencing from 28 October 2010 and ending on 31 December 2012, on normal commercial terms and subject to prevailing market prices.

Guangxi Guilin is a connected person of the Company at the subsidiary level of the Company. Accordingly, the processing services provided by Guangxi Guilin to CITIC Dameng JV constitute continuing connected transactions of the Company. Details of the agreement, transactions and annual caps are set out in the announcement of the Company dated 28 October 2010.

From 28 October 2010 to 17 November 2010, the total services fee paid by CITIC Dameng JV to Guangxi Guilin did not exceed the approved annual cap of RMB50,000,000 (HK$57,390,000).

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.

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.

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 is 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
Kong Dan
Chairman

Hong Kong, 25 March 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of CITIC Resources Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 48 to 149, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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

25 March 2011

Year ended 31 December HK$'000

Consolidated Income Statement

	Notes	2010	2009
REVENUE	5	**32,252,330**	19,425,447
Cost of sales		**(29,310,818)**	(17,543,659)
Gross profit		**2,941,512**	1,881,788
Other income and gains	5	**224,906**	164,941
Selling and distribution costs		**(1,021,995)**	(677,880)
General and administrative expenses		**(646,742)**	(551,433)
Other expenses, net		**(367,902)**	(373,194)
Finance costs	9	**(841,223)**	(822,383)
Share of profit of associates		**250,920**	82,530
		539,476	(295,631)
Gain on loss of control of subsidiaries		**2,650,160**	—
Write-back of provision/(provision) for impairment of items of property, plant and equipment		**(2,514,060)**	446,907
PROFIT BEFORE TAX	6	**675,576**	151,276
Income tax credit/(expense)	10	**405,666**	(2,731)
PROFIT FOR THE YEAR		**1,081,242**	148,545
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**1,101,660**	115,687
Non-controlling interests		**(20,418)**	32,858
		1,081,242	148,545
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	12		
Basic		**HK 18.21 cents**	HK 1.91 cents
Diluted		**HK 18.17 cents**	HK 1.91 cents

Year ended 31 December HK$'000

Consolidated Statement of Comprehensive Income

	Notes	2010	2009
PROFIT FOR THE YEAR		**1,081,242**	148,545
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value	22	**(2,384)**	47,864
Income tax effect	22	**715**	(14,359)
		(1,669)	33,505
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	27	**82,714**	175,028
Reclassification adjustments for losses included in the consolidated income statement	27	**7,599**	41,689
Income tax effect	27	**(19,025)**	(47,160)
		71,288	169,557
Share of other comprehensive income of an associate		**(28,398)**	65,611
		42,890	235,168
Exchange differences on translation of foreign operations		**671,951**	169,737
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**713,172**	438,410
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,794,414**	586,955
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**1,793,449**	603,910
Non-controlling interests		**965**	(16,955)
		1,794,414	586,955

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2010	2009 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**13,264,914**	16,847,211
Prepaid land lease premiums	14	**—**	83,332
Goodwill	15	**341,512**	341,512
Other intangible assets	16	**—**	311,993
Other asset	17	**471,416**	487,378
Investments in associates	21	**6,357,156**	2,138,286
Available-for-sale investments	22	**65,625**	69,758
Prepayments, deposits and other receivables	23	**235,005**	285,013
Derivative financial instruments	27	**44,335**	—
Deferred tax assets	35	**145,360**	187,929
Total non-current assets		**20,925,323**	20,752,412
CURRENT ASSETS			
Inventories	24	**963,700**	1,458,153
Accounts receivable	25	**2,107,644**	2,121,418
Prepayments, deposits and other receivables	23	**702,386**	631,177
Equity investments at fair value through profit or loss	26	**2,964**	2,472
Derivative financial instruments	27	**5,335**	4,043
Tax recoverable		**40,166**	81,589
Cash and bank balances	28	**2,315,488**	4,480,336
Total current assets		**6,137,683**	8,779,188
CURRENT LIABILITIES			
Accounts payable	29	**550,640**	811,943
Tax payable		**62,535**	105,546
Accrued liabilities and other payables	30	**587,757**	792,212
Derivative financial instruments	27	**111,049**	43,248
Bank and other borrowings	31	**1,355,536**	2,339,605
Finance lease payables	32	**14,924**	8,968
Provisions	34	**67,492**	43,527
Total current liabilities		**2,749,933**	4,145,049
NET CURRENT ASSETS		**3,387,750**	4,634,139
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,313,073**	25,386,551

31 December HK$'000

Consolidated Statement of Financial Position

	Notes	2010	2009 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,313,073**	25,386,551
NON-CURRENT LIABILITIES			
Bank and other borrowings	31	**3,290,136**	4,629,165
Finance lease payables	32	**50,423**	57,672
Bond obligations	33	**7,640,430**	7,614,842
Deferred tax liabilities	35	**2,034,277**	2,839,505
Derivative financial instruments	27	**217,949**	107,092
Provisions	34	**413,450**	363,309
Other payables		**—**	4,937
Total non-current liabilities		**13,646,665**	15,616,522
NET ASSETS		**10,666,408**	9,770,029
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	36	**302,528**	302,528
Reserves	38(a)	**9,875,118**	8,132,180
		10,177,646	8,434,708
Non-controlling interests		**488,762**	1,335,321
TOTAL EQUITY		**10,666,408**	9,770,029

Zeng Chen
Director

Li So Mui
Director

Consolidated Statement of Changes in Equity

	Notes	Issued capital	Share premium account	Contributed surplus (note 38(a))	Capital reserve (note 38(a))
At 1 January 2009		302,328	7,314,719	65,527	—
Profit for the year		—	—	—	—
Other comprehensive income for the year:					
Changes in fair value of available-for-sale investments, net of tax		—	—	—	—
Cash flow hedges, net of tax		—	—	—	—
Exchange differences on translation of foreign operations		—	—	—	—
Total comprehensive income/(loss) for the year		—	—	—	—
Acquisition of non-controlling Interests		—	—	—	(38,579)
Dividends paid to non-controlling shareholders		—	—	—	—
Capital injection into a subsidiary		—	—	—	(50,838)
Issue of new shares upon exercise of share options	36, 38(b)	200	4,988	—	—
Transfer from retained profits		—	—	—	—
At 31 December 2009		302,528	7,319,707 *	65,527 *	(89,417) *

	Notes	Issued capital	Share premium account	Contributed surplus (note 38(a))	Capital reserve (note 38(a))
At 1 January 2010		**302,528**	**7,319,707**	**65,527**	**(89,417)**
Profit for the year		—	—	—	—
Other comprehensive income for the year:					
Changes in fair value of available-for-sale investments, net of tax		—	—	—	—
Cash flow hedges, net of tax		—	—	—	—
Exchange differences on translation of foreign operations		—	—	—	—
Total comprehensive income/(loss) for the year		—	—	—	—
Capital contribution from non-controlling shareholders		—	—	—	—
Dividends paid to non-controlling shareholders		—	—	—	—
Disposal of partial interests in subsidiaries		—	—	—	**8,625**
Loss of control of subsidiaries	39	—	—	—	**42,213**
Equity-settled share option arrangements	38(b)	—	—	—	—
At 31 December 2010		**302,528**	**7,319,707 ***	**65,527 ***	**(38,579) ***

* These reserve accounts comprise the consolidated reserves of HK$9,875,118,000 (2009: HK$8,132,180,000) in the consolidated statement of financial position.

HK$'000

Consolidated Statement of Changes in Equity

Attributable to shareholders of the Company

Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 38(a))	Retained profits	Sub-total	Non-controlling interests	Total equity
(507,582)	—	(24,394)	23,235	40,931	677,171	7,891,935	1,433,403	9,325,338
—	—	—	—	—	115,687	115,687	32,858	148,545
—	33,505	—	—	—	—	33,505	—	33,505
—	—	235,168	—	—	—	235,168	—	235,168
219,550	—	—	—	—	—	219,550	(49,813)	169,737
219,550	33,505	235,168	—	—	115,687	603,910	(16,955)	586,955
23,972	—	—	—	—	—	(14,607)	(67,015)	(81,622)
—	—	—	—	—	—	—	(64,950)	(64,950)
—	—	—	—	—	—	(50,838)	50,838	—
—	—	—	(880)	—	—	4,308	—	4,308
—	—	—	—	8,663	(8,663)	—	—	—
(264,060) *	33,505 *	210,774 *	22,355 *	49,594 *	784,195 *	8,434,708	1,335,321	9,770,029

Attributable to shareholders of the Company

Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 38(a))	Retained profits	Sub-total	Non-controlling interests	Total equity
(264,060)	**33,505**	**210,774**	**22,355**	**49,594**	**784,195**	**8,434,708**	**1,335,321**	**9,770,029**
—	**—**	**—**	**—**	**—**	**1,101,660**	**1,101,660**	**(20,418)**	**1,081,242**
—	**(1,669)**	**—**	**—**	**—**	**—**	**(1,669)**	**—**	**(1,669)**
—	**—**	**42,890**	**—**	**—**	**—**	**42,890**	**—**	**42,890**
650,568	**—**	**—**	**—**	**—**	**—**	**650,568**	**21,383**	**671,951**
650,568	**(1,669)**	**42,890**	**—**	**—**	**1,101,660**	**1,793,449**	**965**	**1,794,414**
—	**—**	**—**	**—**	**—**	**—**	**—**	**123,930**	**123,930**
—	**—**	**—**	**—**	**—**	**—**	**—**	**(306,625)**	**(306,625)**
—	**—**	**—**	**—**	**—**	**—**	**8,625**	**13,274**	**21,899**
(70,277)	**—**	**—**	**—**	**(49,594)**	**7,381**	**(70,277)**	**(678,103)**	**(748,380)**
—	**—**	**—**	**11,141**	**—**	**—**	**11,141**	**—**	**11,141**
316,231 *	**31,836 ***	**253,664 ***	**33,496 ***	**— ***	**1,893,236 ***	**10,177,646**	**488,762**	**10,666,408**

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**675,576**	151,276
Adjustments for:			
Interest income	5	**(31,496)**	(54,854)
Gain on disposal of available-for-sale investments	5	**(18,825)**	—
Write-off of payables	5	**—**	(18,613)
Equity-settled share option expense	6	**11,141**	—
Depreciation	6	**1,101,552**	973,956
Amortisation	6	**85,421**	72,651
Loss on disposal/write-off of items of property, plant and equipment	6	**90,697**	7,089
Provision/(write-back of provision) for impairment of items of property, plant and equipment	6	**2,514,060**	(446,907)
Provision for long service and leave payments	6	**13,537**	70,330
Impairment of accounts receivable	6	**8,857**	12,989
Write-down/(reversal of write-down) of inventories to net realisable value	6	**11,344**	(51,351)
Provision/(write-back of provision) for ecological cost	6	**3,951**	(5,638)
Fair value losses on derivative financial instrument – embedded derivative	6	**113,490**	24,583
Loss/(gain) on deemed disposal of investment in an associate	6	**(68,957)**	66,214
Gain on loss of control of subsidiaries	6	**(2,650,160)**	—
Net unrealised gains on derivative financial instruments	6	**7,599**	41,689
Finance costs	9	**841,223**	822,383
Share of profit of associates		**(250,920)**	(82,530)
		2,458,090	1,583,267
Decrease in inventories		**100,999**	191,880
Increase in accounts receivable		**(253,425)**	(105,861)
Decrease/(increase) in prepayments, deposits and other receivables		**(444,017)**	60,143
Decrease in accounts payable		**(61,311)**	(79,761)
Increase/(decrease) in accrued liabilities and other payables		**223,254**	(28,377)
Decrease in provisions		**(8,674)**	(95,929)
Cash generated from operations		**2,014,916**	1,525,362
Australian income tax paid		**(86,952)**	(5,401)
Kazakhstan income tax paid		**(224,500)**	(308,308)
PRC income tax paid		**(65,261)**	(10,273)
Net cash flows from operating activities		**1,638,203**	1,201,380

Year ended 31 December HK$'000

Consolidated Statement of Cash Flows

	Notes	2010	2009
Net cash flows from operating activities		**1,638,203**	1,201,380
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**31,496**	54,854
Purchases of items of property, plant and equipment		**(1,761,707)**	(1,377,122)
Purchase of other intangible assets	16	**(1,468)**	(1,387)
Purchase of prepaid land lease premiums	14	**(82,658)**	(9,397)
Proceeds from disposal of items of property, plant and equipment		**9,721**	25,805
Proceeds from disposal of available-for-sale investments		**24,465**	—
Acquisition of additional equity interest in an associate		**(402,536)**	(93)
Acquisition of non-controlling interest		**—**	(81,622)
Dividend received from an associate		**82,586**	34,737
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**1,595,289**	(1,595,289)
Repayment of a loan receivable		**—**	3,222
Loss of control of subsidiaries	39	**(684,180)**	—
Net cash flows used in investing activities		**(1,188,992)**	(2,946,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of expenses	36	**—**	4,308
Repayment of bonds		**—**	(355,649)
Dividends paid to non-controlling shareholders		**(258,655)**	(64,950)
Capital contribution from a non-controlling shareholder		**21,899**	—
New bank and other borrowings		**17,771,078**	10,817,652
Repayment of bank and other borrowings		**(17,833,720)**	(9,897,722)
Capital element of finance lease payables		**(9,164)**	55,950
Interest paid		**(808,474)**	(754,501)
Finance charges paid		**(629)**	(36,554)
Net cash flows used in financing activities		**(1,117,665)**	(231,466)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(668,454)**	(1,976,378)
Cash and cash equivalents at beginning of year		**2,885,047**	4,770,747
Effect of foreign exchange rate changes, net		**98,895**	90,678
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,315,488**	2,885,047
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**891,256**	1,169,716
Non-pledged time deposits		**1,424,232**	3,310,620
Cash and cash equivalents as stated in the consolidated statement of financial position		**2,315,488**	4,480,336
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 cash flows		**2,315,488**	2,885,047

31 December HK$'000

Statement of Financial Position

	Notes	2010	2009
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,466**	1,929
Investments in subsidiaries	18	**7,547,537**	6,633,160
Prepayments, deposits and other receivables	23	**2,958**	5,688
Total non-current assets		**7,552,961**	6,640,777
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**10,267**	10,907
Cash and bank balances	28	**1,114,497**	2,487,099
Total current assets		**1,124,764**	2,498,006
CURRENT LIABILITIES			
Accrued liabilities and other payables		**1,410**	2,374
NET CURRENT ASSETS		**1,123,354**	2,495,632
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,676,315**	9,136,409
NON-CURRENT LIABILITIES			
Bank borrowing	31	**1,638,000**	2,184,000
NET ASSETS		**7,038,315**	6,952,409
EQUITY			
Issued capital	36	**302,528**	302,528
Reserves	38(b)	**6,735,787**	6,649,881
TOTAL EQUITY		**7,038,315**	6,952,409

Zeng Chen
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, tyres, alloy wheels and various metals such as steel in Australia;

(d) the operation of manganese mines 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 (the "**Karazhanbas oilfield**") in Mangistau Oblast, the Republic of Kazakhstan ("**Kazakhstan**"); and

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

During the year, for the purposes of the spin-off and separate listing (the "**Spin-off**") of CITIC Dameng Holdings Limited ("**CDH**"), a former 80% owned subsidiary of the Group, CDH and its subsidiaries (collectively, the "**CDH Group**") underwent and completed a reorganisation (the "**CDH Reorganisation**"). On 18 November 2010, CDH was listed (the "**CDH Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Upon listing of CDH, the Group's interest in CDH was diluted to 38.98% and CDH became an associate of the Group. CDH is principally engaged in the operation of manganese mines and the sale of refined manganese products. Further details of the transactions are set out in note 39 to the financial statements.

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

2.1 BASIS OF PREPARATION

The 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 ("**HKICPA**"), 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 certain equity investments, which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except where otherwise indicated.

As further explained in note 2.2 below, during the year, the Group adopted HK Interpretation 5 and reclassified a term loan from a bank as a current liability. This in turn has impacted on the amount of net current assets presented in the consolidated statement of financial position. Further details about the effect on the financial statements and the directors' assessment of the impact on the Group's liquidity arising from this change are set out in notes 31 and 48 to the financial statements, respectively.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

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.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 Amendments 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
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs, issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on the financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

Year ended 31 December 2010 HK$'000

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

Prior to the adoption of this interpretation, a term loan from a bank was classified in the statement of financial position as a non-current liability based on its maturity date of repayment. Upon the adoption of the interpretation, such bank loan has been reclassified entirely as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts as at 31 December 2009 have been restated. In addition, as a result of this change and as required by HKAS 1 Presentation of Financial Statements, the Group is required to present a statement of financial position as at 1 January 2009. However, since the adoption of HK Interpretation 5 has no impact on the Group's financial position as at 1 January 2009, the presentation of such statement provides no additional information to users of the financial statements. Accordingly, no third statement of financial position as at 1 January 2009 was included in the financial statements.

The above change has had no effect on the consolidated statement of comprehensive income. The effect on the consolidated statement of financial position at 31 December is summarised as follows:

	2010	2009	At 1 January 2009
CURRENT LIABILITIES			
Increase in bank and other borrowings	—	87,918	—
NON-CURRENT LIABILITIES			
Decrease in bank and other borrowings	—	(87,918)	—

There was no impact on the net assets of the Group.

Further details of the bank and other borrowings are set out in note 31 to the financial 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 the financial statements.

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 [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [4]
HKFRS 9	Financial Instruments [6]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets [5]
HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [1]
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

Apart from the above, HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[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, but is not yet in a position to state whether these new and revised HKFRSs would 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 investments 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 investments 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 investments in jointly-controlled entities are accounted for by the proportionate consolidation method, 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 investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

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 2010. 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 investments in associates are 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 associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after assessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

- Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.
- When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.
- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than oil and gas properties, capital works and 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 to 12 years or over the unexpired lease terms, whichever is shorter
Motor vehicles, plant, machinery, tools and equipment	5 to 26 years
Furniture and fixtures	4 to 5 years
Buildings and structures	10 to 30 years

Freehold land is not depreciated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

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 oilfield. 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 three to ten 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.

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 asset

Other asset represents 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 asset is stated at cost less accumulated amortisation, provided on a straight-line basis over the term of the base power contract, and any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets of the Group 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 investments, 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 available-for-sale financial investments, accounts receivable, financial assets included in prepayments, deposits and other receivables, equity investments at fair value through profit or loss, derivative financial instruments, and cash and bank balances.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (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 method less any allowance for impairment. Amortised cost is calculated by 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 are 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (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. 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; or

- 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.

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 subsequently recovered, the recovery is credited to the consolidated income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 include 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.

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. The effective interest rate amortisation 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 one 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 a 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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 are designated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

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, associates and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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, associates and 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 assets 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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are 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 is subject to withholding tax under the prevailing tax rules and regulations.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments 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, including prepaid land lease payments under finance lease, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

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

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

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payment transactions

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

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

The cost of equity-settled transactions with employees 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. 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 employer contributions 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. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

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

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

In accordance with the Law 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Foreign currencies

The 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 is determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled assets and entities and associates 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.

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 treatment of certain transactions and also assessment on the probability that adequate future taxable profits will be available to recover the deferred tax assets.

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 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.

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 a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 15 to the financial statements.

Oil and gas reserves and mining reserves

The most significant estimates in the oil and gas and mining operations 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. Further details are set out in notes 13 and 34 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 at arm's length of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate 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 its inventories with reference to aged analyses of the Group's inventories and projections of expected future saleability of goods, and also based on management's experience and judgement. Based on this review, write-down of inventories is made when the estimated net realisable values 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in note 35 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five 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 and coal; 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 mines and the sale of refined manganese products in the PRC, and the exploration of manganese mine in Gabon, West Africa; and

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

Management monitors the results of the Group's operating segments separately for the purposes 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 available-for-sale investments, derivative financial instruments, deferred tax assets, equity investments at fair value through profit or loss, tax recoverable, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

HK$'000

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Total
Segment revenue:						
Sales to external customers	1,215,445	507,230	24,536,161	2,190,567	3,802,927	32,252,330
Other income	4,293	6,678	45,861	19,709	34,232	110,773
	1,219,738	513,908	24,582,022	2,210,276	3,837,159	32,363,103
Segment results	(36,675)	122,296	300,489	267,832	516,357	1,170,299
Reconciliation:						
Interest income and unallocated gains						45,176
Gain on loss of control of subsidiaries						2,650,160
Gain on deemed disposal of investment in an associate						68,957
Provision for impairment of items of property, plant and equipment						(2,514,060) *
Unallocated expenses						(154,653)
Unallocated finance costs						(841,223)
Share of profit of associates						250,920
Profit before tax						675,576
Segment assets	2,337,219	427,432	1,854,261	—	13,327,632	17,946,544
Reconciliation:						
Investments in associates						6,357,156
Unallocated assets						2,759,306
Total assets						27,063,006
Segment liabilities	679,747	40,615	242,049	—	625,466	1,587,877
Reconciliation:						
Unallocated liabilities						14,808,721
Total liabilities						16,396,598
Other segment information:						
Depreciation and amortisation	137,401	18,341	1,016	146,312	879,625	1,182,695
Unallocated amounts						4,278
						1,186,973
Other non-cash expenses	—	5,040	—	3,817	11,344	20,201
Capital expenditure	10,595	1,696	722	526,020	1,334,098	1,873,131
Unallocated amounts						1,059
						1,874,190 **

* Provision for impairment of items of property, plant and equipment was related to the crude oil segment.
** Capital expenditure consists of additions to property, plant and equipment, prepaid land lease premiums and other intangible assets.

HK$'000

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	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)
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 **

* Write-back of provision for impairment of items of property, plant and equipment was related to the crude oil segment.

** 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

	2010	2009
PRC	**23,176,884**	13,032,583
Australia	**1,995,287**	1,351,048
Europe	**4,530,718**	3,440,552
North America	**96,776**	63,201
Kazakhstan	**140,476**	106,705
Other Asian countries	**950,015**	1,011,152
Others	**1,362,174**	420,206
	32,252,330	19,425,447

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

(b) Non-current assets

	2010	2009
Hong Kong	**8,731**	8,329
PRC	**6,621,739**	4,529,647
Australia	**5,084,386**	4,452,614
Kazakhstan	**7,838,945**	10,659,527
Gabon	**—**	95,760
Other Asian countries	**644,786**	678,001
	20,198,587	20,423,878

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

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	**2010**	2009
Customer A	Import and export of commodities	**3,826,829**	2,374,609
Customer B	Crude oil	**3,450,591**	2,277,277

Year ended 31 December HK$'000

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:

	Note	2010	2009
Revenue			
Sale of goods:			
Aluminium smelting		**1,215,445**	1,029,113
Coal		**507,230**	344,030
Import and export of commodities		**24,536,161**	13,083,451
Manganese		**2,190,567**	2,086,364
Crude oil		**3,802,927**	2,882,489
		32,252,330	19,425,447
Other income and gains			
Interest income		**31,496**	54,854
Handling service fees		**45,392**	30,312
Gain on disposal of available-for-sale investments	22	**18,825**	—
Write-off of payables		**—**	18,613
Sale of scrap		**13,158**	2,358
Government subsidies and value added tax rebate *		**6,821**	11,251
Gain on deemed disposal of investment in an associate		**68,957**	—
Others		**40,257**	47,553
		224,906	164,941
		32,477,236	19,590,388

* 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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6. PROFIT BEFORE TAX

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

	Notes	2010	2009
Cost of inventories sold *		**29,310,818**	17,543,659
Depreciation	13	**1,101,552**	973,956
Amortisation of other asset	17	**72,888**	62,988
Amortisation of other intangible assets	16	**6,973**	7,601
Amortisation of prepaid land lease premiums	14	**5,560**	2,062
Exploration and evaluation costs **		**18,671**	37,225
Minimum lease payments under operating leases on land and buildings		**38,144**	42,028
Auditors' remuneration		**20,626**	11,486
Employee benefit expense (including directors' remuneration – note 7):			
Wages and salaries		**808,738**	686,462
Equity-settled share option expense	37, 38(b)	**11,141**	—
Pension scheme contributions		**7,608**	661
Provision for long service and leave payments	34	**13,537**	70,330
		841,024	757,453
Loss on disposal/write-off of items of property, plant and equipment **		**90,697**	7,089
Provision/(write-back of provision) for impairment of items of property, plant and equipment	13	**2,514,060**	(446,907)
Exchange losses, net **		**91,270**	213,490
Write-down/(reversal of write-down) of inventories to net realisable value		**11,344**	(51,351)
Impairment of accounts receivable **	25	**8,857**	12,989
Fair value losses on derivative financial instrument – embedded derivative **	47	**113,490**	24,583
Fair value gains on cash flow hedges (transfer from equity)	27	**(7,599)**	(41,689)
Provision/(write-back of provision) for ecological cost	34	**3,951**	(5,638)
Loss/(gain) on deemed disposal of investment in an associate		**(68,957)**	66,214
Gain on loss of control of subsidiaries	39	**(2,650,160)**	—

* Cost of inventories sold for the year included an aggregate amount of HK$1,686,830,000 (2009: HK$1,361,767,000), which comprised an employee benefit expense, provision for inventories, depreciation and amortisation of the ESA and other intangible assets. Such amount has also been included in the respective expense items disclosed above.

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

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7. DIRECTORS' REMUNERATION

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

	2010	2009
Fees:		
Executive directors and non-executive directors	**420**	663
Independent non-executive directors	**1,015**	1,015
	1,435	1,678
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**9,964**	8,697
Bonuses	**11,005**	6,068
Equity-settled share option expense	**10,806**	—
Pension scheme contributions	**165**	146
	31,940	14,911
	33,375	16,589

During the year, the maturity dates of the share options granted to certain directors under the share option scheme of the Company were extended by three years, further details of which are set out in note 37 to the financial statements. The fair value of such options has been recognised in the income statement over the vesting period, which was included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2010	2009
Fan Ren Da, Anthony	**355**	355
Ngai Man	**330**	330
Tsang Link Carl, Brian	**330**	330
	1,015	1,015

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

Year ended 31 December HK$'000

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
2010						
Executive Directors:						
Sun Xinguo	—	2,348	2,220	—	12	4,580
Zeng Chen	—	3,134	3,897	3,443	129	10,603
Li So Mui	—	2,452	1,980	669	12	5,113
Non-executive Directors:						
Kong Dan	—	—	—	—	—	—
Mi Zengxin	—	—	—	3,347	—	3,347
Qiu Yiyong [5]	140	—	—	—	—	140
Tian Yuchuan [5]	—	2,030	2,908	—	12	4,950
Wong Kim Yin	140	—	—	—	—	140
Zhang Jijing	140	—	—	3,347	—	3,487
Yap Chwee Mein	—	—	—	—	—	—
	420	9,964	11,005	10,806	165	32,360
2009						
Executive Directors:						
Shou Xuancheng [3]	—	1,888	940	—	10	2,838
Sun Xinguo	—	2,108	1,320	—	12	3,440
Zeng Chen	140	2,403	2,584	—	111	5,238
Li So Mui	—	2,108	1,155	—	12	3,275
Qiu Yiyong	140	—	—	—	—	140
Tian Yuchuan [4]	—	190	69	—	1	260
Non-executive Directors:						
Kong Dan [2]	—	—	—	—	—	—
Mi Zengxin [2]	—	—	—	—	—	—
Ma Ting Hung [1]	103	—	—	—	—	103
Wong Kim Yin	140	—	—	—	—	140
Zhang Jijing [2]	140	—	—	—	—	140
Yap Chwee Mein	—	—	—	—	—	—
	663	8,697	6,068	—	146	15,574

During the years ended 31 December 2010 and 2009, Mr. Kong Dan and Mr. Mi Zengxin elected not to receive any fee from the Company. During the year, the maturity date of the share options granted to Mr. Mi Zengxin under the share option scheme of the Company in respect of his services to the Group was extended by three years to 1 June 2013, further details of which are set out in note 37 to the financial statements. Saved as aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:
1 Retired on 26 June 2009
2 Re-designated as non-executive directors on 7 August 2009
3 Resigned on 23 October 2009
4 Appointed on 1 December 2009
5 Re-designated as non-executive directors on 18 November 2010

Year ended 31 December HK$'000

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: four) directors and one senior management staff (2009: one). Details of the remuneration of these directors are set out in note 7 and details of the remuneration of such senior management staff are as follows:

	2010	2009
Salaries, allowances and benefits in kind	**1,856**	2,234
Bonuses	**3,993**	749
Pension scheme contributions	**179**	12
	6,028	2,995

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
HK$2,500,001 to HK$3,000,000	**—**	1
HK$6,000,001 to HK$6,500,000	**1**	—
	1	1

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
Interest expense on bank and other borrowings repayable:		
Within one year	**182,939**	156,453
In the second to fifth years, inclusive	**97,430**	51,265
Beyond five years	**3,888**	22,724
Interest expense on fixed rate senior notes, net	**524,217**	524,059
Interest expense on finance leases	**1,588**	3,785
Total interest expense on financial liabilities not at fair value through profit or loss	**810,062**	758,286
Amortisation of fixed rate senior notes	**23,027**	23,027
Less: Interest capitalised	**(28,357)**	—
	804,732	781,313
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time (note 34)	**32,159**	3,254
Others *	**4,332**	37,816
	841,223	822,383

* Including amortisation of up-front fees of HK$2,808,000 (2009: HK$2,730,000)

Year ended 31 December HK$'000

10. INCOME TAX

	Group 2010	2009
Current – Hong Kong	**—**	—
Current – Elsewhere		
Charge for the year	**438,196**	212,604
Over-provision in prior years	**(2,731)**	(170,221)
Deferred – note 35	**(841,131)**	(39,652)
Total tax expense/(credit) for the year	**(405,666)**	2,731

The statutory tax rate of Hong Kong profits tax was 16.5% (2009: 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 (2009: 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 provided at the statutory rate of 30% (2009: 30%) on the estimated assessable profits arising in Australia during the year.

Indonesia
The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2009: 30%) during the year.

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% (2009: 14%).

PRC
The PRC corporate income tax rate was 25% (2009: 25%) during the year. 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.

Kazakhstan
The corporate tax rates applicable to the Group's jointly-controlled entities established and operating in Kazakhstan are 20% in 2009 to 2012, 17.5% in 2013 and 15% in 2014 and onwards. The Group shall also pay excess profit tax ("**EPT**") on its profit after corporate income tax each year. The calculation methodology on EPT is based on annual profitability at progressive rates varying from 10% to 60%.

Pursuant to the legislation passed in Kazakhstan on 31 December 2010, an entity operating in the oil and gas industry can apply for reduced mineral extraction tax rate, subject to fulfilment of certain criteria and approval from the authorities. The Group's Kazakhstan jointly-controlled entity is in the process of assessing the criteria for application to the tax authorities.

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.

Year ended 31 December HK$'000

10. INCOME TAX (continued)

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

	Group	
	2010	2009
Profit before tax	**675,576**	151,276
Tax at the Hong Kong statutory rate of 16.5% (2009: 16.5%)	**111,470**	24,960
Higher/(lower) tax rates on profits arising elsewhere	**(11,610)**	37,559
Lower tax rate/tax holiday or concessions for specific provinces or enacted by local authorities	**(45,185)**	(25,416)
Adjustments in respect of current tax of previous periods	**(2,731)**	(170,221)
Effect on deferred tax of increase/(decrease) in rates	**(164,853)**	33,502
Income not subject to tax	**(601,908)**	(105,507)
Expenses not deductible for tax	**332,023**	204,421
Effect of withholding tax on the distributable profit of the Group's PRC subsidiaries and Kazakhstan jointly-controlled entities	**7,953**	20,053
Tax losses utilised from previous periods	**(30,825)**	(16,620)
Tax expense/(credit) at the Group's effective rate	**(405,666)**	2,731

The share of tax attributable to associates amounting to HK$75,564,000 (2009: HK$73,527,000) is included in "Share of profit of associates" 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$227,688,000 (2009: HK$210,161,000) 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 2010 includes a loss of HK$78,627,000 (2009: HK$24,214,000) which has been dealt with in the financial statements of the Company.

Year ended 31 December HK$'000

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

The calculation of basic earnings per share amount 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.

The calculation of diluted earnings per share amount 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 amount are based on:

	2010	2009
Earnings		
Profit attributable to ordinary shareholders of the Company used in the basic earnings per share calculation	**1,101,660**	115,687

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,050,567,038**	6,048,882,106
Effect of dilution – weighted average number of ordinary shares: share options	**13,825,818**	13,404,366
	6,064,392,856	6,062,286,472

HK$'000

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2010	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 2010		20,830,002	8,608	5,462	2,374,568	830,498	39,997	1,328,651	229,531	25,647,317
Change in provision for abandonment cost	34	(3,275)	—	—	—	—	—	—	—	(3,275)
Change in provision for land reclamation	34	—	—	—	—	1,300	—	—	—	1,300
Change in provision for rehabilitation cost	34	—	—	—	—	—	—	—	5,752	5,752
Additions		429,790	—	631	51,174	1,293,010	3,822	10,561	1,076	1,790,064
Disposals/write-off		(82,953)	—	—	(45,887)	—	(26)	(4,542)	(4,117)	(137,525)
Loss of control of subsidiaries	39	—	—	—	(875,511)	(494,899)	(13,577)	(961,966)	(14,297)	(2,360,250)
Transfers		568,124	—	—	126,268	(726,663)	646	77,893	(46,268)	—
Exchange realignment		62,859	1,146	79	229,546	32,206	985	84,626	24,484	435,931
At 31 December 2010		21,804,547	9,754	6,172	1,860,158	935,452	31,847	535,223	196,161	25,379,314
Accumulated depreciation and impairment:										
At 1 January 2010		7,845,698	—	4,846	666,350	7,654	14,191	203,637	57,730	8,800,106
Depreciation provided during the year	6	854,512	—	285	171,377	—	5,460	64,962	4,956	1,101,552
Disposals/write-off		(470)	—	—	(35,671)	—	(901)	(65)	—	(37,107)
Loss of control of subsidiaries	39	—	—	—	(245,115)	(7,656)	(6,292)	(122,193)	(12,473)	(393,729)
Provision for impairment	6	2,514,060	—	—	—	—	—	—	—	2,514,060
Exchange realignment		15,410	—	40	81,191	2	479	25,413	6,983	129,518
At 31 December 2010		11,229,210	—	5,171	638,132	—	12,937	171,754	57,196	12,114,400
Net carrying amount:										
At 31 December 2010		10,575,337	9,754	1,001	1,222,026	935,452	18,910	363,469	138,965	13,264,914

Note: The net carrying amount 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 2010 amounted to HK$67,477,000 (2009: HK$67,693,000).

As at 31 December 2009, the Group's property, plant and equipment of HK$207,614,000 were pledged against the bank loans.

Freehold land of the Group is located in Australia.

HK$'000

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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		35,950	—	—	—	—	—	—	—	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 carrying amount:										
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

As at 31 December 2009, 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. In addition, the Group's construction in progress with an aggregate net carrying amount of HK$42,209,000 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 were of the opinion that the Group was 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. The construction in progress in relation to the CDH Group was derecognised during the year as the Group ceased to have control over the CDH Group following the CDH Listing.

During the prior year, 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 year ended 31 December 2009.

HK$'000

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At the end of the current reporting period, the directors considered that certain oil and gas properties in the Karazhanbas oilfield, Kazakhstan were impaired and therefore impairment losses of HK$2,514,060,000 were recognised in the consolidated income statement for the current year. The triggers for the impairment tests were primarily due to the combined effect of the imposition of the new export duty and a downward revision of the estimate of original oil in place in the Karazhanbas oilfield, which reduced the estimated recoverable amounts of these related assets as at 31 December 2010.

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 14.8% (2009: 15.6%). This discount rate is derived from the Group's pre-tax weighted average cost of capital.

Company

31 December 2010	Leasehold improvements	Motor vehicles and equipment	Total
Cost:			
At 1 January 2010	**677**	**2,346**	**3,023**
Additions	**590**	**801**	**1,391**
At 31 December 2010	**1,267**	**3,147**	**4,414**
Accumulated depreciation:			
At 1 January 2010	**249**	**845**	**1,094**
Provided during the year	**206**	**648**	**854**
At 31 December 2010	**455**	**1,493**	**1,948**
Net carrying amount at 31 December 2010	**812**	**1,654**	**2,466**

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 carrying amount at 31 December 2009	428	1,501	1,929

HK$'000

14. PREPAID LAND LEASE PREMIUMS

	Group 2010	2009
Carrying amount at 1 January	**86,468**	79,126
Additions	**82,658**	9,397
Amortisation (note 6)	**(5,560)**	(2,062)
Loss of control of subsidiaries (note 39)	**(165,933)**	—
Exchange realignment	**2,367**	7
Carrying amount at 31 December	**—**	86,468
Current portion included in prepayments, deposits and other receivables	**—**	(3,136)
Non-current portion	**—**	83,332

The leasehold land was held under a medium-term lease and was situated in the PRC. As at 31 December 2009, leasehold land of HK$55,841,000 was pledged for certain bank loans.

15. GOODWILL

	Group 2010	2009
Cost and net 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 (2009: HK$316,830,000); and
- import and export of commodities segment of HK$24,682,000 (2009: 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 8.3% (2009: 7.3%).

Import and export of commodities segment

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 7.2% (2009: 6.3%).

HK$'000

16. OTHER INTANGIBLE ASSETS

Mining rights

	Group 2010	2009
Cost:		
At 1 January	**338,682**	338,225
Additions	**1,468**	1,387
Loss of control of subsidiaries (note 39)	**(349,090)**	—
Exchange realignment	**8,940**	(930)
At 31 December	**—**	338,682
Accumulated amortisation:		
At 1 January	**26,689**	19,350
Provided during the year (note 6)	**6,973**	7,601
Loss of control of subsidiaries (note 39)	**(34,363)**	—
Exchange realignment	**701**	(262)
At 31 December	**—**	26,689
Net carrying amount:		
At 31 December	**—**	311,993

17. OTHER ASSET

	Group 2010	2009
Cost:		
At 1 January	**898,020**	693,614
Exchange realignment	**119,538**	204,406
At 31 December	**1,017,558**	898,020
Accumulated amortisation:		
At 1 January	**410,642**	262,046
Provided during the year (note 6)	**72,888**	62,988
Exchange realignment	**62,612**	85,608
At 31 December	**546,142**	410,642
Net carrying amount:		
At 31 December	**471,416**	487,378

Other asset represents the Group's interest in the ESA.

31 December HK$'000

18. INVESTMENTS IN SUBSIDIARIES

	Company 2010	2009
Unlisted shares, at cost	**173,133**	173,133
Due from subsidiaries	**8,395,237**	7,419,256
Due to subsidiaries	**(78,227)**	(78,227)
	8,490,143	7,514,162
Impairment	**(942,606)**	(881,002)
	7,547,537	6,633,160

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these balances are considered as quasi-equity loans to the subsidiaries.

Particulars of the subsidiaries of the Company as at 31 December 2010 were 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	Hong Kong	HK$60,000,000	100	Dormant
Global Enterprises (HK) Limited	Hong Kong	HK$2	100	Provision of management services

18. INVESTMENTS 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	State of Victoria, Australia	A$377,650,000	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 *	State of Victoria, Australia	A$2	100	Investment holding
CITIC (Portland) Nominees II Pty Limited *	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$220,605,959	100	Investment holding

18. INVESTMENTS 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 Coal Exploration Pty Limited	State of Victoria, Australia	A$2,845,375	100	Exploration, development of coal mines and mining of coal
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$108,333	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	Equipment lease holding
CITIC Australia Trading Pty Limited (formerly known as CITIC Australia Trading Limited) ("**CATL**")	State of Victoria, Australia	A$4,710,647	100	Investment holding

18. INVESTMENTS 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 Commodity Trading Pty Limited	State of Victoria, Australia	A$500,002	100	Import and export of commodities and manufactured goods
CATL Sub-holdings Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Autoparts Pty Limited (formerly known as CITIC Tyres and 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	Dormant
CITIC Batteries Pty Limited	State of Victoria, Australia	A$2	100	Dormant
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
北京千泉投資問有限公司 #+ (Beijing Springs Investment Consultants Co. Limited)	the 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 Information Consulting Co. Ltd.)	the PRC	RMB500,000	100	Consulting
Richfirst Holdings Limited	British Virgin Islands/ Hong Kong	US$100	100	Investment holding

18. INVESTMENTS 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)				
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
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 Indonesia Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Seram Energy Limited	British Virgin Islands/ Indonesia	US$1	100	Investment holding
CITIC Haiyue Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Tincy Group Energy Resources Limited	Hong Kong/ the PRC	HK$10,000,000	90	Exploration, development and operation of oilfields
CITIC Liaobin Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Liaobin Energy (HK) Limited	Hong Kong	HK$1	100	Investment holding
CITIC Oil & Gas Holdings Limited	British Virgin Islands/ Hong Kong	US$100	100	Investment holding

18. INVESTMENTS 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)				
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)	the 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	51	Investment holding
Splendor Venture Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding

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

\# The statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\+ Limited liability company registered under the PRC law

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

The Group's jointly-controlled entities primarily engage in the exploration, development, production and sale of oil and provision of oilfield related services in Kazakhstan. Particulars of the jointly-controlled entities as at 31 December 2010 were 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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19. INVESTMENTS 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 2010 and for the year then ended.

	2010	2009
Proportionate share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**7,807,670**	10,689,282
Current assets	**1,333,830**	1,390,840
Current liabilities	**(5,477,494)**	(6,181,819)
Non-current liabilities	**(2,221,388)**	(2,980,510)
Net assets	**1,442,618**	2,917,793

	2010	2009
Proportionate share of the jointly-controlled entities' results:		
Revenue	**3,591,067**	2,663,084
Other income	**9,571**	17,875
	3,600,638	2,680,959
Total expenses	**(5,549,993)**	(1,996,931)
Tax credit /(expense)	**509,653**	(36,177)
Profit/(loss) after tax	**(1,439,702)**	647,851

20. INVESTMENTS IN JOINTLY-CONTROLLED ASSETS

As at 31 December 2010, the Group held the 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 Walker joint venture, the principal activity of which is the exploration of coal;

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

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

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20. INVESTMENTS 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 another 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:

	2010	2009
Non-current assets	**2,818,482**	2,552,617
Current assets	**105,678**	104,275
Current liabilities	**(204,311)**	(165,389)
Non-current liabilities	**(344,946)**	(263,027)
Share of net assets employed in the Portland Aluminium Smelter joint venture	**2,374,903**	2,228,476

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:

	2010	2009
Non-current assets	**797,511**	817,543
Current assets	**256,395**	234,045
Current liabilities	**(46,642)**	(33,189)
Non-current liabilities	**(47,685)**	(37,104)
Share of net assets employed in the Seram Interest	**959,579**	981,295

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:

	2010	2009
Non-current assets	**1,933,292**	845,322
Current assets	**393,640**	275,743
Current liabilities	**(1,236,358)**	(386,552)
Non-current liabilities	**(28,007)**	(17,605)
Share of net assets employed in the remaining jointly-controlled assets	**1,062,567**	716,908

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21. INVESTMENTS IN ASSOCIATES

	Group 2010	2009
Share of net assets:		
Listed in Hong Kong	**1,295,633**	—
Listed in Australia	**3,084,896**	2,138,286
Goodwill on acquisition (note)	**1,976,627**	—
	6,357,156	2,138,286
Market value of listed shares	**8,075,200**	3,404,000

Note:

CDH was a former 80% owned subsidiary of the Group. As further detailed in note 39 to the financial statements, upon completion of the CDH Listing on 18 November 2010, the Group's interest in CDH was diluted to 38.98% and the Group ceased to have control over CDH. CDH and its subsidiaries became associates of the Group thereafter.

The purchase price allocation of CDH is still preliminary, pending the finalisation of the valuation of certain property, plant and equipment and intangible assets, and the determination of the tax basis of the assets and liabilities acquired.

Particulars of the Group's principal associates are as follows:

Name	Registered ordinary share capital	Place of incorporation/ registration	Percentage of equity interest attributable to the Group 2010	2009	Principal activities
Macarthur Coal #	A$1,224,447,000	State of Queensland, Australia	**16.14**	17.01	Exploration, development and operation of coal mines
CDH	HK$302,479,500	Bermuda/ Hong Kong	**38.98**	—	Investment holding

The statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All of the above investments in associates are indirectly held by the Company.

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

The following table illustrates the summarised financial information of associates extracted from their respective financial statements for the year ended 31 December 2010:

	2010	2009
Assets	**23,215,279**	10,238,366
Liabilities	**6,063,526**	2,666,337
Revenue	**8,101,639**	3,675,305
Profit after tax	**1,868,914**	625,615

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22. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2010	Group 2009
Non-current equity investments:		
Listed equity investment in Australia, at fair value	**65,625**	65,541
Unlisted equity investment in the PRC, at cost	**—**	4,217
	65,625	69,758
The costs of the above investments were:		
Australia	**26,002**	33,366
PRC	**—**	4,217
	26,002	37,583

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

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$2,384,000, before related deferred tax assets of HK$715,000 (2009: a gross gain of HK$47,864,000, before related deferred tax liabilities of HK$14,359,000). In addition, a net gain of HK$18,825,000 (note 5) was recognised by the Group in the consolidated income statement.

As at 31 December 2009, the Group's unlisted equity investment with a carrying amount of HK$4,217,000 was stated at cost because the range of reasonable fair value estimates was so significant that the directors were of the opinion that its fair value cannot be measured reliably.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group 2010	Group 2009	Company 2010	Company 2009
Prepayments	**272,206**	421,061	**5,824**	11,760
Deposits and other receivables	**665,185**	456,272	**7,401**	4,835
Due from non-controlling shareholders of subsidiaries or its affiliates	**—**	38,857	**—**	—
	937,391	916,190	**13,225**	16,595
Portion classified as current assets	**(702,386)**	(631,177)	**(10,267)**	(10,907)
Non-current portion	**235,005**	285,013	**2,958**	5,688

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.

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24. INVENTORIES

	Group 2010	2009
Raw materials	**432,769**	701,176
Work in progress	**181,879**	116,418
Finished goods	**349,052**	640,559
	963,700	1,458,153

25. ACCOUNTS RECEIVABLE

	Group 2010	2009
Trade receivables	**2,129,505**	1,923,561
Notes receivable	**—**	219,930
Impairment	**(21,861)**	(22,073)
	2,107,644	2,121,418

As at 31 December 2009, notes receivable represented bank acceptance notes of the Group's manganese mining operation in the PRC. The acceptance notes were issued by major banks in the PRC.

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

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provisions, was as follows:

	Group 2010	2009
Within one month	**1,076,496**	898,937
One to two months	**535,572**	677,953
Two to three months	**104,454**	271,065
Over three months	**391,122**	273,463
	2,107,644	2,121,418

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

	Group 2010	2009
At 1 January	**22,073**	8,178
Impairment losses recognised (note 6)	**8,857**	12,989
Amount written off as uncollectible	**(3,503)**	(1,238)
Loss of control of subsidiaries	**(8,264)**	—
Exchange realignment	**2,698**	2,144
At 31 December	**21,861**	22,073

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25. ACCOUNTS RECEIVABLE (continued)

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$21,861,000 (2009: HK$22,073,000) with an aggregate carrying amount before provision of HK$21,861,000 (2009: HK$22,073,000). The individually impaired accounts receivable relate to customers that were in financial difficulties and the receivables are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2010	2009
Neither past due nor impaired	**1,999,096**	1,987,148
Less than one month past due	**68,400**	20,743
One to three months past due	**12,704**	42,401
Over three months past due	**27,444**	71,126
	2,107,644	2,121,418

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

Included in the total accounts receivable is an amount due from the Group's fellow subsidiary of HK$511,524,000 (2009: HK$417,644,000), which is repayable on similar credit terms to those offered to other customers of the Group.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
Current unlisted equity investments, at fair value:		
Australia	**2,964**	2,472

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

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27. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
Forward currency contracts and currency options	**5,211**	**20,966**	2,750	—
Forward commodity contracts	**124**	**7,658**	1,293	—
Interest rate swaps and options	**—**	**4,437**	—	220
Electricity hedge agreement	**44,335**	**—**	—	—
Derivative financial instrument – embedded derivative	**—**	**295,937**	—	150,120
	49,670	**328,998**	4,043	150,340
Portion classified as non-current:				
Electricity hedge agreement	**(44,335)**	**—**	—	—
Derivative financial instrument – embedded derivative	**—**	**(217,949)**	—	(107,092)
Non-current portion	**(44,335)**	**(217,949)**	—	(107,092)
Current portion	**5,335**	**111,049**	4,043	43,248

Certain members of the Group entered into derivative financial instrument 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.

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.

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27. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward currency contracts – cash flow hedges (continued)

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

	2010		2009	
	Weighted average exchange rate	**Contractual amount**	Weighted average exchange rate	Contractual amount
Forward contracts:				
(i) Sell A$/Buy US$				
Less than 3 months	**0.9689**	**497,636**	0.8973	91,347
In 1 to 2 years, inclusive	—	—	0.8973	209,565
(ii) Buy A$/Sell US$				
Less than 3 months	**0.9566**	**95,124**	0.8843	96,405

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.

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

	2010			2009		
	Quantity hedged tonnes	**Average price per tonne** HK$	**Contractual amount**	Quantity hedged tonnes	Average price per tonne HK$	Contractual amount
Aluminium forward contracts (sold):						
Less than 3 months	**50**	**21,284**	**1,064**	250	22,175	5,541

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27. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 amount 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 the 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$58,000,000 (HK$452,392,000) in respect of a term loan borrowed by CITIC Australia (Portland) Pty Limited and is timed to expire as each loan repayment falls due. The interest rate is fixed at 1.97% p.a. over the whole term of the contract and the floating 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 contract were as follows:

	2010		2009	
	Weighted average rate %	**Notional amount**	Weighted average rate %	Notional amount
US$ interest rate swap contract:				
In 1 to 5 years, inclusive	**1.97**	**226,196**	2.35	160,446

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, after deferred tax, of HK$71,288,000 (2009: HK$169,557,000) was included in the hedging reserve as follows:

	2010
Total fair value gains included in the hedging reserve	**82,714**
Reclassified from other comprehensive income and recognised in the consolidated income statement (note 6)	**7,599**
Deferred tax	**(19,025)**
Net gain on cash flow hedges	**71,288**

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27. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 aluminium 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.

Electricity hedge agreement

During the year, the Group, together with the other joint venture partners of the Portland Aluminium Smelter, entered into a new base load electricity contract (the "**EHA**") with Loy Yang Power, an independent electricity supplier, to secure the supply of electricity to the Portland Aluminium Smelter from 2016 through 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.

28. CASH AND BANK BALANCES

	Group		Company	
	2010	2009	**2010**	2009
Cash and bank balances	**891,256**	1,169,716	**87,714**	3,568
Time deposits *	**1,424,232**	3,310,620	**1,026,783**	2,483,531
	2,315,488	4,480,336	**1,114,497**	2,487,099

* As at 31 December 2010, time deposits of HK$23,832,000 (2009: HK$663,901,000) and HK$23,699,000 (2009: HK$647,870,000) of the Group and of the Company, respectively, were placed with CITIC Bank International Limited (formerly known as 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 time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the cash and bank balances and time deposits of the Group and of the Company denominated in Renminbi ("**RMB**") amounted to HK$74,125,000 (2009: HK$612,546,000) and HK$289,000 (2009: HK$1,395,000), respectively, and the cash and bank balances and time deposits of the Group denominated in Kazakhstan Tenge ("**KZT**") amounted to HK$56,179,000 (2009: HK$70,738,000). Although RMB and KZT are not freely convertible into other currencies, the Group is permitted to exchange RMB and KZT for other currencies through those banks which are authorised to conduct foreign exchange business under the foreign exchange control regulations of the PRC and Kazakhstan.

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29. ACCOUNTS PAYABLE

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

	Group	
	2010	2009
Within one month	**519,054**	739,818
One to two months	**14,919**	25,336
Two to three months	**8,931**	18,194
Over three months	**7,736**	28,595
	550,640	811,943

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

30. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in the total amount of accrued liabilities and other payables is an amount of HK$1,940,000 (2009: HK$2,225,000) due to CITIC New Standard Investment Limited ("**CITIC New Standard**"), a direct wholly-owned subsidiary of CITIC Group, being an interest expense payable on a loan of US$37,000,000 (HK$288,594,000) (2009: US$37,000,000 (HK$288,608,000)) advanced by CITIC New Standard (note 31(e)).

31. BANK AND OTHER BORROWINGS

		Group		Company	
	Notes	**2010**	2009	**2010**	2009
Bank loans:					
– secured # * @	(a)	**452,392**	838,846	**—**	—
– unsecured #	(b)	**3,897,867**	5,561,941	**1,638,000**	2,184,000
Unsecured other loans from:					
– Transport Infrastructure Corridor *	(c)	**2,980**	4,017	**—**	—
– Exploration Permit for coal *	(d)	**3,839**	4,392	**—**	—
– CITIC New Standard #	(e)	**288,594**	288,608	**—**	—
– CITIC Australia Pty Limited #	(f)	**—**	195,006	**—**	—
– CITIC United Asia Investments Limited ^	(g)	**—**	15,960	**—**	—
– Apexhill Investments Limited ^	(h)	**—**	60,000	**—**	—
		4,645,672	6,968,770	**1,638,000**	2,184,000

Floating rate
* Fixed rate
^ Interest-free
@ Including the effects of a related interest rate swap as further detailed in note 27 to the financial statements

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31. BANK AND OTHER BORROWINGS (continued)

Notes:

(a) The secured bank loan is a loan of US$58,000,000 (HK$452,392,000) repayable by instalments by 31 December 2013, which is interest-bearing at LIBOR plus margin and secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture.

(b) The unsecured bank loans include:

(i) a loan of US$210,000,000 (HK$1,638,000,000) repayable by instalments by 23 January 2013, which is interest-bearing at LIBOR plus 1.10% p.a.;

(ii) trade finance totalling A$75,187,000 (HK$596,007,000) and US$89,009,000 (HK$694,259,000), which is interest-bearing at LIBOR (or cost of fund) plus margin and guaranteed by CITIC Resources Australia Pty Limited; and

(iii) loans totalling US$125,000,000 (HK$969,601,000) with due dates on 4 August 2012 and 1 December 2012, which are interest-bearing at LIBOR plus 2.67% p.a. and LIBOR plus 2.47% p.a., respectively.

(c) The loan was obtained from the State Government of Queensland, Australia, which is unsecured, interest-bearing at 5.85% p.a. and 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 repayable by annual instalments by 10 December 2013.

(e) The loan was obtained from CITIC New Standard, 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 1.50% p.a. and repayable by instalments by 2 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 was unsecured, interest-bearing at LIBOR plus 1.70% p.a. and fully settled during the year.

(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 was unsecured, interest-free and fully settled by the issue of new shares of CDH in June 2010.

(h) The loan was obtained from Apexhill Investments Limited, a non-controlling shareholder of CDH, and an indirect wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan was unsecured, interest-free and fully settled by the issue of new shares of CDH in June 2010.

	Group		Company	
	2010	2009 (Restated)	**2010**	2009
Bank loans repayable:				
Within one year or on demand	**1,337,065**	2,126,609	**—**	—
In the second year	**1,562,400**	1,720,399	**546,000**	546,000
In the third to fifth years, inclusive	**1,450,794**	2,485,632	**1,092,000**	1,638,000
Beyond five years	**—**	68,147	**—**	—
	4,350,259	6,400,787	**1,638,000**	2,184,000
Other loans repayable:				
Within one year	**18,471**	212,996	**—**	—
In the second year	**275,587**	18,134	**—**	—
In the third to fifth years, inclusive	**1,355**	260,893	**—**	—
	295,413	492,023	**—**	—
Other loans repayable:				
Beyond one year	**—**	75,960	**—**	—
Total bank and other borrowings	**4,645,672**	6,968,770	**1,638,000**	2,184,000
Portion classified as current liabilities	**(1,355,536)**	(2,339,605)	**—**	—
Non-current portion	**3,290,136**	4,629,165	**1,638,000**	2,184,000

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31. BANK AND OTHER BORROWINGS (continued)

As further explained in note 2.2 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, a term loan which had an outstanding balance of HK$87,918,000 as at 31 December 2009 and contained an on demand clause has been reclassified as a current liability. For the purpose of the above analysis, such term loan is included within current bank and other borrowings and analysed into bank loans repayable within one year or on demand as at 31 December 2009. The term loan was borrowed from a bank by the CDH Group during the prior year. Following completion of the CDH Listing, the term loan was derecognised by the Group as CDH became an associate of the Group. Therefore, there was no impact on bank and other borrowings as at 31 December 2010 and 1 January 2009 upon the adoption of HK Interpretation 5.

Based on the maturity terms of the loans, the amounts repayable in respect of the bank and other borrowings as at 31 December 2009 were: HK$2,251,687,000 repayable within one year or on demand; and HK$4,717,083,000 repayable beyond one year.

32. FINANCE LEASE PAYABLES

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

As at 31 December 2010, 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	
	2010	2009	**2010**	2009
Amounts payable:				
Within one year	**19,366**	13,621	**14,924**	8,968
In the second year	**11,351**	17,091	**7,966**	13,172
In the third to fifth years, inclusive	**27,681**	27,571	**21,126**	20,330
Beyond five years	**23,892**	27,942	**21,331**	24,170
Total minimum finance lease payments	**82,290**	86,225	**65,347**	66,640
Future finance charges	**(16,943)**	(19,585)		
Total net finance lease payables	**65,347**	66,640		
Portion classified as current liabilities	**(14,924)**	(8,968)		
Non-current portion	**50,423**	57,672		

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33. BOND OBLIGATIONS

	Group 2010	2009
Senior notes, listed in Singapore	**7,640,430**	7,614,842

On 17 May 2007, CR Finance, a direct wholly-owned subsidiary of the Company, issued 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 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.

34. 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 2010		89,999	146,570	128,977	38,913	2,377	406,836
Provision/(reversal of provision)	6, 13	13,537	5,752	(3,275)	3,951	1,300	21,265
Amounts utilised during the year		(7,415)	—	(1,259)	—	—	(8,674)
Increase in discounted amounts arising from the passage of time	9	—	7,250	18,406	6,503	—	32,159
Exchange realignment		10,699	20,919	1,015	400	63	33,096
Loss of control of subsidiaries	39	—	—	—	—	(3,740)	(3,740)
At 31 December 2010		106,820	180,491	143,864	49,767	—	480,942
Portion classified as current liabilities		(44,765)	(2,143)	—	(20,584)	—	(67,492)
Non-current portion		62,055	178,348	143,864	29,183	—	413,450

HK$'000

35. DEFERRED TAX

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

Deferred tax liabilities – 2010

	Depreciation allowance in excess of related depreciation	Change in fair value of financial instruments	Withholding taxes	Total
At 1 January 2010	2,600,361	72,647	166,297	2,839,305
Deferred tax charged/(credited) to the consolidated income statement during the year (note 10)	(618,531)	(44,438)	7,953	(655,016)
Effect of decrease in tax rate (note 10)	(164,853)	—	—	(164,853)
Deferred tax charged to equity during the year	—	18,310	—	18,310
Loss of control of subsidiaries (note 39)	(12,382)	—	(3,232)	(15,614)
Exchange realignment	47,218	4,574	1,448	53,240
Withholding tax paid on repatriation of earnings from jointly-controlled entities	—	—	(41,295)	(41,295)
Gross deferred tax liabilities at 31 December 2010	1,851,813	51,093	131,171	2,034,077

Deferred tax assets – 2010

	Losses available for offsetting against future taxable profits
At 1 January 2010	187,729
Deferred tax credited to the consolidated income statement during the year (note 10)	21,262
Loss of control of subsidiaries (note 39)	(65,348)
Exchange realignment	1,517
Gross deferred tax assets at 31 December 2010	145,160
Net deferred tax liabilities at 31 December 2010	1,888,917

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 as at 31 December 2010 for financial reporting purposes:

Net deferred tax assets recognised in the consolidated statement of financial position	145,360
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,034,277)
	(1,888,917)

HK$'000

35. DEFERRED TAX (continued)

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 as at 31 December 2009 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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35. DEFERRED TAX (continued)

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 for withholding tax 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 may be 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 tax on dividends distributed by its jointly-controlled entities established in Kazakhstan.

36. SHARE CAPITAL

Shares

	2010	2009
Authorised: 10,000,000,000 (2009: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid: 6,050,567,038 (2009: 6,050,567,038) ordinary shares of HK$0.05 each	**302,528**	302,528

During the prior 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. Accordingly, the issued capital and share premium account were increased by HK$200,000 and HK$4,988,000, respectively during the prior year.

Share options

Details of the share option scheme of the Company and the share options issued under the scheme are set out in note 37 to the financial statements.

37. 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 as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing prices of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.
(h)	Remaining life of the New Scheme	–	The New Scheme remains in force until 29 June 2014 unless otherwise terminated in accordance with the terms stipulated therein.

37. SHARE OPTION SCHEME (continued)

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:

	2010		2009	
	Weighted average exercise price per share HK$	Number of share options	Weighted average exercise price per share HK$	Number of share options
At 1 January	**1.825**	**53,000,000**	1.773	57,000,000
Exercised during the year	**—**	**—**	1.077	(4,000,000)
At 31 December	**1.825**	**53,000,000**	1.825	53,000,000

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

	Number of share options	Exercise price per share * HK$	Exercise period
2010	**28,000,000**	**1.077**	**02-06-2006 to 01-06-2013 #**
	5,000,000	**1.057**	**28-12-2006 to 27-12-2013 #**
	20,000,000	**3.065**	**07-03-2008 to 06-03-2012**
	53,000,000		
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		

* 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.

The maturity dates of share options of 1 June 2010 and 27 December 2010 were extended by three years to 1 June 2013 and 27 December 2013, respectively.

The fair value of the share options extended during the year was HK$0.722 each, representing a total increase of HK$16,711,000, of which the Group recognised a share option expense of HK$11,141,000 during the year.

37. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options extended during the year was estimated as at the date of extension, using a binomial model, taking into account the terms and conditions upon which the options were extended. The following table lists the inputs to the model used:

	2010
Dividend yield (%)	—
Expected volatility (%)	65.45 to 67.58
Historical volatility (%)	65.45 to 67.58
Risk-free interest rate (%)	1.49 to 1.76
Expected life of options (year)	1.00
Weighted average share price (HK$ per share)	1.62

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

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

At the 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 the 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.

38. 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 52 and 53 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 arose from the acquisition of shares from non-controlling shareholders of CATL. Also, included in the capital reserve of the prior year was an amount of HK$50,838,000, being the excess of the consideration paid by the Group over its share of the book value of the net assets acquired in a subsidiary of CDH. The related reserve was released upon the Group ceasing to have control over CDH following the CDH Listing during the year.

38. RESERVES (continued)

(b) Company

	Notes	Share premium account	Contributed surplus	Exchange fluctuation reserve	Share option reserve	Accumulated losses	Total
							HK$'000
At 1 January 2009		7,314,719	172,934	495	23,235	(787,072)	6,724,311
Exchange realignment		—	—	(86)	—	—	(86)
Share options exercised	36	4,988	—	—	(880)	—	4,108
Loss for the year	11	—	—	—	—	(78,452)	(78,452)
At 31 December 2009 and 1 January 2010		**7,319,707**	**172,934**	**409**	**22,355**	**(865,524)**	**6,649,881**
Exchange realignment		**—**	**—**	**495**	**—**	**—**	**495**
Equity-settled share option arrangements	37	**—**	**—**	**—**	**11,141**	**—**	**11,141**
Profit for the year		**—**	**—**	**—**	**—**	**74,270**	**74,270**
At 31 December 2010		**7,319,707**	**172,934**	**904**	**33,496**	**(791,254)**	**6,735,787**

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.

39. LOSS OF CONTROL OF SUBSIDIARIES

During the year, the CDH Group underwent and completed the CDH Reorganisation for the purposes of the Spin-off. The CDH Group is principally engaged in the operation of manganese mines and the sale of refined manganese products.

Upon completion of the CDH Reorganisation and the CDH Listing on 18 November 2010 and the exercise of an over-allotment option granted by CDH in connection with the CDH Listing on 11 December 2010, an aggregate of 774,795,000 new ordinary shares of CDH of HK$0.10 each were issued at a price of HK$2.75 per share for aggregate proceeds of about HK$2,130,686,000, before issue expenses. Following completion of the CDH Listing, the Group's interest in CDH was diluted to 38.98% and the Group ceased to have control over CDH thereafter. In accordance with HKAS 27, the Group has accounted for the investment retained in CDH as an associate which was stated at its fair value at the date the control was lost, resulting in a gain on loss of control of subsidiaries of HK$2,650,160,000.

39. LOSS OF CONTROL OF SUBSIDIARIES (continued)

	Notes	HK$'000
The net assets disposed of:		
Property, plant and equipment	13	1,966,521
Prepaid land lease premiums	14	165,933
Other intangible assets	16	314,727
Available-for-sale investment		4,331
Prepayments, deposits and other receivables		458,045
Deferred tax assets	35	65,348
Inventories		463,433
Accounts receivable		463,733
Tax recoverable		6,547
Cash and bank balances		684,180
Accounts payable		(257,384)
Accrued liabilities and other payables		(448,760)
Provisions	34	(3,740)
Bank and other borrowings		(2,526,830)
Deferred tax liabilities	35	(15,614)
Non-controlling interests		(678,103)
		662,367
Release of exchange fluctuation reserve		(70,277)
Gain on loss of control of subsidiaries	6	2,650,160
Total consideration		3,242,250
Satisfied by:		
38.98% of total listed equity instrument of CDH		3,242,250

An analysis of the net outflow of cash and cash equivalents in respect of loss of control of CDH Group is as follows:

Cash and bank balances disposed of and outflow of cash and cash equivalents	684,180

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the prior year, the Group offset the rent tax and mineral extraction tax payables of HK$90,689,000 and fines payables of HK$18,122,000 included in accrued liabilities and other payables against the excess profit tax receivable classified under prepayments, deposits and other receivables.

(b) As further set out in note 39 to the financial statements, on 18 November 2010, the shares of CDH were successfully listed on the Stock Exchange and CDH became an associate of the Group thereafter. Accordingly, the assets and liabilities of CDH previously consolidated into the Group's statement of financial position were derecognised on the same date.

(c) During the year, the Group has offset value added tax ("**VAT**") receivables of HK$119,027,000 included in prepayments, deposits and other receivables against tax payable.

(d) During the year, dividend payable to a non-controlling shareholder of HK$47,970,000 was settled by the issue of new shares of CDH.

(e) During the year, loan payable to a non-controlling shareholder of HK$75,960,000 was settled by the issue of new shares of CDH.

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41. LITIGATION

(a) In 2007, the books and records of KBM were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of 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$84,656,000), which is treated as a non-current asset and included in "Prepayments, deposits and other receivables" in the consolidated statement of financial position. In 2007 and 2008, KBM filed appeals with the Specialised Interregional Economic Court of Mangistau Oblast, Kazakhstan (the "**Economic Court**") for VAT refund, but decisions were made against KBM. On 8 February 2010, KBM appealed to the Supervisory Board of the Supreme Court of Kazakhstan (the "**Supervisory Board**") for VAT refund, but again decisions were made against KBM. KBM is still considering making an appeal to the General Prosecutor of Kazakhstan.

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

(b) 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$229,525,000) and related penalties of KZT854,110,000 (HK$45,056,000). On 19 January 2010, KBM filed an objection against the Customs Duty Claim in the Economic Court. However, on 25 March 2010, KBM received an unfavourable decision. On 9 April 2010, KBM filed an appeal to the Mangistau Oblast Court, but again received an unfavourable decision. To avoid the imposition of additional penalties and freezing of its bank accounts by the customs authority, KBM fully settled the customs duty and the related penalties totalling KZT 5,205,124,000 (HK$274,581,000) in July 2010. KBM is in the process of making an appeal to the Supervisory Board.

As KBM is working under a stable customs regime and exempted from the customs duty, the directors, based on the advice of the Group's legal advisers, believe that KBM has a valid defence against the Customs Duty Claim. Accordingly, no provision has been made, and as at 31 December 2010, the amounts paid were treated as a current asset and included in "Prepayments, deposits and other receivables" in the consolidated statement of financial position.

42. CONTINGENT LIABILITIES

As at 31 December 2010 and 2009, the Notes issued by CR Finance, a direct wholly-owned subsidiary of the Company, were guaranteed by the Company.

43. OPERATING LEASE COMMITMENTS

As at 31 December 2010 and 2009, the Group had total future minimum lease payments under non-cancellable operating leases in respect of plant and machinery, and land and buildings falling due as follows:

	Group	
	2010	2009
Within one year	**36,698**	20,453
In the second to fifth years, inclusive	**20,224**	21,258
Beyond five years	**—**	55,042
	56,922	96,753

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44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	Group 2010	2009
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	—	491,680
Authorised, but not contracted for:		
Minimum work programme for the Karazhanbas oilfield	**573,300**	522,600
Land and buildings	—	199,460
Plant and machinery	—	184,200
	573,300	906,260

As at 31 December 2010, capital commitments included in the above authorised but not contracted for commitments of HK$573,300,000 (2009: HK$906,260,000) fell due within one year.

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

	Group 2010	2009
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**5,603,138**	4,395,268
Authorised, but not contracted for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	—	18,640

In prior years, 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$4,113,044,000). 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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45. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

(a)

		Group	
	Notes	**2010**	2009
Fellow subsidiaries:			
Sale of products	(i)	**2,236,531**	2,374,609
Interest expense	(ii)	**9,015**	15,963
Rental expense	(ix)	**3,385**	2,786
Related companies of a non-controlling shareholder:			
Sale of products	(i)	**42,661**	42,190
Purchase of inventories	(iii)	**26,340**	43,320
Purchase of items of property, plant and equipment	(iii)	**—**	14,654
Subcontracting fee paid	(iv)	**11,044**	—
Non-controlling shareholders:			
Purchase of prepaid land lease premiums	(iii)	**5,128**	—
Purchase of items of property, plant and equipment	(iii)	**—**	1,228
Guarantee fee paid	(v)	**533**	5,918
Service fee paid	(vi)	**2,406**	2,723
Underground mining service fee paid	(vii)	**25,035**	—
Payment for construction of infrastructure for underground mining work	(vii)	**21,077**	—
Sale of fuel and electricity	(viii)	**2,090**	—
Ultimate holding company:			
Rental expense	(ix)	**2,144**	1,357

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 at a range of 1.50% to 1.70% p.a. over six-month LIBOR.

(iii) The purchases from the related companies of a non-controlling shareholder and the purchase from a non-controlling shareholder were made according to the published prices and conditions offered by such related companies or such non-controlling shareholder, as the case may be, to their independent customers.

(iv) The subcontracting fee was charged based on mutually agreed terms.

(v) The guarantee fee was charged at 1.50% p.a. on the bank borrowings of the Group which were guaranteed by a non-controlling shareholder.

(vi) The service fee related to the provision of staff quarters and other facilities and related management services by a non-controlling shareholder to the Group. The service fee was determined based on an actual cost reimbursement basis.

(vii) Provision for underground mining services and construction work was charged based on mutually agreed terms and was determined with reference to the actual costs incurred.

(viii) The sales were made at prices based on mutually agreed terms.

(ix) Rental expenses were charged by a fellow subsidiary of the Company and CITIC Group based on mutually agreed terms.

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45. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (continued)

(b) Details of the remuneration of the directors of the Company, who are the key management personnel of the Group, are set out in note 7 to the financial statements.

The related party transactions disclosed in (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

Group – 2010

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	—	—	65,625	65,625
Accounts receivable	—	2,107,644	—	2,107,644
Financial assets included in prepayments, deposits and other receivables	—	191,905	—	191,905
Equity investments at fair value through profit or loss	2,964	—	—	2,964
Derivative financial instruments	49,670	—	—	49,670
Cash and bank balances	—	2,315,488	—	2,315,488
	52,634	4,615,037	65,625	4,733,296

Financial liabilities	**Financial liabilities at fair value through profit or loss – held for trading**	**Financial liabilities at amortised cost**	**Total**
Accounts payable	—	550,640	550,640
Financial liabilities included in accrued liabilities and other payables	—	568,391	568,391
Derivative financial instruments	328,998	—	328,998
Bank and other borrowings	—	4,645,672	4,645,672
Finance lease payables	—	65,347	65,347
Bond obligations	—	7,640,430	7,640,430
	328,998	13,470,480	13,799,478

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

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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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets	Loans and receivables 2010	2009
Financial assets included in prepayments, deposits and other receivables	**7,360**	4,835
Cash and bank balances	**1,114,497**	2,487,099
	1,121,857	2,491,934

Financial liabilities	Financial liabilities at amortised cost 2010	2009
Due to subsidiaries	**78,227**	78,227
Financial liabilities included in accrued liabilities and other payables	**1,410**	2,374
Bank borrowing	**1,638,000**	2,184,000
	1,717,637	2,264,601

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47. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments as at the end of the reporting period were as follows:

Group	Carrying amounts 2010	Carrying amounts 2009	Fair values 2010	Fair values 2009 (Restated)
Financial assets				
Available-for-sale investments	**65,625**	69,758	**65,625**	69,758
Accounts receivable	**2,107,644**	2,121,418	**2,107,644**	2,121,418
Financial assets included in prepayments, deposits and other receivables	**191,905**	163,573	**191,905**	163,573
Equity investments at fair value through profit or loss	**2,964**	2,472	**2,964**	2,472
Derivative financial instruments	**49,670**	4,043	**49,670**	4,043
Cash and bank balances	**2,315,488**	4,480,336	**2,315,488**	4,480,336
	4,733,296	6,841,600	**4,733,296**	6,841,600
Financial liabilities				
Accounts payable	**550,640**	811,943	**550,640**	811,943
Financial liabilities included in accrued liabilities and other payables	**568,391**	762,778	**568,391**	762,778
Derivative financial instruments	**328,998**	150,340	**328,998**	150,340
Bank and other borrowings	**4,645,672**	6,968,770	**4,560,071**	6,479,203
Finance lease payables	**65,347**	66,640	**68,570**	71,190
Bond obligations	**7,640,430**	7,614,842	**7,889,660**	7,619,820
	13,799,478	16,375,313	**13,966,330**	15,895,274

Company	Carrying amounts 2010	Carrying amounts 2009	Fair values 2010	Fair values 2009
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**7,360**	4,835	**7,360**	4,835
Cash and bank balances	**1,114,497**	2,487,099	**1,114,497**	2,487,099
	1,121,857	2,491,934	**1,121,857**	2,491,934
Financial liabilities				
Due to subsidiaries	**78,227**	78,227	**78,227**	78,227
Financial liabilities included in accrued liabilities and other payables	**1,410**	2,374	**1,410**	2,374
Bank borrowing	**1,638,000**	2,184,000	**1,599,249**	2,021,138
	1,717,637	2,264,601	**1,678,886**	2,101,739

47. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

(i) The fair values of cash and bank balances, accounts receivable, financial assets included in prepayments, deposits and other receivables, accounts payable, due to subsidiaries and financial liabilities included in accrued liabilities and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(ii) The fair values of bank and other borrowings as well as finance lease payables are calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

(iii) The fair values of listed equity investments and listed debt instruments are based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including interest rate swaps, forward currency contracts, forward commodity contracts and electricity hedge agreement, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various observable market inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of interest rate swaps, forward currency contracts, forward commodity contracts and electricity hedge agreement are the same as their fair values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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 any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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47. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Group

Assets measured at fair value:

At 31 December 2010	Level 1	Level 2	Level 3	Total
Available-for-sale investments:				
Listed equity investments	**65,625**	**—**	**—**	**65,625**
Equity investments at fair value through profit or loss	**2,964**	**—**	**—**	**2,964**
Derivative financial instruments	**—**	**49,670**	**—**	**49,670**
	68,589	**49,670**	**—**	**118,259**

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:

At 31 December 2010	Level 1	Level 2	Level 3	Total
Derivative financial instruments	**—**	**33,061**	**295,937**	**328,998**

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 values 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.

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47. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

For financial instruments of which the prices are not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which observable market prices exist, and other relevant models used by market participants. These valuation techniques use both observable and non-observable market inputs.

(i) The fair values of interest rate swaps, forward currency contracts and forward commodity contracts (which are not traded on any recognised exchange) are based on valuation techniques using only observable market inputs or non-observable market inputs that are not significant to the overall valuation.

(ii) The fair values of the ESA and the EHA as well as other investments that do not have an active market are based on valuation techniques using market data that is not observable.

The movements in fair value measurements in Level 3 during the year were as follows:

Derivative financial instruments

	2010	2009
At 1 January	**150,120**	94,456
Total losses recognised in the consolidated income statement (note 6)	**113,490**	24,583
Exchange realignment	**32,327**	31,081
At 31 December	**295,937**	150,120

48. 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, 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 contracts and forward 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 27 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.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

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

The Group's policy is to manage its interest costs using a mix of fixed and floating rate debts with respect to the prevailing interest rate environment. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge the underlying debt obligations. The Notes issued at fixed coupon expose the Group to fair value interest rate risk.

As at 31 December 2010, after taking into account the effect of the interest rate swap, 65% (2009: 57%) of the Group's debts bore interest at fixed rates.

The following table demonstrates the sensitivity of the Group's profit before tax and equity as well as the Company's equity in response to changes in interest rates of the Group's floating rate United States dollar debts (with all other variables held constant).

	Group			Company	
	Increase/ (decrease) in interest rate basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**	**Increase/ (decrease) in interest rate** basis points	**Increase/ (decrease) in equity**
2010					
US$ debts	**(100)**	**38,167**	**32,181**	**(100)**	**16,380**
US$ debts	**100**	**(38,167)**	**(32,181)**	**100**	**(16,380)**
2009					
US$ debts	(100)	38,916	34,075	(100)	21,840
US$ debts	100	(38,916)	(34,075)	100	(21,840)

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 currencies. 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.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit before tax and equity in response to changes in exchange rates (with all other variables held constant) to which the Group had significant exposure.

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity *
2010			
If US$ weakens against A$	**(10.0)**	**(65,892)**	**45,501**
If US$ strengthens against A$	**10.0**	**95,697**	**(34,142)**
If US$ weakens against KZT	**(19.5)**	**103,148**	**103,193**
If US$ strengthens against KZT	**19.5**	**(103,148)**	**(103,193)**
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)

* 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 forward commodity contracts to hedge future aluminium price volatilities. In addition, the Group entered into the ESA, a component of which is linked to the market price of aluminium and is considered a financial instrument embedded in the ESA. Such embedded derivative needs to be marked to market at the end of each reporting period based on future aluminium prices. On 31 December 2010, the aluminium forward price had increased as compared to that on 31 December 2009 and the revaluation of the embedded derivative resulted in an unrealised loss. The revaluation 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 aluminium prices by 10% (2009: 5%), with all other variables held constant, would decrease the Group's profit before tax and equity (due to changes in fair value of the available-for-sale investments, the derivatives and the embedded derivative) by HK$153,081,000 (2009: HK$86,968,000) and HK$163,264,000 (2009: HK$95,474,000), respectively, and a decrease in aluminium prices by 10% (2009: 5%), with all other variables held constant, would increase the Group's profit before tax and equity (due to changes in fair value of the available-for-sale investments, the derivatives and the embedded derivative) by HK$176,952,000 (2009: HK$86,270,000) and HK$189,661,000 (2009: HK$94,586,000), respectively.

48. 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 bank balances, available-for-sale investments, other receivables and certain derivative instruments, arises from default of the counterparties, 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 set out 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. accounts receivable) and projected cash flows from operations.

The Group's objectives are 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 to maximise return to shareholders of the Company. As at 31 December 2010, 11.1% of the Group's debts would mature in less than one year (2009 (restated): 16.0%) based on the carrying values of the debts reflected in the financial statements.

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48. 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, was as follows:

Group

2010	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Accounts payable	16,667	533,973	—	—	550,640
Financial liabilities included in accrued liabilities and other payables	—	485,690	—	—	485,690
Derivative financial instruments	—	40,721	70,328	217,949	328,998
Bank and other borrowings	—	5,870	1,460,333	3,431,604	4,897,807
Finance lease payables	—	—	19,366	62,924	82,290
Bond obligations	—	—	592,313	8,984,625	9,576,938
	16,667	1,066,254	2,142,340	12,697,102	15,922,363

2009 (Restated)	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 (note)	87,918	357,045	2,123,805	4,906,189	7,474,957
Finance lease payables	—	—	13,621	72,604	86,225
Bond obligations	—	—	592,313	9,511,125	10,103,438
	218,621	1,727,743	2,767,985	14,597,010	19,311,359

Note:

As at 31 December 2009, included in bank and other borrowings was a term loan in the amount of HK$87,918,000. The loan agreement in respect of the term loan contained an on demand clause giving the bank an unconditional right to call the loan at any time. Therefore, for the purpose of the above maturity profile, the total amount was reclassified as "on demand".

Notwithstanding the aforesaid effect of the repayment on demand clause of the term loan, the maturity profile of bank and other borrowings as at 31 December 2009, based on contractual undiscounted payments, was: HK$357,045,000 repayable within 3 months; HK$2,125,429,000 repayable from 3 to 12 months; and HK$4,997,967,000 repayable over 1 year.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

2010	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	1,345	—	—	—	1,345
Bank borrowing	—	65	25,782	1,710,947	1,736,794
	79,572	65	25,782	1,710,947	1,816,366

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

As at 31 December 2010 and 2009, the Notes issued by CR Finance, a direct wholly-owned subsidiary of the Company, were guaranteed by the Company with an estimated maximum amount of HK$9,576,938,000 (2009: HK$10,103,438,000).

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its 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 2010 and 2009.

The Group monitors capital using a total debts to total capital ratio, which is total debts divided by total capital. The Group's current objective is to gradually lower this ratio to a reasonable level. Total debts includes bank and other borrowings, finance lease payables and bond obligations. Total capital includes total debts and equity attributable to shareholders of the Company. The total debts to total capital ratio as at the end of the reporting period was as follows:

	Group	
	2010	2009
Bank and other borrowings	**4,645,672**	6,968,770
Finance lease payables	**65,347**	66,640
Bond obligations	**7,640,430**	7,614,842
Total debts	**12,351,449**	14,650,252
Total capital	**22,529,095**	23,084,960
Total debts to total capital ratio	**54.8%**	63.5%

49. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the 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.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 25 March 2011.

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Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting leases, as detailed in note 2.2 to the financial statements.

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
Revenue	**32,252,330**	19,425,447	18,761,463	10,007,656	6,835,161
Profit/(loss) before tax	**675,576**	151,276	(4,700,772)	731,012	316,189
Income tax credit/(expense)	**405,666**	(2,731)	5,164,147	(209,630)	(70,152)
Profit for the year	**1,081,242**	148,545	463,375	521,382	246,037
Attributable to:					
Shareholders of the Company	**1,101,660**	115,687	204,256	282,777	200,815
Non-controlling interests	**(20,418)**	32,858	259,119	238,605	45,222
	1,081,242	148,545	463,375	521,382	246,037

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31 December				
	2010	2009 (Restated)	2008	2007	2006
Non-current assets	**20,925,323**	20,752,412	19,410,388	25,129,904	4,373,701
Current assets	**6,137,683**	8,779,188	9,147,819	5,877,734	4,954,660
Total assets	**27,063,006**	29,531,600	28,558,207	31,007,638	9,328,361
Current liabilities	**2,749,933**	4,145,049	5,452,415	4,419,749	2,854,539
Non-current liabilities	**13,646,665**	15,616,522	13,780,454	19,416,535	2,968,733
Total liabilities	**16,396,598**	19,761,571	19,232,869	23,836,284	5,823,272
Non-controlling interests	**488,762**	1,335,321	1,433,403	1,099,891	279,746
	10,177,646	8,434,708	7,891,935	6,071,463	3,225,343

Reserve Quantities Information

PROVED OIL RESERVES ESTIMATE (UNAUDITED)

million barrels

	Indonesia (48.13%)	**PRC (100%)**	**Kazakhstan (50%)**	**Total**
At 1 January 2010	**4.2**	**11.8**	**170.8**	**186.8**
Revision	**0.9**	**8.0**	**(5.7)**	**3.2**
Production	**(0.4)**	**—**	**(6.5)**	**(6.9)**
At 31 December 2010	**4.7**	**19.8**	**158.6**	**183.1**

The above figures represent the Group's net interests in the reserves held through subsidiaries and joint ventures.

Design and Production: i.Link Group Limited **www.ilinkfin.com**