DRIVING TOWARDS

Oil

2014 INTERIM REPORT
中期報告

Import and Export of Commodities

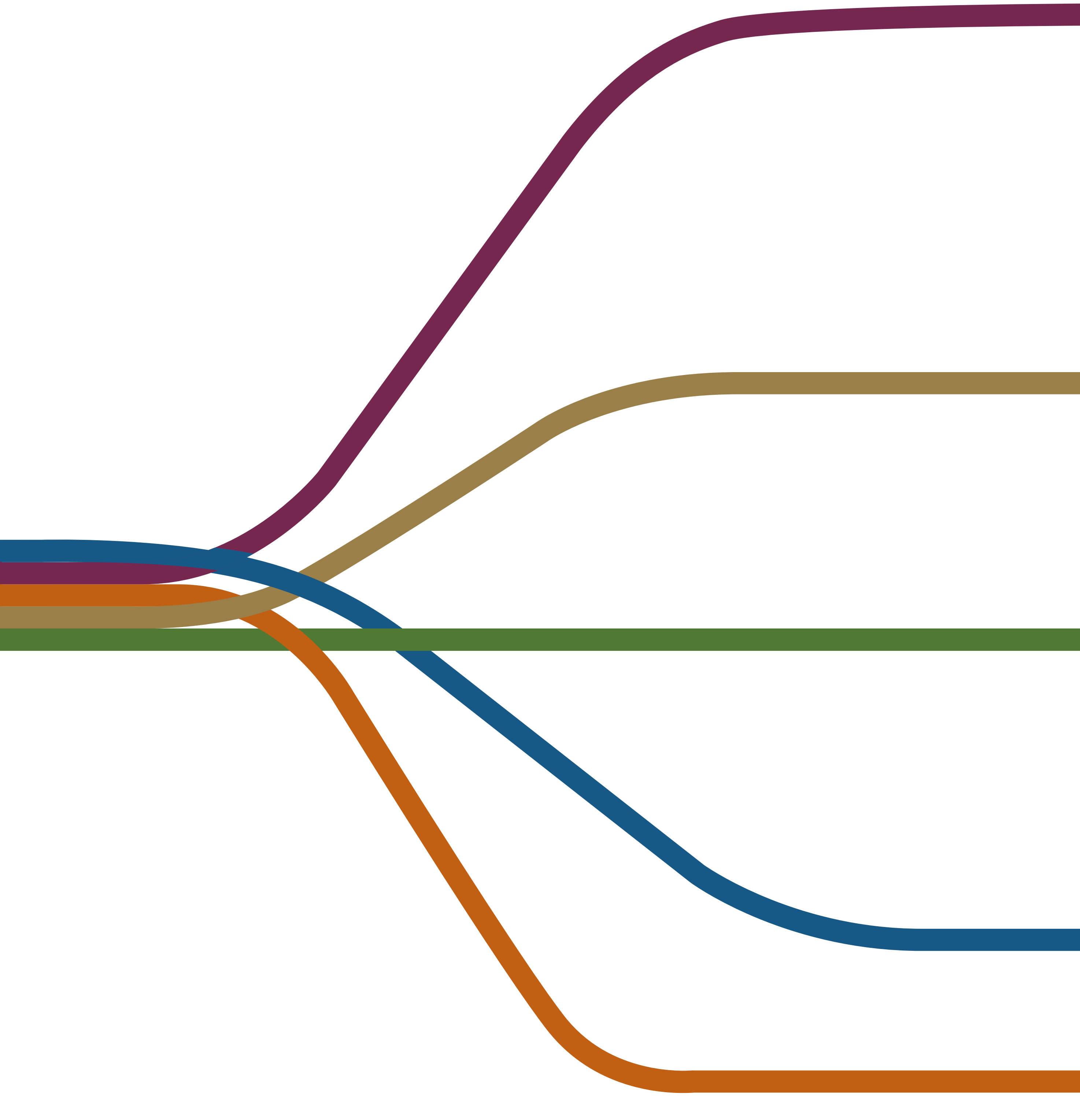
Aluminium

Coal

Manganese

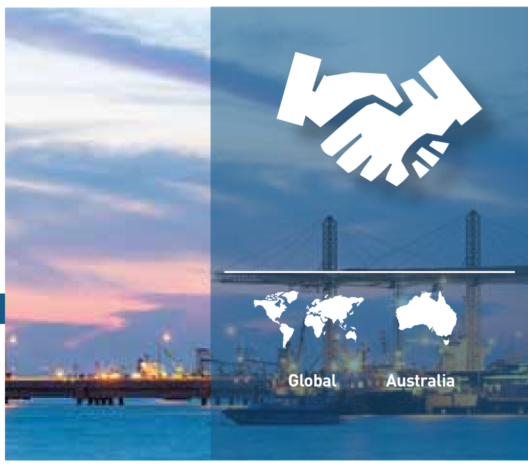
CITIC Resources Holdings Limited
中信資源控股有限公司
(incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 1205



Coal

A 14% participating interest in the Coppabella and Moorvale coal mines joint venture (a major producer of low volatile pulverized coal injection coal in the international seaborne market) and certain interests in a number of coal exploration operations in Australia with significant resource potential.



Import and Export of Commodities

An import and export of commodities business, based on strong expertise and established marketing networks, with a focus on international trade.

Oil

Major income driver with steady production and development in oilfields located in Kazakhstan, China and Indonesia.

Manganese

Single largest shareholder of CITIC Dameng Holdings Limited (SEHK: 1091), one of the largest vertically integrated manganese producers in the world.

Aluminium

A 22.5% interest in the Portland Aluminium Smelter joint venture, one of the largest and most efficient aluminium smelting operations in the world. We also hold an equity interest in Alumina Limited (ASX: AWC), one of the Australia's leading companies with significant global interests in bauxite mining and alumina refining operations.

Contents 目錄

Corporate Information

Board of Directors

Executive Directors

Mr. Kwok Peter Viem *(Chairman)*
Mr. Qiu Yiyong
(Vice Chairman and Chief Executive Officer)
Mr. Sun Yang *(Vice Chairman)*
Mr. Guo Tinghu
Ms. Li So Mui

Non-executive Directors

Mr. Wong Kim Yin
Mr. Zeng Chen

Independent Non-executive Directors

Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Hu Weiping
Mr. Shou Xuancheng

Audit Committee

Mr. Fan Ren Da, Anthony *(Chairman)*
Mr. Gao Pei Ji
Mr. Shou Xuancheng

Remuneration Committee

Mr. Gao Pei Ji *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Shou Xuancheng
Mr. Qiu Yiyong

Nomination Committee

Mr. Kwok Peter Viem *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji

Company Secretary

Ms. Li So Mui

Registered Office

Clarendon House
2 Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

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

Telephone : (852) 2899 8200
Facsimile : (852) 2815 9723
E-mail : ir@citicresources.com
Websites : www.citicresources.com
www.irasia.com/listco/hk/citicresources

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Stock Code : 1205

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Development Bank Corporation
Mizuho Bank, Ltd.

Six months ended 30 June Unaudited HK$'000

Financial Results

The board of directors (the "**Board**") of CITIC Resources Holdings Limited (the "**Company**") presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014 (the "**Period**").

Condensed Consolidated Income Statement

	Notes	2014	2013
REVENUE	4	**15,141,508**	21,327,652
Cost of sales		**(14,667,367)**	(21,005,831)
Gross profit		**474,141**	321,821
Other income and gains	5	**173,608**	451,008
Selling and distribution costs		**(113,951)**	(10,536)
General and administrative expenses		**(170,747)**	(171,382)
Other expenses, net		**(26,188)**	(315,803)
Finance costs	6	**(342,786)**	(333,981)
Share of profit/(loss) of:			
Associates		**(37,597)**	(52,897)
A joint venture		**291,527**	258,649
PROFIT BEFORE TAX	7	**248,007**	146,879
Income tax	8	**(58,604)**	(51,350)
PROFIT FOR THE PERIOD		**189,403**	95,529
ATTRIBUTABLE TO:			
Shareholders of the Company		**168,409**	104,347
Non-controlling interests		**20,994**	(8,818)
		189,403	95,529
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	9	**HK cents**	HK cents
Basic		**2.14**	1.33
Diluted		**2.14**	1.33

Six months ended 30 June Unaudited HK$'000

Condensed Consolidated Statement of Comprehensive Income

	2014	2013
PROFIT FOR THE PERIOD	**189,403**	95,529
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	**(331)**	(12,778)
Income tax effect	**99**	3,834
	(232)	(8,944)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**(23,698)**	1,007,002
Reclassification adjustment for losses/(gains) included in the condensed consolidated income statement	**3,598**	(237,335)
Income tax effect	**(126)**	(179,876)
	(20,226)	589,791
Exchange differences on translation of foreign operations	**(719,607)**	51,849
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(740,065)**	632,696
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement gain on defined benefit plan:		
Changes in fair value	**63,367**	—
Income tax effect	**(19,010)**	—
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**44,357**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(695,708)**	632,696
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(506,305)**	728,225
ATTRIBUTABLE TO:		
Shareholders of the Company	**(514,015)**	730,971
Non-controlling interests	**7,710**	(2,746)
	(506,305)	728,225

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2014 Unaudited	31 December 2013 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	11	**6,669,065**	6,732,880
Prepaid land lease payments		**21,613**	22,822
Goodwill		**24,682**	24,682
Other assets		**1,050,771**	992,643
Investments in associates		**3,825,271**	4,060,832
Investment in a joint venture		**2,191,152**	2,231,903
Available-for-sale investment	12	**1,489**	1,820
Prepayments, deposits and other receivables	13	**432,097**	440,414
Derivative financial instruments	14	**66,549**	—
Deferred tax assets		**123,559**	174,610
Total non-current assets		**14,406,248**	14,682,606
CURRENT ASSETS			
Inventories	15	**1,521,343**	1,300,099
Trade receivables	16	**756,118**	2,039,010
Prepayments, deposits and other receivables	13	**2,183,228**	2,612,248
Equity investments at fair value through profit or loss	17	**3,029**	3,029
Derivative financial instruments	14	**—**	38,817
Other assets		**—**	184,215
Tax recoverable		**28,137**	31,918
Cash and cash equivalents		**3,799,509**	6,994,039
Total current assets		**8,291,364**	13,203,375
CURRENT LIABILITIES			
Accounts payable	18	**522,716**	958,307
Accrued liabilities and other payables		**602,285**	826,255
Derivative financial instruments	14	**61,646**	—
Bank and other borrowings	19	**3,534,161**	883,032
Finance lease payables	20	**15,872**	15,614
Bond obligations	21	**—**	6,187,321
Provisions		**95,332**	76,812
Total current liabilities		**4,832,012**	8,947,341
NET CURRENT ASSETS		**3,459,352**	4,256,034
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,865,600**	18,938,640

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2014 Unaudited	31 December 2013 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,865,600**	18,938,640
NON-CURRENT LIABILITIES			
Bank and other borrowings	19	**6,009,841**	6,548,423
Finance lease payables	20	**56,813**	54,619
Deferred tax liabilities		**69,786**	66,840
Derivative financial instruments	14	**81,439**	97,305
Provisions		**433,642**	464,007
Other payable		**55,333**	46,064
Total non-current liabilities		**6,706,854**	7,277,258
NET ASSETS		**11,158,746**	11,661,382
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	22	**393,426**	393,426
Reserves		**10,763,920**	11,274,266
		11,157,346	11,667,692
Non-controlling interests		**1,400**	(6,310)
TOTAL EQUITY		**11,158,746**	11,661,382

Condensed Consolidated Statement of Changes in Equity

	Issued capital	Share premium account	Contributed surplus	Capital reserve	Exchange fluctuation reserve
At 1 January 2013:					
As previously reported	393,287	9,718,600	72,688	(38,579)	(3,566)
Prior year adjustments	—	—	—	—	—
As restated	393,287	9,718,600	72,688	(38,579)	(3,566)
Total comprehensive income/(loss) for the period	—	—	—	—	45,777
Issue of shares upon the exercise of share options	139	3,315	—	—	—
Transfer of share option reserve upon the lapse of share options	—	—	—	—	—
Share of other reserve movements of an associate	—	—	—	—	—
At 30 June 2013 (unaudited)	393,426	9,721,915	72,688	(38,579)	42,211
At 31 December 2013 (audited) and 1 January 2014	**393,426**	**9,721,915**	**72,688**	**(38,579)**	**81,641**
Total comprehensive income/(loss) for the Period	**—**	**—**	**—**	**—**	**(706,323)**
Equity-settled share option arrangements	**—**	**—**	**—**	**—**	**—**
Share of other reserve movements of an associate	**—**	**—**	**—**	**—**	**—**
At 30 June 2014 (unaudited)	**393,426**	**9,721,915 ***	**72,688 ***	**(38,579) ***	**(624,682) ***

* These reserve accounts comprise the consolidated reserves of HK$10,763,920,000 (31 December 2013: HK$11,274,266,000) in the condensed consolidated statement of financial position.

HK$'000

Attributable to shareholders of the Company							
Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits	Sub-total	Non-controlling interests	Total equity
3,471	295,756	62,730	18,823	2,811,571	13,334,781	405,839	13,740,620
—	—	—	—	(106,611)	(106,611)	(287,295)	(393,906)
3,471	295,756	62,730	18,823	2,704,960	13,228,170	118,544	13,346,714
(8,944)	589,791	—	—	104,347	730,971	(2,746)	728,225
—	—	(614)	—	—	2,840	—	2,840
—	—	(5,933)	—	5,933	—	—	—
—	—	4,404	6,710	(6,710)	4,404	—	4,404
(5,473)	885,547	60,587	25,533	2,808,530	13,966,385	115,798	14,082,183
(1,771)	**88,647**	**47,267**	**19,396**	**1,283,062**	**11,667,692**	**(6,310)**	**11,661,382**
(232)	**(20,226)**	**—**	**—**	**212,766**	**(514,015)**	**7,710**	**(506,305)**
—	**—**	**3,420**	**—**	**—**	**3,420**	**—**	**3,420**
—	**—**	**249**	**986**	**(986)**	**249**	**—**	**249**
(2,003) *	**68,421 ***	**50,936 ***	**20,382 ***	**1,494,842 ***	**11,157,346**	**1,400**	**11,158,746**

Six months ended 30 June Unaudited HK$'000

Condensed Consolidated Statement of Cash Flows

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	**1,356,099**	(221,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**96,163**	53,401
Purchases of items of property, plant and equipment	**(655,791)**	(469,224)
Acquisition of a contractual arrangement	**—**	(805,655)
Acquisition of an associate	**—**	(2,248,279)
Additions to other assets	**(12,998)**	—
Proceeds from disposal of items of property, plant and equipment	**2,271**	1,864
Net proceeds from disposal of partial investment in the Codrilla project	**7,573**	—
Repayment of loans from a joint venture	**388,575**	—
Proceeds from disposal of derivative financial instruments	**65,494**	65,608
Decrease/(Increase) in non-pledged time deposits with original maturity of over three months when acquired	**1,146,866**	(1,004,992)
Net cash flows from/(used in) investing activities	**1,038,153**	(4,407,277)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	**—**	2,840
New bank and other borrowings	**5,683,534**	6,363,591
Repayment of bank and other borrowings	**(3,577,678)**	(4,269,459)
Capital element of finance lease payables	**(7,479)**	(9,183)
Interest paid	**(332,779)**	(322,658)
Repurchase of fixed rate senior notes, net	**—**	(1,509,719)
Purchase of fixed rate senior notes	**—**	(38,431)
Repayment of fixed rate senior notes	**(6,195,197)**	—
Finance charges paid	**(2,628)**	(365)
Net cash flows from/(used in) financing activities	**(4,432,227)**	216,616
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,037,975)**	(4,412,547)
Cash and cash equivalents at beginning of period	**5,431,207**	8,387,248
Effect of foreign exchange rate changes, net	**(9,689)**	(6,582)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,383,543**	3,968,119
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**939,572**	1,024,548
Non-pledged time deposits	**2,859,937**	3,948,563
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**3,799,509**	4,973,111
Non-pledged time deposits with original maturity of over three months when acquired	**(415,966)**	(1,004,992)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**3,383,543**	3,968,119

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

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

These Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013.

The accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2013, except for the adoption of new and revised standards and interpretations with effect from 1 January 2014 as detailed in note 2 below.

These Financial Statements were approved and authorised for issue by the Board on 22 August 2014.

2. Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of the new and revised HKFRSs has had no significant financial effect on these Financial Statements and there have been no significant changes to the accounting policies applied in these Financial Statements.

3. Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 9	Financial Instruments [4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 [4]
HKFRS 11 Amendments	Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations [2]
HKFRS 14	Regulatory Deferral Accounts [2]
HKFRS 15	Revenue from Contracts with Customers [3]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 Bearer Plants [2]

3. Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation [2]
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions [1]
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of HKFRSs issued in January 2014 [1]
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 [1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 9 and amendments to HKFRS 7, HKFRS 9, HKFRS 11 and HKAS 39 may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four 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 comprises the export of various commodity products such as aluminium ingots, coal, iron ore, alumina and copper; and the import of other commodity products and manufactured goods such as steel, vehicle and industrial batteries and tyres in Australia; and

(d) the crude oil segment comprises the operation of oilfields and the sale of oil in Indonesia and China.

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, and share of profit/(loss) of associates and a joint venture as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in associates, investment in a joint venture, available-for-sale investment, deferred tax assets, equity investments at fair value through profit or loss, tax recoverable, cash and cash equivalents, 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, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

HK$'000

4. Operating Segment Information (continued)

Six months ended 30 June Unaudited	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2014					
Segment revenue:					
Sales to external customers	**544,975**	**365,641**	**13,359,022**	**871,870**	**15,141,508**
Other income	**3,912**	**13**	**28,065**	**1,524**	**33,514**
	548,887	**365,654**	**13,387,087**	**873,394**	**15,175,022**
Segment results	**29,000**	**(91,074)**	**168,148**	**223,987**	**330,061**
Reconciliation:					
Interest income and unallocated gains					**140,094**
Unallocated expenses					**(133,292)**
Unallocated finance costs					**(342,786)**
Share of profit/(loss) of:					
Associates					**(37,597)**
A joint venture					**291,527**
Profit before tax					**248,007**
2013					
Segment revenue:					
Sales to external customers	538,216	344,721	20,341,787	102,928	21,327,652
Other income	129,714	31	20,966	1,151	151,862
	667,930	344,752	20,362,753	104,079	21,479,514
Segment results	123,133	(22,404)	233,278	(78,399)	255,608
Reconciliation:					
Interest income and unallocated gains					299,146
Unallocated expenses					(279,646)
Unallocated finance costs					(333,981)
Share of profit/(loss) of:					
Associates					(52,897)
A joint venture					258,649
Profit before tax					146,879

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment assets					
30 June 2014 (unaudited)	**1,050,979**	**1,798,468**	**1,847,632**	**6,101,136**	**10,798,215**
31 December 2013 (audited)	1,280,489	1,711,497	2,742,037	6,117,463	11,851,486
Segment liabilities					
30 June 2014 (unaudited)	**513,406**	**368,128**	**355,337**	**568,420**	**1,805,291**
31 December 2013 (audited)	596,611	362,648	703,931	617,444	2,280,634

Six months ended 30 June Unaudited HK$'000

5. Other Income and Gains

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

	2014	2013
Interest income	**49,910**	55,098
Handling service fees	**27,833**	20,708
Fair value gains on derivative financial instruments	**65,494**	367,840
Sale of scrap	**2,366**	3,126
Others	**28,005**	4,236
	173,608	451,008

6. Finance Costs

An analysis of finance costs is as follows:

	2014	2013
Interest expense on bank and other borrowings	**170,861**	101,875
Interest expense on fixed rate senior notes, net	**158,709**	219,169
Interest expense on finance leases	**2,777**	2,327
Total interest expense on financial liabilities not at fair value through profit or loss	**332,347**	323,371
Amortisation of fixed rate senior notes	**6,899**	9,661
	339,246	333,032
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	**912**	584
Others	**2,628**	365
	342,786	333,981

7. Profit before Tax

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

	2014	2013
Depreciation	**403,419**	127,015
Amortisation of other assets	**55,740**	25,769
Amortisation of prepaid land lease payments	**653**	623
Loss on disposal/write-off of items of property, plant and equipment *	**606**	362
Exchange losses, net *	**11,700**	168,264
Loss on repurchase of fixed rate senior notes *	**—**	91,498
Loss on purchase of fixed rate senior notes *	**—**	2,052

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

Six months ended 30 June Unaudited HK$'000

8. Income Tax

	2014	2013
Current:		
Hong Kong	**—**	—
Elsewhere	**48,848**	28,566
Deferred	**9,756**	22,784
Total tax expense for the period	**58,604**	51,350

The statutory tax rate of Hong Kong profits tax was 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong for the Period (2013: Nil).

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

Australia: Australian income tax was provided at the statutory rate of 30% (2013: 30%) on the estimated taxable profits arising in Australia during the Period.

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2013: 30%). The Group's subsidiary owning a participating interest in the oil and gas properties in Indonesia was subject to a branch tax at the effective tax rate of 14% (2013: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2013: 25%). No provision for China corporate income tax was made as the Group had no taxable profits arising in China during the Period (2013: Nil).

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.

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

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

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

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

	2014	2013
Earnings		
Profit attributable to ordinary shareholders of the Company used in the basic earnings per share calculation	**168,409**	104,347

HK$'000

9. Earnings per Share attributable to Ordinary Shareholders of the Company (continued)

Six months ended 30 June Unaudited	Number of shares 2014	2013
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**7,868,527,149**	7,866,199,580
Effect of dilution – weighted average number of ordinary shares: share options	— *	1,290,461
	7,868,527,149	7,867,490,041

* There was no dilutive potential ordinary shares arising from share options as the average share price of the Company did not exceed the exercise price of the outstanding share options during the Period.

10. Dividend

The Board has resolved not to pay an interim dividend for the Period (2013: Nil).

11. Property, Plant and Equipment

During the Period, the Group acquired property, plant and equipment in an aggregate cost of HK$596,535,000 (six months ended 30 June 2013: HK$1,332,864,000) and disposed of property, plant and equipment having an aggregate carrying amount of HK$2,877,000 (six months ended 30 June 2013: HK$2,226,000).

12. Available-for-sale Investment

	30 June 2014 Unaudited	31 December 2013 Audited
Non-current equity investment:		
Listed equity investment in Australia, at fair value	**1,489**	1,820

The fair value of the above investment was based on quoted market price.

13. Prepayments, Deposits and Other Receivables

	30 June 2014 Unaudited	31 December 2013 Audited
Prepayments	**236,517**	247,172
Current portion of prepaid land lease payments	**1,298**	1,330
Deposits and other receivables	**2,377,510**	2,804,160
	2,615,325	3,052,662
Portion classified as current assets	**(2,183,228)**	(2,612,248)
Non-current portion	**432,097**	440,414

Included in the other receivables was an amount due from CITIC Canada Energy Limited ("**CCEL**"), a joint venture of the Group, of HK$1,960,120,000 (31 December 2013: HK$2,348,695,000), which was interest free and repayable on demand.

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

HK$'000

14. Derivative Financial Instruments

	30 June 2014 Unaudited		31 December 2013 Audited	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	**—**	**49,035**	36,982	—
Forward commodity contracts	**—**	**12,611**	1,835	—
Derivative financial instrument – embedded derivative	**—**	**81,439**	—	81,439
EHA (as defined in note 28)	**66,549**	**—**	—	15,866
	66,549	**143,085**	38,817	97,305
Portion classified as non-current portion:				
Derivative financial instrument – embedded derivative	**—**	**(81,439)**	—	(81,439)
EHA (as defined in note 28)	**(66,549)**	**—**	—	(15,866)
Non-current portion	**(66,549)**	**(81,439)**	—	(97,305)
Current portion	**—**	**61,646**	38,817	—

Certain members of the Group entered into derivative financial instruments in the normal course of business in order to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and inflation.

15. Inventories

	30 June 2014 Unaudited	31 December 2013 Audited
Raw materials	**160,732**	176,160
Work in progress	**11,769**	14,010
Finished goods	**1,348,842**	1,109,929
	1,521,343	1,300,099

During the Period, there were a number of media reports relating to an investigation by Chinese authorities in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**"). The Chinese authorities have sealed off relevant warehouses temporarily. The Group is not the subject of the Investigation but the Investigation might have an impact on the inventories, comprising 223,270 MT of alumina and 7,486 MT of copper owned by the Group (the "**Inventories**"), which are stored in bonded warehouses at Qingdao port.

The Group has taken steps to protect its interests. On 3 June 2014, the Group applied to the Qingdao Maritime Court (the "**Court**") and obtained an asset protection order (the "**APO**") in respect of the Inventories. However, subsequently, the Group was notified by the Court that it has been unable to enforce the APO against part of the Inventories, being 123,446 MT of alumina. Up to the date of this report, the Group has not been provided with reasons why the Court failed to enforce the APO against all of the Group's alumina. The Group holds documents evidencing its ownership and title to the Inventories. Any removal of the Inventories requires production of these documents.

To recover the Inventories, the Group has filed a claim in the Court against the operator of the bonded warehouse at Qingdao port (the "**Operator**"), requiring the Operator to confirm the Group's ownership of the Inventories and to release and deliver the Inventories to the Group or, failing which, to compensate the Group.

HK$'000

16. Trade Receivables

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

	30 June 2014 Unaudited	31 December 2013 Audited
Within one month	**307,436**	1,034,139
One to two months	**99,150**	161,329
Two to three months	**94,576**	448,547
Over three months	**254,956**	394,995
	756,118	2,039,010

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

17. Equity Investments at Fair Value through Profit or Loss

	30 June 2014 Unaudited	31 December 2013 Audited
Unlisted equity investments, at fair value:		
Australia	**3,029**	3,029

The above equity investments are classified as held for trading.

18. 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:

	30 June 2014 Unaudited	31 December 2013 Audited
Within one month	**510,991**	935,078
One to three months	**—**	—
Over three months	**11,725**	23,229
	522,716	958,307

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

HK$'000

19. Bank and Other Borrowings

	Notes	30 June 2014 Unaudited	31 December 2013 Audited
Bank loans – unsecured *	(a)	**9,271,002**	7,158,455
Other loan – unsecured *	(b)	**273,000**	273,000
		9,544,002	7,431,455

* Floating rate

Notes:

(a) The unsecured bank loans include:

(i) trade finance totalling A$57,944,000 (HK$424,617,000) and US$561,000 (HK$4,379,000), which is interest-bearing at London interbank offered rates ("**LIBOR**") (or cost of funds) plus margin; and

(ii) loans totalling US$1,133,590,000 (HK$8,842,006,000), which are interest-bearing at LIBOR plus margin and include US$14,846,000 (HK$115,799,000) from China CITIC Bank International Limited.

(b) The unsecured other loan is a loan obtained from CITIC New Horizon Limited, a shareholder of the Company and also an indirect wholly-owned subsidiary of the Company's ultimate holding company. The loan is interest-bearing at LIBOR plus 2.2% p.a. and repayable by instalments by 2 September 2017.

	30 June 2014 Unaudited	31 December 2013 Audited
Bank loans repayable:		
Within one year or on demand	**3,518,560**	867,431
In the second year	**3,074,312**	2,918,612
In the third to fifth years, inclusive	**2,678,130**	3,372,412
	9,271,002	7,158,455
Other loan repayable:		
Within one year	**15,601**	15,601
In the second year	**15,601**	15,601
In the third to fifth years, inclusive	**241,798**	241,798
	273,000	273,000
Total bank and other borrowings	**9,544,002**	7,431,455
Portion classified as current liabilities	**(3,534,161)**	(883,032)
Non-current portion	**6,009,841**	6,548,423

HK$'000

20. 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 one to seven years.

At the end of the reporting period, the total future minimum lease payments under finance lease payables were as follows:

	30 June 2014 Unaudited	31 December 2013 Audited
Amounts payable:		
Within one year	**18,222**	19,798
In the second year	**19,518**	16,955
In the third to fifth years, inclusive	**45,188**	41,790
Beyond five years	**1,496**	3,782
Total minimum finance lease payments	**84,424**	82,325
Future finance charges	**(11,739)**	(12,092)
Total net finance lease payables	**72,685**	70,233
Portion classified as current liabilities	**(15,872)**	(15,614)
Non-current portion	**56,813**	54,619

21. Bond Obligations

	30 June 2014 Unaudited	31 December 2013 Audited
Fixed rate senior notes, listed in Singapore	**—**	6,187,321
Portion classified as current liabilities	**—**	(6,187,321)
Non-current portion	**—**	—

On 17 May 2007, CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company, issued US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**") at the issue price of 99.726% with interest payable semi-annually. The obligations of CR Finance under the Notes were guaranteed by the Company.

On 15 May 2014, CR Finance fully redeemed the outstanding principal amount of the Notes, being US$798,920,000 (HK$6,231,576,000).

22. Share Capital

	30 June 2014 Unaudited	31 December 2013 Audited
Authorised:		
10,000,000,000 (31 December 2013: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid:		
7,868,527,149 (31 December 2013: 7,868,527,149) ordinary shares of HK$0.05 each	**393,426**	393,426

23. Litigations

In addition to the litigation detailed in note 15 to these Financial Statements, the Group had the following litigation during the Period:

In 2011, the Kazakhstan tax authorities (the "**Tax Authorities**") completed a tax inspection on JSC Karazhanbasmunai ("**KBM**"), a subsidiary of CCEL, for the three years from 2006 to 2008. As a result, the Tax Authorities issued a tax assessment of KZT3,149,314,000 (HK$133,144,000) on KBM, representing underpaid taxes (primarily corporate income tax ("**CIT**") and excess profit tax ("**EPT**")) of KZT1,688,666,000 (HK$71,392,000), administration penalty of KZT880,961,000 (HK$37,245,000) and interest on late payment of KZT579,687,000 (HK$24,507,000).

The directors, based on the advice from KBM's legal counsel, believed KBM had justifiable arguments for its tax positions. Accordingly, KBM made several appeals to the courts in 2012 and 2013 regarding this claim. As the outcome of this dispute was uncertain due to different interpretations of certain tax rules and regulations, KBM made provisions in 2011 for part of the underpaid taxes, administration penalty and interest on late payment of KZT540,379,000 (HK$22,846,000), KZT270,190,000 (HK$11,423,000) and KZT182,046,000 (HK$7,696,000), respectively.

In 2013, KBM lodged a final appeal to the Supervisory Board of the Supreme Court of Kazakhstan (the "**Supreme Court**") and the appeal was concluded on 18 December 2013 with a favourable decision for KBM. The Supreme Court reduced the claim amount for underpaid CIT to KZT265,374,000 (HK$11,219,000). In the meantime, it ordered the Tax Department of Mangistau Region to re-consider KBM's request for cancellation of tax claim on underpaid EPT, administration penalty and interest on late payment. Accordingly, KBM wrote back a prior year overprovision on CIT of KZT330,645,000 (HK$13,979,000) in 2013.

In 2014, the claim amount for underpaid EPT, administration penalty and interest on late payment was reduced to KZT101,608,000 (HK$4,296,000), KZT50,804,000 (HK$2,148,000) and KZT46,329,000 (HK$1,959,000), respectively. Accordingly, KBM wrote back a prior year overprovision on EPT, administration penalty and interest on late payment of KZT166,363,000 (HK$7,307,000) during the Period. The case closed with final judgment from the Supreme Court.

24. Contingent Liabilities

During the Period, the Tax Authorities completed a tax inspection on KBM in respect of transfer pricing for the five years from 2008 to 2012. As a result, the Tax Authorities issued a tax assessment of KZT12,263,596,000 (HK$518,468,000) on KBM, representing underpaid taxes (CIT and EPT) of KZT7,410,558,000 (HK$313,296,000), administration penalty of KZT3,705,279,000 (HK$156,648,000) and interest on late payment of KZT1,147,759,000 (HK$48,524,000).

The directors, based on the advice from KBM's legal counsel, believed KBM had justifiable arguments for its tax positions. Accordingly, KBM has applied to the Tax Committee of Ministry of Finance of Kazakhstan requesting for re-consideration. Up to the date of this report, the result was unknown. Neither KBM nor the Group has provided for any claim arising from this allegation during the Period.

HK$'000

25. Operating Lease Commitments

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:

	30 June 2014 Unaudited	31 December 2013 Audited
Within one year	**199,105**	203,122
In the second to fifth years, inclusive	**630,226**	633,570
Beyond five years	**99,282**	190,668
	928,613	1,027,360

26. Commitments

In addition to the operating lease commitments detailed in note 25 above, the Group's share of the capital expenditure commitments was as follows:

	30 June 2014 Unaudited	31 December 2013 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**2,439,508**	2,799,953

In prior years, a subsidiary of the Company 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$4,367,203,000), of which RMB1,919,273,000 (HK$2,397,556,000) had been settled up to 30 June 2014. The contract amount is subject to the actual work confirmed by the Group and the contractor.

In addition, the Group's share of a joint venture's capital expenditure commitments was as follows:

	30 June 2014 Unaudited	31 December 2013 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**171,412**	58,746
Authorised, but not contracted for:		
Minimum work programme	**248,452**	247,112

HK$'000

27. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these Financial Statements, the Group had the following material transactions with its related parties during the period:

(a)

Six months ended 30 June Unaudited	Notes	2014	2013
Fellow subsidiaries:			
Sale of products	(i)	**—**	521,113
Rental expense	(ii)	**2,796**	2,052
Ultimate holding company:			
Rental expense	(ii)	**1,205**	1,163
A shareholder:			
Interest expense	(iii)	**4,231**	4,948
A joint venture:			
Rental income	(iv)	**2,647**	775
Service fee	(v)	**23,110**	—

Notes:

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

(ii) The rental expense was based on mutually agreed terms.

(iii) The interest expense was charged on a US$ loan at 2.2% p.a. (2013: 1.5% p.a.) over LIBOR.

(iv) The rental income was based on mutually agreed terms.

(v) The service fee was based on mutually agreed terms.

(b) Compensation paid to senior management personnel of the Group during the period was as follows:

Six months ended 30 June Unaudited	2014	2013
Salaries, allowances and benefits in kind	**3,599**	3,016
Pension scheme contributions	**81**	66
	3,680	3,082

(c) The Group had total future minimum lease payments under non-cancellable operating leases with related parties falling due as follows:

	30 June 2014 Unaudited	31 December 2013 Audited
Within one year	**5,175**	6,056
In the second to fifth years, inclusive	**5,181**	6,848
	10,356	12,904

HK$'000

28. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, were as follows:

	Carrying amounts		Fair values	
	30 June 2014 Unaudited	31 December 2013 Audited	30 June 2014 Unaudited	31 December 2013 Audited
Financial assets				
Available-for-sale investment	**1,489**	1,820	**1,489**	1,820
Derivative financial instruments	**66,549**	38,817	**66,549**	38,817
Equity investments at fair value through profit or loss	**3,029**	3,029	**3,029**	3,029
	71,067	43,666	**71,067**	43,666
Financial liabilities				
Derivative financial instruments	**143,085**	97,305	**143,085**	97,305
Bank and other borrowings	**9,544,002**	7,431,455	**9,543,333**	7,444,412
Finance lease payables	**72,685**	70,233	**69,224**	67,263
Bond obligations	**—**	6,187,321	**—**	6,299,536
	9,759,772	13,786,314	**9,755,642**	13,908,516

The fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, accounts payables 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.

Each principal subsidiary of the Group is responsible for the fair value measurement of financial instruments. The finance team of the Company is responsible for the review and calibration of the parameters of the valuation processes. The valuation processes and results are discussed with the chief financial officer twice a year for interim and annual financial reporting purposes.

The fair values of the financial assets and liabilities are stated in 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.

(a) The fair values of listed equity investment and listed debt instruments were determined based on quoted prices in active markets as at the end of the reporting period without any deduction of transaction costs.

(b) The fair values of bank and other borrowings as well as finance lease payables were calculated by discounting the expected future cash flows using rates currently available for instruments which had similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings as well as finance lease payables as at 30 June 2014 was assessed to be insignificant.

28. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

(c) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including forward currency contracts, forward commodity contracts, an electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia (the "**ESA**") and a base load electricity contract signed between the Group (together with the other joint venture partners of the Portland Aluminium Smelter joint venture) and Loy Yang Power (an independent electricity supplier) (the "**EHA**"), are measured using valuation techniques similar to forward pricing and swap models, which means using present value calculations. These valuation techniques use both observable and unobservable market inputs. The fair values of forward currency contracts, forward commodity contracts, the ESA and the EHA were the same as their carrying amounts.

(i) The fair values of forward currency contracts and forward commodity contracts (which were not traded on any recognised exchange) were based on valuation techniques using significant observable market inputs and insignificant unobservable market inputs.

(ii) The fair values of the ESA, the EHA and other investments that did not have an active market were based on valuation techniques using significant unobservable market inputs.

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

Derivative financial Instruments Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the changes in input
Embedded derivative – ESA			
Discounted cash flow method	Weighted average cost of capital ("**WACC**")	3.69% to 5.69%	1% increase (decrease) in WACC would result in a decrease (increase) in fair value by HK$1,052,509 (HK$1,085,309)
EHA			
Discounted cash flow method	WACC	6.64% to 8.64%	1% increase (decrease) in WACC would result in a decrease (increase) in fair value by HK$71,843,710 (HK$82,503,970)
	Inflation rate	2.23% to 4.23%	1% increase (decrease) in inflation rate would result in an increase (decrease) in fair value by HK$18,169,546 (HK$19,424,675)

HK$'000

28. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2014 (unaudited)				
Available-for-sale investment:				
Listed equity investment	**1,489**	**—**	**—**	**1,489**
Derivative financial instruments	**—**	**—**	**66,549**	**66,549**
Equity investments at fair value through profit or loss	**3,029**	**—**	**—**	**3,029**
	4,518	**—**	**66,549**	**71,067**
31 December 2013 (audited)				
Available-for-sale investment:				
Listed equity investment	1,820	—	—	1,820
Derivative financial instruments	—	38,817	—	38,817
Equity investments at fair value through profit or loss	3,029	—	—	3,029
	4,849	38,817	—	43,666

The movements in fair value measurements in Level 3 during the year ended 31 December 2013 and during the Period were as follows:

Derivative financial instruments – EHA	
At 31 December 2012 (audited) and 1 January 2013	114,801
Total losses recognised in the consolidated statement of comprehensive income	(114,801)
At 31 December 2013 (audited) and 1 January 2014	—
Total gains recognised in the condensed consolidated statement of comprehensive income	**66,549**
At 30 June 2014 (unaudited)	**66,549**

HK$'000

28. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2014 (unaudited)				
Derivative financial instruments	—	**61,646**	**81,439**	**143,085**
31 December 2013 (audited)				
Derivative financial instruments	—	—	97,305	97,305

The movements in fair value measurements in Level 3 during the year ended 31 December 2013 and during the Period were as follows:

Derivative financial instruments	
At 31 December 2012 (audited) and 1 January 2013	195,907
Total gains recognised in the consolidated income statement	(114,468)
Total losses recognised in the consolidated statement of comprehensive income	15,866
At 31 December 2013 (audited) and 1 January 2014	**97,305**
Total gains recognised in the condensed consolidated statement of comprehensive income	**(15,866)**
At 30 June 2014 (unaudited)	**81,439**

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2014 (unaudited)				
Bank and other borrowings	—	**9,543,333**	—	**9,543,333**
Finance lease payables	—	**69,224**	—	**69,224**
Bond obligations	—	—	—	—
	—	**9,612,557**	—	**9,612,557**
31 December 2013 (audited)				
Bank and other borrowings	—	7,444,412	—	7,444,412
Finance lease payables	—	67,263	—	67,263
Bond obligations	6,299,536	—	—	6,299,536
	6,299,536	7,511,675	—	13,811,211

Business Review and Outlook

Review

With the continuing slow recovery of the global economy, overall demand for commodities remained weak thus leading to lower commodities selling prices during the Period. As a result, the Group's commodity related businesses, including aluminium, coal, manganese and the import and export of commodities, inevitably suffered. The Group's oil business, however, recorded a steady performance as a result of stable oil prices during the Period.

During the Period, the Group redeemed the outstanding principal amount of its US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**") at maturity thus improving the Group's gearing and lowering its costs of borrowing.

Crude oil

Although the Group has been facing a number of challenges, it has been committed to enhancing oil production. Production continued to show satisfactory growth with an average daily production of 47,600 barrels (100% basis) during the Period. Profitability also improved, attributable to the continual implementation of cost control measures.

The Karazhanbas oilfield (as defined below) in Kazakhstan continued to wield the single largest influence on the Group's overall oil production volume during the Period. Buoyed by its concerted efforts to improve oilfield sustainability and production efficiency by the deployment of more effective oil recovery techniques, the oilfield achieved an average daily production of 38,800 barrels (100% basis). Costs pressure was substantially relieved by the granting of a preferential mineral extraction tax rate. Also, the Group has been actively discussing with the relevant governmental and regulatory authorities in Kazakhstan about the extension of the licence to explore, develop and produce oil from the oilfield beyond 2020.

Following the full commissioning of the production system at the Yuedong oilfield (as defined below) in Liaoning Province, China in 4Q 2013, the Group continues to work closely with China National Petroleum Corporation ("**CNPC**"). During the Period, average daily production reached 6,100 barrels (100% basis). The oilfield has become a positive contributor to the Group's revenue. In addition, there was satisfactory progress on the construction and installation of production facilities. Further works will be progressively implemented to completion and the Group will continue to endeavour to achieve full production as early as practicable.

In Indonesia, contributed by new development wells, production at the Seram Block (as defined below) improved during the Period. The oilfield had an average daily production of 2,700 barrels (100% basis). The Group will drill new wells to enhance production and carry out necessary repairs to existing wells to sustain their productivity. The Group will also continue exploration activities for reserves prospects in the Lofin area.

Coal

The Group's coal investments currently comprise a 14% participating interest in the Coppabella and Moorvale coal mines joint venture (the "**CMJV**") and certain interests in a number of coal exploration operations in Australia where the Group works together with a subsidiary of Peabody Energy Corporation ("**Peabody**").

During the Period, the Group's coal segment continued to face a challenging operating environment. Its performance was greatly affected by softer selling prices brought about by the effect of sluggish demand. However, taking into account the long term demand for quality low volatile pulverized coal injection coal ("**LV PCI Coal**") particularly from emerging markets such as China where the Group holds an exclusive right to market the coal produced by the CMJV, the Group remains optimistic about the outlook for its coal business.

Metals

The Group's strategic metal investments include interests in the Portland Aluminium Smelter joint venture (the "**PAS JV**"), Alumina Limited ("**Alumina**") and CITIC Dameng Holdings Limited ("**CDH**").

During the Period, a global glut of aluminium continued to exert downward pressure on prices that affected the performance of the Group's aluminium business. The Group will maintain its cost saving measures in order to offset the impact of the softening prices. With the world-class global portfolio of upstream mining and refining operations owned by its associate Alumina, the Group is positive about the long term prospects of this segment.

In respect of the Group's interest in CDH, a share of loss was recorded for the Period. CDH was affected by low average selling prices of major manganese products and as a result, it incurred a consolidated net loss.

Import and export of commodities

The slowdown of the Chinese economy emerged as a strong headwind for the global commodities industry, leading to a decrease in demand and prices negatively impacting on the performance of the Group's import and export of commodities business during the Period.

During the Period, there were a number of media reports relating to an investigation by Chinese authorities in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**"). 223,270 MT of alumina and 7,486 MT of copper owned by the Group (the "**Inventories**") are stored in bonded warehouses at Qingdao port. In June 2014, the Group applied to the Qingdao Maritime Court (the "**Court**") and obtained an asset protection order (the "**APO**") in respect of the Inventories; but has been notified by the Court that it has been unable to enforce the APO against 123,446 MT of alumina. As one of the steps to recover the Inventories, the Group has filed a claim in the Court against the operator of the bonded warehouse at Qingdao port (the "**Operator**").

The Group is not the subject of the Investigation and is not in a position to provide any information about the Investigation or on the effect of the Investigation on the Inventories. Until the status of the Investigation is clarified, the Group is not able to accurately assess the impact on its import and export of commodities business.

Furthermore, through an announcement dated 15 August 2014 issued by Qingdao Port International Co., Ltd., the Company was made aware that ABN AMRO Bank N.V., Singapore Branch ("**ABN AMRO**") had commenced legal proceedings (the "**Legal Proceedings**") in China against CITIC Australia Commodity Trading Pty Limited ("**CACT**"), an indirect wholly-owned subsidiary of the Company, pursuant to which ABN AMRO claims (a) payment by CACT of loss of RMB1 million; (b) release of the APO by CACT; and (c) payment of legal costs by CACT. CACT has not been served with the Legal Proceedings and the Company is unable to consider or comment on the substance of the Legal Proceedings.

Financial Management

As a move to further enhance its liquidity, during the Period, the Group entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured term loan facility of US$310 million. The success of the closing of the facility has demonstrated the banks' confidence in the Group's credibility and future growth.

The outstanding balance of the Notes, being US$798.9 million, was fully redeemed in May 2014, which has helped improve the Group's gearing ratio and capital structure.

Outlook

Looking ahead, the Group expects the energy and commodities markets will inevitably be subject to considerable fluctuations as a consequence of anticipated deceleration of economic growth in China and tapering of monetary easing policies by the United States of America which will affect market liquidity. The impact of market volatility on the Group's businesses will be amplified by intense market competition resulting from softening demand. The Group will continue to monitor the changing economic environment and mitigate the associated market risks while proactively taking measures to control costs more effectively and enhance production efficiency.

The Group will seek to steadily improve the performance of its crude oil segment with an ongoing effort to raise production by strengthening the development and management of wells and improving oil recovery techniques.

The Group will endeavour to tackle market difficulties by taking advantage of the support from 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**"). The Group will continue to optimize its existing business portfolio and look for ways to unlock the true value of its investments. In addition to fostering organic growth, the Group will continue to review potential investment opportunities capable of strengthening the Group's asset portfolio and further create value for shareholders.

Financial Review

Group's financial results:

HK$'000

Operating results and ratios

	Six months ended 30 June 2014 Unaudited	2013 Unaudited	Increase/ (decrease)
Revenue	**15,141,508**	21,327,652	(29.0%)
EBIT [1]	**590,793**	480,860	22.9%
EBITDA [2]	**1,050,605**	633,644	65.8%
Profit attributable to shareholders	**168,409**	104,347	61.4%
Gross profit margin [3]	**3.1%**	1.5%	
EBITDA coverage ratio [4]	**3.1 times**	1.9 times	

Financial position and ratios

	30 June 2014 Unaudited	31 December 2013 Audited	Decrease
Cash and cash equivalents	**3,799,509**	6,994,039	(45.7%)
Total assets *	**22,697,612**	27,885,981	(18.6%)
Total debt [5]	**9,616,687**	13,689,009	(29.7%)
Net debt [6]	**5,817,178**	6,694,970	(13.1%)
Equity attributable to shareholders	**11,157,346**	11,667,692	(4.4%)
Current ratio [7]	**1.7 times**	1.5 times	
Net debt to net total capital [8]	**34.3%**	36.5%	
Net asset value per share [9]	**HK$1.42**	HK$1.48	

1 profit before tax + finance costs
2 EBIT + depreciation + amortisation
3 gross profit / revenue x 100%
4 EBITDA / finance costs
5 bank and other borrowings + finance lease payables + bond obligations
6 total debt – cash and cash equivalents
7 current assets / current liabilities
8 net debt / (net debt + equity attributable to shareholders) x 100%
9 equity attributable to shareholders / number of ordinary shares in issue at period end
* including the capital expenditures of the Group's exploration, development and mining production activities of HK$568,471,000 (31 December 2013: HK$2,646,143,000)

The Group's financial performance during the Period continued to be hindered by a challenging operating environment primarily due to the slow recovery in the global economy and a softening in both demand for and selling prices of commodities. These factors contributed to a decrease in the Group's revenue for the Period by 29.0% to HK$15,141.5 million. With its ongoing efforts to control operating costs, the Group improved its EBIT to HK$590.8 million and recorded a profit attributable to shareholders of HK$168.4 million.

The following is a description of the Group's operating activities in each of the business segments during the Period, with a comparison of their results against those in 1H 2013.

Aluminium smelting

- The Group holds a 22.5% participating interest in the PAS JV.

Revenue	HK$545.0 million	(2013: HK$538.2 million)	▲ 1%
Segment results	HK$ 29.0 million	(2013: HK$123.1 million)	▼ 76%

- Revenue for the Period was about the same as for 1H 2013. Average selling price decreased by 6% while sales volume increased by 8% when compared to 1H 2013. A global glut of aluminium continued to exert downward pressure on prices.

  The curtailment program introduced in 3Q 2009 to reduce production by 15% will continue due to current market conditions.

- Attributable to the effectiveness of ongoing cost saving measures, production cost per tonne decreased by 7%, mainly of power and alumina, which helped increase gross profit margin during the Period.

  The Group's aluminium smelting business is a net United States dollar ("**US$**") denominated asset while certain costs are payable in Australian dollar ("**A$**"). Fluctuations between A$ and US$ throughout the Period caused a net exchange gain of HK$21.7 million (2013: loss of HK$13.9 million).

- There was no gain or loss arising from the revaluation of an embedded derivative for the Period (2013: gain of HK$114.5 million which was included in "Other income and gains" in the condensed consolidated income statement).

  The pricing mechanism used in an electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia (the "**ESA**") includes a component that is subject to the price of aluminium. In accordance with Hong Kong Financial Reporting Standards, the component is considered to be an embedded derivative. The embedded derivative is revalued at the end of each reporting period based on future aluminium prices with its fair value gain or loss recognised in the consolidated income statement. On 30 June 2014, the aluminium forward price was similar to that on 31 December 2013. Therefore, no unrealised gain or loss arising from the revaluation of the embedded derivative was recorded for the Period.

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

- On 1 March 2010, a base load electricity contract was signed between the Group (together with the other joint venture partners of the PAS JV) and Loy Yang Power (an independent electricity supplier) (the "**EHA**"). The EHA effectively allows the Portland Aluminium Smelter to secure electricity supply from 2016 through 2036 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.

Coal

- The Group holds a 14% participating interest in the CMJV and certain interests in a number of coal exploration operations in Australia where the Group works together with Peabody Energy Australia PCI Pty Limited, a subsidiary of Peabody. The CMJV is a major producer of LV PCI coal in the international seaborne market.

Revenue	HK$365.6 million	(2013: HK$344.7 million)	▲ 6%
Segment results	loss of HK$ 91.1 million	(2013: loss of HK$ 22.4 million)	N/A

- The increase in revenue during the Period over 1H 2013 was mainly attributable to the Group's acquisition of an additional 7% participating interest in the CMJV in March 2013. Taking into account the result of the additional interest, sales volume increased by 29% when compared to 1H 2013. Average selling price on the other hand decreased by 18% due to the effect of sluggish demand.

- Gross profit margin during the Period was greatly affected by the substantial drop in the average selling price while production costs per tonne remained stable.

  The Group's coal business is a net US$ denominated asset while all costs are payable in A$. Fluctuations between A$ and US$ throughout the Period caused a net exchange gain of HK$8.5 million (2013: loss of HK$7.4 million).

Import and export of commodities

- CITIC Australia Trading Pty Limited ("**CATL**"), an indirect wholly-owned subsidiary of the Company, conducts the Group's import and export of commodities business.

Revenue	HK$13,359.0 million	(2013: HK$20,341.8 million)	▼ 34%
Segment results	HK$ 168.1 million	(2013: HK$ 233.3 million)	▼ 28%

- Due to a decrease in commodities prices and demand resulting from the slowdown of the Chinese economy, revenue decreased significantly during the Period.

  Exported products include aluminium ingot, coal, iron ore, alumina and copper sourced from Australia and other countries to China and also to other Asian countries. Due to the softening average selling prices and sales volume for most commodities, revenue from exports decreased by 32% as compared to 1H 2013. To address the lower demand from China for coal and iron ore, there was a shift in product emphasis during the Period.

  Imported products include steel, vehicle and industrial batteries and tyres from China and other countries and regions into Australia. Revenue of the imports division experienced a decrease mainly due to a decrease in sales volume during the Period.

- The segment results were inevitably affected by thinner gross profit margins.

  The Group's import and export of commodities business is a net US$ denominated asset while certain costs are payable in A$. Fluctuations between A$ and US$ throughout the Period caused a net exchange gain of HK$10.3 million (2013: loss of HK$49.1 million).

- During the Period, there were a number of media reports relating to the Investigation. The Inventories, comprising 223,270 MT of alumina and 7,486 MT of copper owned by the Group, are stored in bonded warehouses at Qingdao port. In June 2014, the Group applied to the Court and obtained the APO in respect of the Inventories; but has been notified by the Court that it has been unable to enforce the APO against 123,446 MT of alumina. As one of the steps to recover the Inventories, the Group has filed a claim in the Court against the Operator. Further details are set out in the announcements of the Company dated 9 June, 17 June and 7 July 2014.

  Furthermore, through an announcement dated 15 August 2014 issued by Qingdao Port International Co., Ltd., the Company was made aware that ABN AMRO had commenced the Legal Proceedings in China against CACT, pursuant to which ABN AMRO claims (a) payment by CACT of loss of RMB1 million; (b) release of the APO by CACT; and (c) payment of legal costs by CACT. CACT has not been served with the Legal Proceedings as of the date of this report.

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 which grants the right to explore, develop and produce petroleum from the Seram Island Non-Bula Block, Indonesia (the "**Seram Block**") until 2019. CITIC Seram is the operator of the Seram Block.

  As at 31 December 2013, the Seram Block had estimated proved oil reserves of 6.1 million barrels as determined in accordance with the standards of the Petroleum Resources Management System (the "**PRMS**").

- For the Period, the segment results of CITIC Seram recorded a profit of HK$21.5 million (2013: HK$11.4 million), representing an increase of 89%. The following table shows a comparison of the performance of the Seram Block:

		1H 2014 (51%)	1H 2013 (51%)	Change
Average benchmark Mean of Platts Singapore (MOPS): Platts HSFO 180 CST Singapore	(US$ per barrel)	**93.6**	96.6	▼ 3%
Average crude oil realised price	(US$ per barrel)	**94.1**	91.2	▲ 3%
Sales volume	(barrels)	**172,000**	145,000	▲ 19%
Revenue	(HK$ million)	**126.4**	102.9	▲ 23%
Total production	(barrels)	**235,000**	211,000	▲ 11%
Daily production	(barrels)	**1,290**	1,160	▲ 11%

  Increase in revenue was attributable to higher oil realised prices and the significant increase in sales volume. Oil production increased following drilling of two new development wells during the Period to supplement the natural decline of existing wells.

- Operating costs per barrel were higher when compared to 1H 2013, mainly due to the consumption of more fuel by operations in respect of new development wells located in another distant site. On the other hand, notwithstanding newly capitalised costs during the Period, depreciation, depletion and amortisation per barrel for the Period were lower as a result of the reduced net book value of the Seram Block oil and gas properties impaired in 2013 and additional oil reserves from new development wells drilled in 2013. Despite this, due to higher sales volume during the Period, the total amount of depreciation, depletion and amortisation increased as compared to 1H 2013.

- During the Period, two new development wells were drilled in the Oseil area and they were put into production.

- The Group plans further development drilling in the Oseil area to enhance production subject to obtaining approval from the Indonesian government. Meanwhile, the Group will carry out necessary repairs to existing wells to sustain their productivity.

  The Group will also continue exploration activities for reserves prospects in the Lofin area. Exploration drilling in the area will commence in 2H 2014 with results anticipated to be available in early 2015.

Crude oil (the Hainan-Yuedong Block, China)

- CITIC Haiyue Energy Limited ("**CITIC Haiyue**"), 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 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, China (the "**Hainan-Yuedong Block**") until 2034. Tincy Group is the operator of the Hainan-Yuedong Block in cooperation with CNPC.

  As at 31 December 2013, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 22.4 million barrels as determined in accordance with the standards of the PRMS.

- For the Period, the segment results of CITIC Haiyue recorded a profit of HK$202.5 million (2013: a loss of HK$89.8 million). The following table shows a comparison of the performance of the Yuedong oilfield:

		(Tincy Group's share) 1H 2014	1H 2013	Change
Average benchmark quote:				
Platts Dubai crude oil	(US$ per barrel)	**105.3**	104.5	▲ 1%
Average crude oil realised price	(US$ per barrel)	**102.8**	—	N/A
Sales volume	(barrels)	**937,000**	—	N/A
Revenue	(HK$ million)	**745.5**	—	N/A
Total production	(barrels)	**836,000**	—	N/A
Daily production	(barrels)	**4,620**	—	N/A

  Oil production resumed in 4Q 2013 following the full commissioning of the production system that connects Platform A (the first artificial island), Platform B (the second artificial island) and the onshore oil/water processing plant. Prior to this, oil production had been temporarily suspended since late 4Q 2012 to facilitate the construction and testing of the production system.

- During the Period, the Group made satisfactory progress on the construction and installation of production facilities on Platform C (the third artificial island). Testing of these facilities is scheduled to start in 2H 2014. Further works will be progressively implemented to completion.

  In addition to the ongoing drilling of production wells on Platform B, drilling activities commenced on Platform C during the Period.

- The Group plans to carry out thermal recovery testing on several production wells on Platform A and Platform B in 2H 2014. If thermal recovery techniques can be widely adopted, it is expected that overall production volume will increase.

  The Group is actively prospecting potential exploration areas within the Bohai Bay Basin with the objective of increasing oil reserves.

- Capital expenditure will continue to be applied in respect of further development of the Yuedong oilfield. Depending on the data to be collected from future drillings and the evaluation of the seismic data, adjustments may be made to the development plan.

Manganese

- The Group has an interest in manganese mining and production through its 38.98% equity interest in CDH, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 1091). CDH is an associate of the Group and the Group remains the single largest shareholder of CDH.

  CDH owns a 100% interest in the Daxin manganese mine, the Tiandeng manganese mine and the Waifu manganese mine in Guangxi Province, China; a 64% interest in the Changgou manganese mine in Guizhou Province, China; and a 51% interest in the Bembélé manganese mine in Gabon, West Africa. CDH is one of the largest vertically integrated manganese producers in the world, engaged in the production and sale of manganese products at various stages of the production chain.

- Share of loss of an associate HK$43.9 million (2013: HK$42.3 million) N/A

  The Group recorded a share of loss in the consolidated net loss incurred by CDH and its subsidiaries (collectively, the "**CDH Group**") for the Period. The CDH Group's performance continued to be affected by the economic environment in China. Demand for steel dropped due to stagnant property development and slowdown in railway construction, resulting in sluggish demand for manganese products and further drop in average selling prices of major manganese products.

  Attributable to falling raw materials prices, stringent cost control and improvement in production efficiency, gross profit margin was improved.

  Detailed financial results of the CDH Group, including management discussion and analysis, are available on the websites of the Stock Exchange and CDH at http://www.hkexnews.hk and http://www.dameng.citic.com respectively.

Bauxite mining and alumina refining

- The Group has an interest in a world-class global portfolio of upstream mining and refining operations in the aluminium sector through its 8.4014% equity interest in Alumina, a leading Australian company listed on the Australian Securities Exchange (Stock Code: AWC). A wholly-owned subsidiary of CITIC Group also has a 5.2174% equity interest in Alumina. As the Group has significant influence on Alumina since it subscribed for the shares of Alumina in February 2013, Alumina is considered an associate of the Group.

  Alumina has significant global interests in bauxite mining and alumina refining operations through its 40% ownership of the Alcoa World Alumina and Chemicals joint venture, the world's largest alumina producer.

- Share of profit of an associate HK$6.3 million (2013: loss of HK$10.6 million) N/A

  Supplementary financial information of Alumina are available on its website at http://www.aluminalimited.com .

Crude oil (the Karazhanbas oilfield, Kazakhstan)

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

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

As at 31 December 2013, the Karazhanbas oilfield had estimated proved oil reserves of 262.6 million barrels as determined in accordance with the standards of the PRMS.

- Share of profit of a joint venture HK$291.5 million (2013: HK$258.6 million) ▲ 13%

The Group accounts for its share of the consolidated results of CITIC Canada Energy Limited ("**CCEL**"), a jointly controlled entity owned equally between CITIC Oil & Gas and KMG EP, using the equity method.

- The following table shows a comparison of the performance of the Karazhanbas oilfield:

		1H 2014 (50%)	1H 2013 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**107.8**	106.8	▲ 1%
Dated Brent crude oil	(US$ per barrel)	**109.7**	108.4	▲ 1%
Average crude oil realised price	(US$ per barrel)	**90.9**	95.9	▼ 5%
Sales volume	(barrels)	**3,616,000**	3,645,000	▼ 1%
Revenue	(HK$ million)	**2,549.5**	2,712.9	▼ 6%
Total production	(barrels)	**3,510,000**	3,378,000	▲ 4%
Daily production	(barrels)	**19,400**	18,700	▲ 4%

Revenue decreased as compared to 1H 2013, due to lower oil realised prices and a slight decrease in sales volume. Lower oil realised prices resulted from higher domestic sales volume during the Period. Buoyed by KBM's concerted efforts to improve oilfield sustainability and production efficiency by the deployment of more effective oil recovery techniques, oil production increased by 4% in the Period.

- In February 2014, Tenge, the official currency of Kazakhstan, was devalued by about 19%. During the Period, the average exchange rate of US$1 against Tenge was KZT176.5757 (2013: KZT150.9150). This has provided a significant benefit to KBM's accounts (of which Tenge is the functional currency) primarily in respect of its US$ denominated trade receivables and bank balances at the time Tenge was devalued. Consequently, a net exchange gain of HK$76.3 million (2013: Nil) was recorded.

The devaluation of Tenge has also helped reduce the costs which were denominated in Tenge when those costs were converted into Hong Kong dollar (as a presentation currency of these Financial Statements).

- At CCEL level, mineral extraction tax ("**MET**") is charged at progressive rates based on production volume and classified as cost of sales. Rent tax is charged on export revenue while export duty was charged at a certain rate per tonne of oil exported, and both are classified as selling costs.

Cost of sales decreased by 17% when compared to 1H 2013. During the Period, average lifting costs increased to US$19.3 (2013: US$18.2) per barrel, representing a 6% increase, mainly caused by rising salaries and wages, and repairs and maintenance. MET significantly decreased by 94% after KBM obtained a preferential rate during the Period.

During the Period, selling and distribution costs decreased by 6% when compared to 1H 2013. Rent tax decreased by 14% as a result of lower export revenue whereas export duty increased by 29% due to an increase in the charge rate. Export duty was increased from US$40 to US$60 per tonne effective 1 May 2013, and further increased to US$80 per tonne effective 1 April 2014. Transportation costs decreased by 7%.

Liquidity, Financial Resources and Capital Structure

Cash

As at 30 June 2014, the Group had cash and cash equivalents of HK$3,799.5 million.

During the Period, the Group made a drawdown of HK$2,418.0 million under the D Loan (as defined below) while it fully redeemed the outstanding principal amount of the Notes of HK$6,231.6 million.

Borrowings

As at 30 June 2014, the Group had total debt of HK$9,616.7 million, which comprised:

- unsecured bank loans of HK$9,271.0 million;
- unsecured other loan of HK$273.0 million; and
- finance lease payables of HK$72.7 million.

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 June 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured 3-year term loan facility of US$380 million (HK$2,964 million) (the "**A Loan**") to refinance the final repayment (being US$140 million) of an unsecured term loan facility and to finance the general corporate funding requirements of the Company. The outstanding balance of the A Loan as at 30 June 2014 was US$380 million and matures in June 2015.

In September 2012, the Company, as borrower, entered into a facility agreement with a bank as lender in respect of an unsecured 5-year term loan facility of US$40 million (HK$312 million) (the "**B Loan**") to finance the general corporate funding requirements of the Company. The outstanding balance of the B Loan as at 30 June 2014 was US$40 million.

In November 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured term loan facility of US$400 million (HK$3,120 million) (the "**C Loan**") to finance the general corporate funding requirements of the Company. The C Loan has a tenor of 5 years commencing from the date of first utilisation, being 14 May 2013, subject to a put option requiring repayment on the date falling 3 years from such date. The outstanding balance of the C Loan as at 30 June 2014 was US$400 million.

In March 2014, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured term loan facility (the "**D Loan**") to finance the repayment of the Notes. The D Loan has a total facility amount of US$310 million (HK$2,418 million) and a tenor of 3 years commencing from the date of first utilisation, being 12 May 2014. The outstanding balance of the D Loan as at 30 June 2014 was US$310 million.

Further details of the bank and other borrowings are set out in note 19 to these 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 20 to these Financial Statements.

The bond obligations represented the outstanding amount of the Notes issued by CITIC Resources Finance (2007) Limited, a direct wholly-owned subsidiary of the Company. The Notes were fully redeemed in May 2014. Further details of the bond obligations are set out in note 21 to these Financial Statements.

As at 30 June 2014, the Group's net debt to net total capital was 34.3% (31 December 2013: 36.5%). Of the total debt, HK$3,550.0 million was repayable within one year, including mainly the outstanding balance of the A Loan and trade finance.

Share capital

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

Financial risk management

The Group's diversified business is exposed to a variety of risks, such as market risks (including foreign currency risk, price risk, interest rate risk and inflation 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 forward currency contracts, forward commodity contracts, interest rate swap contracts, an embedded derivative and an electricity hedge agreement. Their purpose is to manage the foreign currency risk, price risk, interest rate risk and inflation risk arising from the Group's operations and sources of finance.

New investment

There was no new investment concluded during the Period.

Opinion

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

Employees and Remuneration Policies

As at 30 June 2014, the Group had around 340 full time employees, including management and administrative staff.

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 Indonesia.

The employees of the Group's subsidiaries which operate in China 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 Government Law No. 11/1992 of the Indonesian government for those employees in Indonesia who are eligible to participate;

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

(c) 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 employer contributions 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 persons.

Corporate Governance Code

Throughout the Period, the Company has applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct for dealings in the 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 have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the Period.

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

As at 30 June 2014, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Long positions in 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. Kwok Peter Viem	Directly beneficially owned	11,568,000	400,000,000	5.23
Ms. Li So Mui	Directly beneficially owned	2,388,000	—	0.03

Long positions in 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. Qiu Yiyong	CDH	Share options	15,000,000	Directly beneficially owned	0.50
Ms. Li So Mui	CDH	Ordinary shares	3,154	Directly beneficially owned	—
Mr. Tian Yuchuan *	CDH	Share options	12,000,000	Directly beneficially owned	0.40
Mr. Gao Pei Ji	CITIC Pacific Limited	Ordinary shares	20,000	Directly beneficially owned	—

* resigned on 1 July 2014

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

Save as disclosed herein and so far as is known to the directors, as at 30 June 2014, none of the directors or the 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.

Share Option Scheme

The share option scheme adopted by the Company on 30 June 2004 (the "**Old Scheme**") for a term of ten years expired on 29 June 2014. The share options that have been granted under the Old Scheme and remained outstanding as at the date of expiration remain valid and exercisable subject to and in accordance with the terms of the Old Scheme.

To enable the Company to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by the Company on 27 June 2014 (the "**New Scheme**"). The purposes of the New Scheme are to allow the Company (a) to be competitive and to be able to attract, retain and motivate appropriate personnel to assist the Group attain its strategic objectives by offering share options to enhance general remuneration packages; (b) to align the interests of the directors and employees of the Group with the performance of the Company and the value of the shares; and (c) to align the commercial interests of business associates, customers and suppliers of the Group with the interests and success of the Group.

The New Scheme, unless otherwise cancelled or amended, will remain in force for a term of ten years until 26 June 2024. During the Period and up to the date of this report, no share option has been granted under the New Scheme.

The following table discloses movements in the Company's share options, which were granted under the Old Scheme, during the Period:

Name and category of participant	Number of share options: At 1 January 2014	Number of share options: At 30 June 2014 (1)	Date of grant	Exercise period	Exercise price per share HK$
Director					
Mr. Kwok Peter Viem	200,000,000	200,000,000	06-11-2013	06-11-2014 to 05-11-2018	1.770
	200,000,000	200,000,000	06-11-2013	06-11-2015 to 05-11-2018	1.770
	400,000,000	**400,000,000** (2)			

Notes:

(1) No share option was granted, exercised, lapsed or cancelled during the Period.

(2) The share options are subject to the following vesting conditions:

(i) 50% of the share options shall vest and be exercisable with effect from the first anniversary of the date of grant; and

(ii) the remaining 50% of the share options shall vest and be exercisable with effect from the second anniversary of the date of grant.

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

As at 30 June 2014, 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	4,675,605,697 (1)	59.42
CITIC Pacific Limited	Other	3,925,191,904 (2)	49.88
CITIC Corporation Limited	Corporate	3,925,191,904 (3)	49.88
CITIC Projects Management (HK) Limited	Corporate	3,895,083,904 (4)	49.50
Keentech Group Limited	Corporate	3,895,083,904 (5)	49.50
CITIC Australia Pty Limited	Corporate	750,413,793 (6)	9.54
Temasek Holdings (Private) Limited	Corporate	901,909,243 (7)	11.46
Temasek Capital (Private) Limited	Corporate	576,247,750 (8)	7.32
Seletar Investments Pte. Ltd.	Corporate	576,247,750 (9)	7.32
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	576,247,750 (10)	7.32

Notes:

(1) The figure represents an attributable interest of CITIC Group through its interest in CITIC Corporation Limited (formerly known as 中國中信股份有限公司 (CITIC Limited)) ("**CITIC Corporation**") and CITIC Australia Pty Limited ("**CA**"). CITIC Group is a company established in China.

(2) CITIC Pacific Limited, a company incorporated in Hong Kong, entered into an agreement on 16 April 2014 to acquire 100% of the total issued share capital of CITIC Corporation, which acquisition was not completed as at 30 June 2014.

(3) The figure represents an attributable interest of CITIC Corporation through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**") and Extra Yield International Ltd. ("**Extra Yield**") which holds 30,108,000 shares representing 0.38% of the total issued share capital of the Company. CITIC Corporation, a company established in China, is a wholly-owned subsidiary of CITIC Group. Extra Yield, a company incorporated in the British Virgin Islands (the "**BVI**"), is an indirect wholly-owned subsidiary of CITIC Corporation.

(4) The figure represents an attributable interest of CITIC Projects through its interest in Keentech Group Limited ("**Keentech**"). CITIC Projects, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Corporation.

(5) Keentech, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Projects.

(6) CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Group.

(7) The figure represents an attributable interest of Temasek Holdings (Private) Limited ("**Temasek Holdings**") through its interest in Temasek Capital (Private) Limited ("**Temasek Capital**") and Ellington Investments Pte. Ltd. ("**Ellington**") which holds 325,661,493 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.

(8) 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.

(9) 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.

(10) Baytree, a company incorporated in Mauritius, is a direct wholly-owned subsidiary of Seletar.

Save as disclosed herein and so far as is known to the directors, as at 30 June 2014, 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.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Specific Performance Obligations on Controlling Shareholder of the Company

The following disclosures are made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

In June 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of the A Loan, being an unsecured 3-year term loan facility of US$380 million (HK$2,964 million).

In September 2012, the Company, as borrower, entered into a facility agreement with a bank as lender in respect of the B Loan, being an unsecured 5-year term loan facility of US$40 million (HK$312 million).

In November 2012, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of the C Loan, being an unsecured term loan facility of US$400 million (HK$3,120 million). The C Loan has a tenor of 5 years commencing from the date of first utilisation, being 14 May 2013, subject to a put option requiring repayment on the date falling 3 years from such date.

In March 2014, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of the D Loan, being an unsecured term loan facility. The D Loan has a total facility amount of US$310 million (HK$2,418 million) and a tenor of 3 years commencing from the date of first utilisation, being 12 May 2014.

Pursuant to the provisions of each of the above facility agreements, if CITIC Group ceases to remain (directly or indirectly) the single largest shareholder of the Company or ceases to beneficially (directly or indirectly) own at least 35% of the entire issued share capital of the Company, then (a) in respect of each of the A Loan, C Loan and D Loan, the lenders holding 66-2/3% or more of the respective loan then outstanding may require mandatory prepayment of that loan together with all other sums due; and (b) in respect of the B Loan, the lender may require mandatory prepayment of the B Loan together with all other sums due.

Update on Directors' Information

The following change in the information of the directors occurred after the date of the 2013 annual report of the Company which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On 10 June 2014, Mr. Kwok Peter Viem, the Chairman and an executive director of the Company, was elected the chairman of the nomination committee of the Board.

Review of Accounts

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

On behalf of the Board
Kwok Peter Viem
Chairman

Hong Kong, 22 August 2014

Investor Relations Contact

Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong
Attention : Investor Relations Department
Telephone : (852) 2899 8200
Facsimile : (852) 2815 9723
E-mail : ir@citicresources.com

投資者關係聯絡

香港金鐘道88號太古廣場一座30樓3001-3006室
聯絡：投資者關係部
電話：(852) 2899 8200
傳真：(852) 2815 9723
電郵：ir@citicresources.com

http://www.citicresources.com

http://www.irasia.com/listco/hk/citicresources

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