OIL

ALUMINIUM

# INTERIM REPORT **2017** 中期報告

COAL

MANGANESE

IMPORT AND EXPORT OF COMMODITIES

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

## Oil

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

## Aluminium

(1) a 22.5% participating interest in the Portland Aluminium Smelter joint venture, one of the largest and most efficient aluminium smelting operations in the world; and (2) a 9.685% equity interest in Alumina Limited (ASX: AWC), one of Australia's leading companies with significant global interests in bauxite mining, alumina refining and selected aluminium smelting operations.

## 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 interests in a number of coal exploration operations in Australia with significant resource potential.

## Manganese

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

## 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.

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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Kwok Peter Viem *(Chairman)*
Mr. Suo Zhengang
*(Vice Chairman and Chief Executive Officer)*
Mr. Sun Yang *(Vice Chairman)*
Ms. Li So Mui

### Non-executive Directors

Mr. Chan Kin
Mr. Ma Ting Hung

### Independent Non-executive Directors

Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Look Andrew

## Audit Committee

Mr. Fan Ren Da, Anthony *(Chairman)*
Mr. Gao Pei Ji
Mr. Look Andrew

## Remuneration Committee

Mr. Gao Pei Ji *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Look Andrew
Mr. Suo Zhengang

## Nomination Committee

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

## Risk Management Committee

Mr. Look Andrew *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Kwok Peter Viem
Mr. Ma Ting Hung
Mr. Suo Zhengang

## Company Secretary

Mr. Cha Johnathan Jen Wah

## 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 |
| Website | : | http://resources.citic<br>http://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

## Auditor

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

## Principal Bankers

China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Development Bank Corporation
DBS Bank Ltd.
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 2017 (the "**Period**").

## Condensed Consolidated Income Statement

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **REVENUE** | 4 | **1,531,516** | 1,237,374 |
| Cost of sales | | **(1,453,104)** | (1,360,563) |
| Gross profit/(loss) | | **78,412** | (123,189) |
| Other income and gains | 5 | **522,008** | 363,633 |
| Selling and distribution costs | | **(10,641)** | (9,176) |
| General and administrative expenses | | **(165,618)** | (138,141) |
| Other expenses, net | | **(62,458)** | (28,212) |
| Finance costs | 6 | **(164,571)** | (131,093) |
| Share of profit/(loss) of: | | | |
| Associates | | **23,459** | (42,823) |
| A joint venture | | **90,484** | 204,028 |
| **PROFIT BEFORE TAX** | 7 | **311,075** | 95,027 |
| Income tax expense | 8 | **(123,421)** | (1,158) |
| **PROFIT FOR THE PERIOD** | | **187,654** | 93,869 |
| **ATTRIBUTABLE TO:** | | | |
| Shareholders of the Company | | **185,022** | 102,007 |
| Non-controlling interests | | **2,632** | (8,138) |
| | | **187,654** | 93,869 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY** | 10 | **HK cents** | HK cents |
| Basic | | **2.35** | 1.30 |
| Diluted | | **2.35** | 1.30 |

Six months ended 30 June Unaudited HK$'000

## Condensed Consolidated Statement of Comprehensive Income

| | 2017 | 2016 |
|---|---|---|
| **PROFIT FOR THE PERIOD** | **187,654** | 93,869 |
| **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 | **(214)** | (391) |
| Income tax effect | **64** | 117 |
| | **(150)** | (274) |
| Cash flow hedges: | | |
| Effective portion of changes in fair value of hedging instruments arising during the period | **713,399** | 37,847 |
| Income tax effect | **(214,020)** | (11,354) |
| | **499,379** | 26,493 |
| Exchange differences on translation of foreign operations | **127,932** | (145,723) |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX** | **627,161** | (119,504) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD** | **814,815** | (25,635) |
| **ATTRIBUTABLE TO:** | | |
| Shareholders of the Company | **800,786** | (7,673) |
| Non-controlling interests | **14,029** | (17,962) |
| | **814,815** | (25,635) |

HK$'000

## Condensed Consolidated Statement of Financial Position

| | Notes | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | **4,434,189** | 4,674,326 |
| Prepaid land lease payments | | **16,329** | 16,415 |
| Goodwill | | **24,682** | 24,682 |
| Other assets | | **287,798** | 289,988 |
| Investments in associates | | **4,230,256** | 905,841 |
| Investment in a joint venture | | **258,156** | 173,942 |
| Financial asset at fair value through profit or loss | 12 | **—** | 2,880,665 |
| Derivative financial instruments | 17 | **409,991** | — |
| Available-for-sale investment | 13 | **569** | 784 |
| Prepayments, deposits and other receivables | 14 | **108,033** | 83,260 |
| Deferred tax assets | | **—** | 319,466 |
| Total non-current assets | | **9,770,003** | 9,369,369 |
| **CURRENT ASSETS** | | | |
| Inventories | 15 | **678,306** | 577,698 |
| Trade and notes receivables | 16 | **432,907** | 643,767 |
| Prepayments, deposits and other receivables | 14 | **1,328,952** | 1,453,071 |
| Financial assets at fair value through profit or loss | 12 | **3,029** | 3,029 |
| Derivative financial instruments | 17 | **339,202** | 60,826 |
| Cash and cash equivalents | | **1,474,295** | 1,160,989 |
| Total current assets | | **4,256,691** | 3,899,380 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 18 | **117,602** | 130,891 |
| Tax payable | | **—** | 142 |
| Accrued liabilities and other payables | | **650,366** | 565,039 |
| Derivative financial instruments | 17 | **25,425** | 10,387 |
| Bank borrowings | 19 | **934,807** | 1,371,809 |
| Finance lease payables | 20 | **11,247** | 13,102 |
| Provisions | | **48,169** | 44,670 |
| Total current liabilities | | **1,787,616** | 2,136,040 |
| **NET CURRENT ASSETS** | | **2,469,075** | 1,763,340 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **12,239,078** | 11,132,709 |

HK$'000

## Condensed Consolidated Statement of Financial Position

| | Notes | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **12,239,078** | 11,132,709 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings | 19 | **6,517,206** | 6,155,518 |
| Finance lease payables | 20 | **6,959** | 12,371 |
| Deferred tax liabilities | | **17,827** | — |
| Provisions | | **303,847** | 268,530 |
| Total non-current liabilities | | **6,845,839** | 6,436,419 |
| **NET ASSETS** | | **5,393,239** | 4,696,290 |
| **EQUITY** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Issued capital | 21 | **392,886** | 392,886 |
| Reserves | | **5,094,792** | 4,411,872 |
| | | **5,487,678** | 4,804,758 |
| **Non-controlling interests** | | **(94,439)** | (108,468) |
| **TOTAL EQUITY** | | **5,393,239** | 4,696,290 |

## Condensed Consolidated Statement of Changes in Equity

| | Issued capital | Share premium account | Contributed surplus | Capital reserve | Exchange fluctuation reserve |
|---|---|---|---|---|---|
| At 31 December 2015 (audited) and 1 January 2016 | 392,886 | 9,706,852 | 71,902 | (38,579) | (848,096) |
| Total comprehensive income/(loss) for the period | — | — | — | — | (135,899) |
| Share of other reserve movements of an associate | — | — | 4 | — | — |
| At 30 June 2016 (unaudited) | 392,886 | 9,706,852 | 71,906 | (38,579) | (983,995) |
| **At 31 December 2016 (audited) and 1 January 2017** | **392,886** | **9,706,852** | **71,907** | **(38,579)** | **(1,191,446)** |
| Total comprehensive income/(loss) for the Period | — | — | — | — | **116,535** |
| Reduction of share premium # | — | **(9,700,000)** | **500,000** | — | — |
| Distribution to shareholders (note 9) | — | — | — | — | — |
| Share of other reserve movements of an associate | — | — | — | — | — |
| At 30 June 2017 (unaudited) | **392,886** | **6,852** * | **571,907** * | **(38,579)** * | **(1,074,911)** * |

* These reserve accounts comprise the consolidated reserves of HK$5,094,792,000 (31 December 2016: HK$4,411,872,000) in the condensed consolidated statement of financial position.

# Pursuant to a special resolution passed by shareholders at the annual general meeting of the Company held on 23 June 2017, the share premium account of the Company was reduced and cancelled by HK$9,700,000,000. Out of the credit amount arising from such reduction and cancellation, HK$9,200,000,000 was applied to offset the entire amount of the accumulated losses of the Company while the remaining HK$500,000,000 was transferred to the contributed surplus account of the Company.

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| Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|
| Available-for-sale investment revaluation reserve | Hedging reserve | Share option reserve | Reserve funds | Retained profits / (accumulated losses) | Sub-total | Non-controlling interests | Total equity |
| (2,154) | (597,371) | 50,015 | 13,450 | (4,581,524) | 4,167,381 | (62,063) | 4,105,318 |
| (274) | 26,493 | — | — | 102,007 | (7,673) | (17,962) | (25,635) |
| — | — | (14,010) | 1,252 | 12,758 | 4 | — | 4 |
| (2,428) | (570,878) | 36,005 | 14,702 | (4,466,759) | 4,159,712 | (80,025) | 4,079,687 |
| **(2,497)** | **15,528** | **30,563** | **13,199** | **(4,193,655)** | **4,804,758** | **(108,468)** | **4,696,290** |
| **(150)** | **499,379** | **—** | **—** | **185,022** | **800,786** | **14,029** | **814,815** |
| **—** | **—** | **—** | **—** | **9,200,000** | **—** | **—** | **—** |
| **—** | **—** | **—** | **—** | **(117,866)** | **(117,866)** | **—** | **(117,866)** |
| **—** | **—** | **—** | **(270)** | **270** | **—** | **—** | **—** |
| **(2,647)** * | **514,907** * | **30,563** * | **12,929** * | **5,073,771** * | **5,487,678** | **(94,439)** | **5,393,239** |

Six months ended 30 June Unaudited HK$'000

## Condensed Consolidated Statement of Cash Flows

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net cash flows from operating activities | **381,222** | 61,895 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **9,189** | 9,675 |
| Dividend income from a financial asset at fair value through profit or loss | **67,438** | 39,157 |
| Purchases of items of property, plant and equipment | **(16,694)** | (66,203) |
| Additions to other assets | **—** | (2,918) |
| Proceeds from disposal of items of property, plant and equipment | **—** | 1,430 |
| Proceeds from disposal of other assets | **—** | 56,231 |
| Net proceeds from disposal of partial investment in the Codrilla project | **—** | 14,809 |
| Repayment of loans from a joint venture | **118,160** | — |
| Net cash flows from investing activities | **178,093** | 52,181 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| New bank and other borrowings | **4,494,302** | 249,791 |
| Repayment of bank borrowings | **(4,635,306)** | (321,080) |
| Capital element of finance lease payables | **(8,697)** | (6,173) |
| Interest paid | **(112,355)** | (103,264) |
| Finance charges paid | **—** | (117) |
| Net cash flows used in financing activities | **(262,056)** | (180,843) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **297,259** | (66,767) |
| Cash and cash equivalents at beginning of period | **1,160,989** | 1,300,197 |
| Effect of foreign exchange rate changes, net | **16,047** | (4,098) |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **1,474,295** | 1,229,332 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **446,777** | 344,815 |
| Time deposits | **1,027,518** | 884,517 |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | **1,474,295** | 1,229,332 |

## 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 2016.

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 2016, except for the adoption of revised standards with effect from 1 January 2017 as detailed in note 2 below.

These Financial Statements were approved and authorised for issue by the Board on 28 July 2017.

### 2. Changes in Accounting Policies and Disclosures

The Group has adopted the following 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.

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 included in Annual Improvements 2014 – 2016 Cycle | Disclosure of Interests in Other Entities |

The adoption of the 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.

| | |
|---|---|
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions [1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1] |
| HKFRS 9 | Financial Instruments [1] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3] |
| HKFRS 15 | Revenue from Contracts with Customers [1] |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from Contracts with Customers [1] |
| HKFRS 16 | Leases [2] |

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

| | |
|---|---|
| HK(IFRIC) – Interpretation 22 | Foreign Currency Transactions and Advance Consideration [1] |
| Amendment to HKAS 40 | Transfers of Investment Property [1] |
| Amendments to HKFRS 1 included in Annual Improvements 2014 – 2016 Cycle | First-time Adoption of Hong Kong Financial Reporting Standards [1] |
| Amendments to HKAS 28 included in Annual Improvements 2014 – 2016 Cycle | Investment in Associates and Joint Ventures [1] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

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 the adoption of these new and revised HKFRSs may result in changes in accounting policies. However, for the time being, it is not in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

### 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, and vehicle and industrial batteries and tyres into 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 before tax except that interest income, fair value gain on a financial asset at fair value through profit or loss, dividend 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, financial assets at fair value through profit or loss, available-for-sale investment, deferred tax assets, 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, deferred tax liabilities, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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## 4. Operating Segment Information (continued)

| Six months ended 30 June Unaudited | Aluminium smelting | Coal | Import and export of commodities | Crude oil | Total |
|---|---|---|---|---|---|
| **2017** | | | | | |
| **Segment revenue:** | | | | | |
| Sales to external customers | **209,453** | **333,630** | **472,791** | **515,642** | **1,531,516** |
| Other income | **675** | **27** | **2,050** | **27,886** | **30,638** |
| | **210,128** | **333,657** | **474,841** | **543,528** | **1,562,154** |
| **Segment results** | **(153,200)** | **50,775** | **14,429** | **67,325** | **(20,671)** |
| *Reconciliation:* | | | | | |
| Interest income and unallocated gains | | | | | **423,932** |
| Dividend income | | | | | **67,438** |
| Unallocated expenses | | | | | **(108,996)** |
| Unallocated finance costs | | | | | **(164,571)** |
| Share of profit of: | | | | | |
| Associates | | | | | **23,459** |
| A joint venture | | | | | **90,484** |
| Profit before tax | | | | | **311,075** |
| **2016** | | | | | |
| **Segment revenue:** | | | | | |
| Sales to external customers | 389,517 | 189,539 | 317,898 | 340,420 | 1,237,374 |
| Other income | 9,112 | 6,527 | 745 | 1,830 | 18,214 |
| | 398,629 | 196,066 | 318,643 | 342,250 | 1,255,588 |
| **Segment results** | (58,119) | (53,125) | 12,000 | (129,459) | (228,703) |
| *Reconciliation:* | | | | | |
| Interest income and unallocated gains | | | | | 306,262 |
| Dividend income | | | | | 39,157 |
| Unallocated expenses | | | | | (51,801) |
| Unallocated finance costs | | | | | (131,093) |
| Share of profit/(loss) of: | | | | | |
| An associate | | | | | (42,823) |
| A joint venture | | | | | 204,028 |
| Profit before tax | | | | | 95,027 |

| | Aluminium smelting | Coal | Import and export of commodities | Crude oil | Total |
|---|---|---|---|---|---|
| **Segment assets** | | | | | |
| **30 June 2017 (unaudited)** | **1,339,064** | **860,231** | **636,172** | **3,955,173** | **6,790,640** |
| 31 December 2016 (audited) | 615,525 | 966,013 | 605,641 | 4,248,980 | 6,436,159 |
| **Segment liabilities** | | | | | |
| **30 June 2017 (unaudited)** | **329,385** | **216,783** | **99,198** | **247,535** | **892,901** |
| 31 December 2016 (audited) | 265,254 | 203,889 | 108,731 | 293,879 | 871,753 |

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:

| | 2017 | 2016 |
|---|---|---|
| Interest income | **8,951** | 9,791 |
| Dividend income from a financial asset at fair value through profit or loss | **67,438** | 39,157 |
| Handling service fees | **1,814** | — |
| Fair value gain on a financial asset at fair value through profit or loss | **411,278** | 256,317 |
| Sale of scrap | **3,106** | 1,547 |
| Reversal of impairment of value added tax receivables | **24,082** | — |
| Gain on disposal of other assets | **—** | 49,688 |
| Others | **5,339** | 7,133 |
| | **522,008** | 363,633 |

## 6. Finance Costs

An analysis of finance costs is as follows:

| | 2017 | 2016 |
|---|---|---|
| Interest expense on bank borrowings | **159,601** | 124,729 |
| Interest expense on a finance lease | **937** | 1,224 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **160,538** | 125,953 |
| Other finance charges: | | |
| Increase in discounted amounts of provisions arising from the passage of time | **4,033** | 5,023 |
| Others | **—** | 117 |
| | **164,571** | 131,093 |

## 7. Profit before Tax

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

| | 2017 | 2016 |
|---|---|---|
| Depreciation | **359,219** | 355,093 |
| Amortisation of other assets | **3,007** | 28,537 |
| Amortisation of prepaid land lease payments | **584** | 813 |
| Loss on disposal of items of property, plant and equipment, net | **3,743*** | 11,596 |
| Gain on disposal of other assets | **—** | (49,688) |
| Fair value losses on derivative financial instruments * | **41,022** | — |
| Exchange losses, net * | **7,076** | 39,924 |
| Fair value gain on a financial asset at fair value through profit or loss | **(411,278)** | (256,317) |
| Reversal of impairment of other receivables * | **—** | (24,536) |

* 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 Expense

| | 2017 | 2016 |
|---|---|---|
| Current – Hong Kong | — | — |
| Current – Elsewhere | | |
| Charge for the period | — | 71 |
| Underprovision in prior periods | **38** | 65 |
| Deferred | **123,383** | 1,022 |
| Total tax expense for the period | **123,421** | 1,158 |

The statutory rate of Hong Kong profits tax was 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the Period (2016: Nil).

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

**Australia:** The Group's subsidiaries incorporated in Australia were subject to Australian income tax at a rate of 30% (2016: 30%).

**Indonesia:** The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2016: 30%). The Group's subsidiary owning a participating interest in the oil and gas properties in Indonesia was subject to branch tax at the effective tax rate of 14% (2016: 14%).

**China:** The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2016: 25%).

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. Dividend

The Board has resolved not to pay an interim dividend for the Period (2016: Nil).

The proposed final dividend of HK1.50 cents per ordinary share for the year ended 31 December 2016, totalling HK$117,866,000, was approved by shareholders at the annual general meeting of the Company held on 23 June 2017 and was payable on or around 17 July 2017 to shareholders whose names appear on the register of members of the Company on 3 July 2017.

HK$'000

## 10. Earnings per Share attributable to Ordinary Shareholders of the Company

The calculation of the basic earnings per share amount was based on the profit for the Period attributable to ordinary shareholders of the Company of HK$185,022,000 (2016: HK$102,007,000) and the weighted average number of ordinary shares in issue during the Period, which was 7,857,727,149 (2016: 7,857,727,149) shares.

The calculation of the diluted earnings per share amount was 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 was 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.

No adjustment was made to the basic earnings per share amount presented for the Period and for the six months ended 30 June 2016 in respect of a dilution. There were no dilutive potential ordinary shares arising from share options as the average share price of the Company during the Period and during the six months ended 30 June 2016 did not exceed the exercise price of the then outstanding share options.

## 11. Property, Plant and Equipment

During the Period, the Group acquired property, plant and equipment in an aggregate cost of HK$3,127,000 (six months ended 30 June 2016: HK$5,345,000) and disposed of property, plant and equipment having an aggregate carrying amount of HK$3,743,000 (six months ended 30 June 2016: HK$13,309,000).

## 12. Financial Assets at Fair Value through Profit or Loss

### Designated as such upon initial recognition

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Non-current investment: | | |
| Listed equity investment in Australia, at fair value | — | 2,880,665 |

The fair value of the above investment was based on the quoted market price of the equity investment's shares on the Australian Securities Exchange (the "**ASX**").

As at 30 June 2017 and 31 December 2016, the Group held a 9.685% equity interest in Alumina Limited ("**AWC**"). AWC, an Australian company listed on the ASX, has significant global interests in bauxite mining, alumina refining and selected aluminium smelting operations.

During the Period, the Group reassessed and concluded that significant influence over AWC has been demonstrated by the Group effective 30 June 2017. Consequently, the investment was reclassified from a financial asset at fair value through profit or loss to an investment in an associate on 30 June 2017. Prior to the reclassification, the investment was measured at its fair value based on the closing price of AWC shares on 29 June 2017. As a result, a pre-tax fair value gain of HK$411,278,000 (2016: HK$256,317,000) was recorded in respect of the Group's interest in AWC (notes 5 and 7).

### Held for trading

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Current investments: | | |
| Unlisted investments in Australia and China, at fair value | **3,029** | 3,029 |

HK$'000

## 13. Available-for-sale Investment

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Non-current investment: | | |
| Listed equity investment in Australia, at fair value | **569** | 784 |

The fair value of the above investment was based on the quoted market price of the equity investment's shares on the ASX.

## 14. Prepayments, Deposits and Other Receivables

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Prepayments | **10,693** | 13,591 |
| Current portion of prepaid land lease payments | **1,195** | 1,159 |
| Deposits and other receivables | **1,425,097** | 1,521,581 |
| | **1,436,985** | 1,536,331 |
| Portion classified as current assets | **(1,328,952)** | (1,453,071) |
| Non-current portion | **108,033** | 83,260 |

Included in the Group's other receivables was an amount due from CITIC Canada Energy Limited ("**CCEL**"), a joint venture through which the Group owns, manages and operates the Karazhanbas oilfield (as defined on page 34) in Kazakhstan, of HK$1,230,278,000 (31 December 2016: HK$1,339,921,000), which was interest free and repayable on demand. In 2015, an impairment of HK$24,536,000 was provided in respect of the amount due from CCEL. However, such amount was reversed during the six months ended 30 June 2016 (note 7).

A tax regulation in Indonesia, effective in the first half of 2015, limited value added tax ("**VAT**") reimbursements to equity oil distributed to the government under the PSC (as defined on page 30). At the end of 2015, as it was uncertain whether any equity oil would be available for distribution to the government prior to the expiry of the PSC, an impairment of other receivables of HK$105,664,000 was made in respect of the potentially unrecoverable VAT reimbursement.

Following an amendment to the tax regulation in October 2016, VAT reimbursements can now be claimed by CITIC Seram Energy Limited, a subsidiary of the Company, after each delivery of the first tranche production to the government. Accordingly, a reversal of impairment of value added tax receivables of HK$24,082,000 (note 5) was made during the Period.

At 30 June 2017, 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

## 15. Inventories

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Raw materials | **147,956** | 116,761 |
| Work in progress | **17,311** | 10,824 |
| Finished goods | **513,039** | 450,113 |
| | **678,306** | 577,698 |

In 2014, the Chinese authorities commenced an investigation into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**"). The Group is not involved in the Investigation and up to the date of this report, the Group is not aware of the status or result of the Investigation.

The Group has certain alumina and copper stored in bonded warehouses at Qingdao port (the "**Inventories**") with a gross carrying amount of HK$979,212,000. In light of the Investigation, the Group applied to the Qingdao Maritime Court (the "**Qingdao Court**") in June 2014 for asset protection orders in respect of the Inventories. The Group also claimed against the operator of the bonded warehouses at Qingdao port and related parties (the "**Claim**").

Pursuant to the decisions of the Qingdao Court in September 2016, the Claim was transferred to the Southern Branch of the Qingdao Public Security Bureau (the "**Public Security Bureau**") for determination in accordance with China's criminal procedures. As a result, the Claim terminated.

In prior years, in respect of the Inventories, full provision was made on all the alumina of HK$579,277,000 and provisions totalling HK$219,662,000 were made on copper leaving copper inventory with a net carrying amount of HK$180,273,000 as at 31 December 2016. The Group remains confident in being able to recover the remaining copper having considered the evidence in hand and the advice from its legal counsel. Therefore, no further provision was considered necessary for the Period (2016: Nil) and the net carrying amount of copper inventory remained HK$180,273,000 as at 30 June 2017.

## 16. Trade and Notes Receivables

An aged analysis of the trade and notes receivables, based on the invoice date and net of provisions, was as follows:

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Within one month | **267,823** | 442,976 |
| One to two months | **43,771** | 37,390 |
| Two to three months | **59,704** | 80,326 |
| Over three months | **61,609** | 83,075 |
| | **432,907** | 643,767 |

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

HK$'000

## 17. Derivative Financial Instruments

| | 30 June 2017 Unaudited | | 31 December 2016 Audited | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Forward currency contracts | **—** | **3,161** | 5,786 | 902 |
| Forward commodity contracts | **825** | **22,264** | 882 | 9,485 |
| EHA1 (as defined in note 26) | **26,923** | **—** | 54,158 | — |
| EHA2 (as defined in note 26) | **721,445** | **—** | — | — |
| | **749,193** | **25,425** | 60,826 | 10,387 |
| Portion classified as non-current portion: | | | | |
| EHA2 | **(409,991)** | **—** | — | — |
| Non-current portion | **(409,991)** | **—** | — | — |
| Current portion | **339,202** | **25,425** | 60,826 | 10,387 |

Certain members of the Group enter 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.

## 18. Accounts Payable

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

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Within one month | **98,897** | 130,891 |
| One to three months | **—** | — |
| Over three months | **18,705** | — |
| | **117,602** | 130,891 |

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

## 19. Bank and Other Borrowings

| | Notes | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|---|
| Bank borrowings — unsecured | (a) | **3,552,013** | 7,527,327 |
| Other borrowing — unsecured | (b) | **3,900,000** | — |
| | | **7,452,013** | 7,527,327 |

Notes:

(a) As at 30 June 2017, the bank borrowings included:

(i) trade finance totalling A$38,803,000 (HK$232,807,000), which was interest-bearing at the Bank Bill Swap Bid Rate (or cost of funds) plus margin; and

(ii) bank loans totalling US$425,539,000 (HK$3,319,206,000), which were interest-bearing at the London interbank offered rates ("**LIBOR**") plus margin.

(b) The other borrowing is a loan obtained from a subsidiary of the Company's ultimate holding company, which is interest-bearing at LIBOR plus margin.

HK$'000

## 19. Bank and Other Borrowings (continued)

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Bank and other borrowings repayable: | | |
| Within one year or on demand | **934,807** | 1,371,809 |
| In the second year | **—** | 3,773,788 |
| In the third to fifth years, inclusive | **6,517,206** | 2,381,730 |
| | **7,452,013** | 7,527,327 |
| Portion classified as current liabilities | **(934,807)** | (1,371,809) |
| Non-current portion | **6,517,206** | 6,155,518 |

## 20. Finance Lease Payables

The Group leases certain plant and machinery for its coal mine operations. The lease is classified as a finance lease and expires in June 2021.

The total future minimum lease payments under the finance lease were as follows:

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Amounts payable: | | |
| Within one year | **12,119** | 14,454 |
| In the second year | **6,254** | 9,965 |
| In the third to fifth years, inclusive | **1,005** | 3,053 |
| Total minimum finance lease payments | **19,378** | 27,472 |
| Future finance charges | **(1,172)** | (1,999) |
| Total net finance lease payables | **18,206** | 25,473 |
| Portion classified as current liabilities | **(11,247)** | (13,102) |
| Non-current portion | **6,959** | 12,371 |

## 21. Share Capital

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Authorised: | | |
| 10,000,000,000 (31 December 2016: 10,000,000,000) ordinary shares of HK$0.05 each | **500,000** | 500,000 |
| Issued and fully paid: | | |
| 7,857,727,149 (31 December 2016: 7,857,727,149) ordinary shares of HK$0.05 each | **392,886** | 392,886 |

## 22. Litigation and Contingent Liabilities

(a) In 2014, the Kazakhstan tax authorities (the "**Tax Authorities**") completed an integrated tax inspection on JSC Karazhanbasmunai ("**KBM**"), a subsidiary of CCEL, for the four years from 2009 to 2012. As a result, the Tax Authorities issued a tax assessment for KZT4,492,047,000 (HK$108,874,000) on KBM and the Group's share was HK$51,513,000. KBM made a provision for the amount of the tax assessment it had agreed with the Tax Authorities, being KZT633,851,000 (HK$15,363,000), of which the Group's share was HK$7,269,000. Meanwhile, KBM applied to the State Revenue Committee of the Ministry of Finance of Kazakhstan requesting a reconsideration of the remaining amount under the tax assessment (the "**Remaining Amount**").

In 2015, KBM made a further provision of KZT2,069,789,000 (HK$50,165,000), of which the Group's share was HK$23,735,000.

In 2016, in respect of the Remaining Amount, the Tax Authorities issued a revised tax assessment for KZT2,146,970,000 (HK$52,036,000). Based on the advice from KBM's legal counsel, KBM has justifiable arguments for its tax position. Therefore, following the receipt of the revised tax assessment, KBM had made a couple of appeals but failed. KBM then lodged an appeal to the Judicial Board of the Civil Cases in the Supreme Court of Kazakhstan (formerly known as the Supervisory Board of the Supreme Court of Kazakhstan) (the "**Supreme Court**") but the Supreme Court declined to review the appeal.

During the Period, KBM made an appeal to the General Prosecutor's Office of Kazakhstan to protest the decision of the Supreme Court but the appeal was rejected. KBM is considering making a final appeal.

(b) In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("**Shanxi Coal I/E**"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (the Shanxi High People's Court) (the "**Shanxi Court**") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("**CACT**"), an indirect wholly-owned subsidiary of the Company ("**Shanxi Claim A**"). In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the Inventories (the "**Shanxi APO**").

In January 2017, pursuant to a civil ruling of the Shanxi Court, Shanxi Claim A was transferred to the Public Security Bureau for determination in accordance with China's criminal procedures. As a result, Shanxi Claim A terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A.

In February 2017, the Shanxi Court ordered the lifting of the Shanxi APO.

(c) In the second half of 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "**Contracts**"); and (ii) claiming an amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("**Shanxi Claim B**").

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E and considers Shanxi Claim B to be baseless. Accordingly, no provision was made in respect of Shanxi Claim B.

In November 2016, a hearing was held in Singapore to determine the jurisdiction of Shanxi Claim B. However, up to the date of this report, the determination is still pending.

HK$'000

## 22. Litigation and Contingent Liabilities (continued)

(d) During the Period, 勝利油田科爾工程建設有限公司 (Shengli Oilfield KEER Engineering and Construction Co., Ltd.) ("**Shengli KEER**") commenced a legal claim in the Dalian Maritime Court (the "**Dalian Court**") against Tincy Group Energy Resources Limited ("**Tincy Group**"), a subsidiary of the Company (the "**Shengli Oilfield Claim**"). Pursuant to the Shengli Oilfield Claim, Shengli KEER is seeking compensation from Tincy Group of RMB29,535,000 (HK$33,995,000) for, among other things, standby costs and expenses of labour and equipment, work slowdown losses, staying expenses and losses for overtime construction and loss of profits plus interest in respect of work it was sub-contracted to perform at the Yuedong oilfield (as defined on page 31) in China.

In July 2017, Shengli KEER applied to the Dalian Court to increase the compensation to RMB30,928,000 (HK$35,598,000). A court hearing will be held in September 2017.

## 23. 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 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Within one year | **47,167** | 72,582 |
| In the second to fifth years, inclusive | **55,690** | 106,409 |
| Beyond five years | **10,469** | 47,481 |
| | **113,326** | 226,472 |

## 24. Commitments

In addition to the operating lease commitments detailed in note 23 above, the Group's capital expenditure commitments was as follows:

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Contracted, but not provided for: | | |
| Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment | **36,300** | 35,496 |

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

| | 30 June 2017 Unaudited | 31 December 2016 Audited |
|---|---|---|
| Contracted, but not provided for: | | |
| Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment | **106,924** | 13,483 |

HK$'000

## 25. Related Party Transactions and Connected 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:

(a)

| Six months ended 30 June<br>Unaudited | 2017 | 2016 |
|---|---|---|
| Ultimate holding company: | | |
| Rental expense | **983** | 1,138 |
| A subsidiary of the ultimate holding company: | | |
| Rental expense | **1,134** | 1,651 |
| A joint venture: | | |
| Rental income | **1,989** | 1,669 |
| Service fees income | **390** | 390 |

The above transactions were made based on mutually agreed terms.

(b) The Group has a borrowing from a related party:

| | 30 June 2017<br>Unaudited | 31 December 2016<br>Audited |
|---|---|---|
| A subsidiary of the ultimate holding company: | | |
| Other borrowing (note 19) | **3,900,000** | — |

The above borrowing is an unsecured loan having a tenor of five years commencing from 29 June 2017. The loan is interest-bearing at LIBOR plus margin.

(c) Compensation paid to senior management personnel of the Group was as follows:

| Six months ended 30 June<br>Unaudited | 2017 | 2016 |
|---|---|---|
| Salaries, allowances and benefits in kind | **3,945** | 4,984 |
| Bonuses | **1,900** | 1,641 |
| Pension scheme contributions | **114** | 230 |
| | **5,959** | 6,855 |

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

| | 30 June 2017<br>Unaudited | 31 December 2016<br>Audited |
|---|---|---|
| Within one year | **2,392** | 2,197 |
| In the second to fifth years, inclusive | **10,761** | 9,892 |
| Beyond five years | **3,774** | 4,924 |
| | **16,927** | 17,013 |

HK$'000

## 26. 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 2017 Unaudited | 31 December 2016 Audited | 30 June 2017 Unaudited | 31 December 2016 Audited |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | **3,029** | 2,883,694 | **3,029** | 2,883,694 |
| Available-for-sale investment | **569** | 784 | **569** | 784 |
| Derivative financial instruments | **749,193** | 60,826 | **749,193** | 60,826 |
| | **752,791** | 2,945,304 | **752,791** | 2,945,304 |
| **Financial liabilities** | | | | |
| Derivative financial instruments | **25,425** | 10,387 | **25,425** | 10,387 |
| Bank and other borrowings | **7,452,013** | 7,527,327 | **7,452,013** | 7,578,058 |
| Finance lease payables | **18,206** | 25,473 | **18,206** | 25,473 |
| | **7,495,644** | 7,563,187 | **7,495,644** | 7,613,918 |

The fair values of trade and notes receivables, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, accounts payable, 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 Company is responsible for its own 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 instruments 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 investments 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 the end of the reporting period was assessed to be insignificant.

HK$'000

## 26. 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, interest rate swap contracts, embedded derivatives in provisional pricing arrangements and the ESA (as defined below), the EHA1 and the EHA2 (both defined below), were measured using valuation techniques similar to forward pricing and discounted cash flow models, which means using present value calculations.

The "**ESA**" is an electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia, which expired in October 2016. The "**EHA1**" is a base load electricity contract signed between the Group and an independent electricity supplier while the "**EHA2**" is a new hedging agreement signed in January 2017 between the Group and several subsidiaries of AGL Energy Limited ("**AGL**") in relation to the supply of electricity from 1 August 2017 to 31 July 2021. AGL is an integrated renewable energy company listed on the ASX (Stock Code: AGL).

The fair values of forward currency contracts, forward commodity contracts, embedded derivative in provisional pricing arrangements, the EHA1 (upon service of notice of termination) and the EHA2 were based on valuation techniques using significant observable market inputs and insignificant unobservable market inputs and were the same as their carrying amounts.

### 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 2017 (unaudited)** | | | | |
| Financial assets at fair value through profit or loss | **3,029** | **—** | **—** | **3,029** |
| Available-for-sale investment: | | | | |
| Listed equity investment | **569** | **—** | **—** | **569** |
| Derivative financial instruments | **—** | **749,193** | **—** | **749,193** |
| | **3,598** | **749,193** | **—** | **752,791** |
| **31 December 2016 (audited)** | | | | |
| Financial assets at fair value through profit or loss | 2,883,694 | — | — | 2,883,694 |
| Available-for-sale investment: | | | | |
| Listed equity investment | 784 | — | — | 784 |
| Derivative financial instruments | — | 60,826 | — | 60,826 |
| | 2,884,478 | 60,826 | — | 2,945,304 |

HK$'000

## 26. 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 2017 (unaudited)** | | | | |
| Derivative financial instruments | — | **25,425** | — | **25,425** |
| **31 December 2016 (audited)** | | | | |
| Derivative financial instruments | — | 10,387 | — | 10,387 |

During the Period, the Group did not have any transfer of fair value measurements between Level 1 and Level 2 nor any transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

**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 2017 (unaudited)** | | | | |
| Bank and other borrowings | — | **7,452,013** | — | **7,452,013** |
| Finance lease payables | — | **18,206** | — | **18,206** |
| | — | **7,470,219** | — | **7,470,219** |
| **31 December 2016 (audited)** | | | | |
| Bank borrowings | — | 7,578,058 | — | 7,578,058 |
| Finance lease payables | — | 25,473 | — | 25,473 |
| | — | 7,603,531 | — | 7,603,531 |

# Business Review and Outlook

## Review

The Group recorded a significant increase in profit as compared to 1H 2016, principally supported by improvements in oil and commodities prices during the Period.

The better oil and commodities prices proved to be a major factor in helping the Group's oil business achieve an enhanced performance from normal operations for the Period and the Group's coal segment deliver a positive contribution despite substantial disruptions as a result of inclement weather, a considerable turnaround when compared to a loss for the corresponding period in 2016. In addition, a large increase in the fair value of the Group's investment in Alumina Limited ("**AWC**") and a share of profit from the Group's investment in CITIC Dameng Holdings Limited ("**CDH**") were additional key factors contributing to the Group's improved performance during the Period. The Group's aluminium smelting segment suffered a loss during the Period, pulling back the Group's overall financial performance, as the segment has yet to restore its production capacity to pre-outage level.

Despite oil and commodities prices having a positive effect on the Group's operating environment, conditions overall remained challenging and initiatives to control costs and expenditure and improve efficiency were maintained throughout the Period.

### Crude oil

The operating results of the Group's crude oil segment improved significantly in the Period attributable to higher average crude oil realised price and ongoing cost control. Both the Yuedong oilfield (as defined on page 31) in China and the Seram Block (as defined on page 30) in Indonesia achieved a turnaround in results and CITIC Canada Energy Limited ("**CCEL**"), a joint venture through which the Group owns, manages and operates the Karazhanbas oilfield (as defined on page 34) in Kazakhstan, continued to record a profit.

The Group has been devoting its effort in designing and implementing optimal maintenance plans to further facilitate cost control programs. As a result, during the Period, the Group managed to minimise the extent of decreasing production caused by the continuing natural decline of existing wells and achieved an average oil production of 50,190 barrels per day (100% basis) which was comparable to 1H 2016. The average daily production at the Yuedong oilfield and the Seram Block decreased due to no new wells having been drilled since 2016 under current cost control programs, while that at the Karazhanbas oilfield remained stable.

### Metals

The Portland Aluminium Smelter (the "**PAS**") operated at a much reduced capacity during the Period as a result of disruptions stemming from the Victorian transmission network power outage on 1 December 2016. Therefore, although strong demand raised aluminium prices, the lower sales volume resulted in the PAS recording a significant drop in both revenue and results when compared to 1H 2016. To assist in funding the restart and restoration of the PAS's production capacity and ongoing operations, the Group secured financial support from the State Government of Victoria and the Commonwealth Government of Australia under four year agreements.

The Group retains a strategic shareholding in AWC which invests in bauxite mining, alumina refining and selected aluminium smelting operations worldwide. The Group's equity interest in AWC was classified as a financial asset at fair value through profit or loss. For the Period, the Group recorded a significant fair value gain in respect of its interest in AWC.

During the Period, CDH achieved a turnaround with increases in average selling prices and sales volumes of major manganese products driven by an improved steel sector. As a result, the Group recorded a share of profit for the Period with respect to its interest in CDH.

### Coal

The operation of the Group's coal segment was affected by the inclement weather and the halting of transportation on the rail line connecting the coal mines and the port for five weeks in 2Q 2017, leading to reduced sales volume. Nevertheless, these adverse effects and impact on the Group were overturned by a significant increase in the average selling price of coal. The selling price of coal, which began trending upwards in 4Q 2016 and continued during the Period, was further boosted by shortage in coal supplies from Queensland due to inclement weather. As a result, the Group's coal segment recorded a profit during the Period, compared to a loss in 1H 2016.

### Import and export of commodities

With an increase in sales volume, this segment recorded an improvement in revenue and results when compared to 1H 2016.

## Outlook

Looking ahead, the Group believes that though multiple risks remain, oil and commodities prices are expected to remain steady in the near future. The Group will continue implementing cost control measures across all its businesses to manage the risks to the Group. Furthermore, the Group will continue to look for quality investment opportunities to strengthen and improve its business portfolio.

With the ongoing support from CITIC Limited (a substantial shareholder of the Company), the Group believes that the Group's ability to achieve its objectives and create value for shareholders will be enhanced.

## Financial Review

### Group's financial results:

HK$'000

#### Operating results and ratios

| | Six months ended 30 June 2017 Unaudited | 2016 Unaudited | Increase |
|---|---|---|---|
| Revenue | **1,531,516** | 1,237,374 | 23.8% |
| EBITDA [1] | **838,456** | 610,563 | 37.3% |
| Adjusted EBITDA [2] | **680,724** | 506,277 | 34.5% |
| Profit attributable to shareholders | **185,022** | 102,007 | 81.4% |
| Adjusted EBITDA coverage ratio [3] | **3.4 times** | 3.0 times | |
| Earnings per share (Basic) [4] | **HK 2.35 cents** | HK 1.30 cents | |

#### Financial position and ratios

| | 30 June 2017 Unaudited | 31 December 2016 Audited | Increase/ (decrease) |
|---|---|---|---|
| Cash and cash equivalents | **1,474,295** | 1,160,989 | 27.0% |
| Total assets * | **14,026,694** | 13,268,749 | 5.7% |
| Total debt [5] | **7,470,219** | 7,552,800 | (1.1%) |
| Net debt [6] | **5,995,924** | 6,391,811 | (6.2%) |
| Equity attributable to shareholders | **5,487,678** | 4,804,758 | 14.2% |
| Current ratio [7] | **2.4 times** | 1.8 times | |
| Net debt to net total capital [8] | **52.2%** | 57.1% | |
| Net asset value per share [9] | **HK$0.70** | HK$0.61 | |

1 profit before tax + finance costs + depreciation + amortisation
2 EBITDA + (share of depreciation, amortisation, finance costs, income tax expense/(credit) and non-controlling interests of a joint venture) – pre-tax fair value gain on a financial asset at fair value through profit or loss
3 adjusted EBITDA / (finance costs + share of finance costs of a joint venture)
4 profit attributable to shareholders / weighted average number of ordinary shares in issue during the period
5 bank and other borrowings + finance lease payables
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 end of period
* including capital expenditure in respect of exploration, development and mining production activities during the Period, totalling HK$3,684,000 (HK$44,946,000 during 2016)

Oil and commodities prices had a positive effect on the Group's operating environment during the Period, yet conditions overall remained challenging. The Group's aluminium smelting segment has been operating at a much reduced production capacity after a power outage occurred in December 2016, while its coal operation was affected by inclement weather and transportation disruption in 2Q 2017. Nonetheless, the Group managed to record a profit attributable to shareholders of HK$185.0 million for the Period primarily attributable to:

- the fair value gain in respect of the Group's interest in AWC;
- an improvement in the performance of the Group's oil business resulting from a higher average crude oil realised price and ongoing cost control;
- a turnaround in results achieved by the Group's coal segment attributable to higher average selling price of coal; and
- a share of profit recorded with respect to the Group's interest in CDH.

The following is a description of the operating activities in each of the Group's business segments during the Period, with a comparison of their results against those in 1H 2016.

## Aluminium smelting

- The Group holds a 22.5% participating interest in the Portland Aluminium Smelter joint venture in Australia. The PAS sources alumina and produces aluminium ingots.

- | | | | | |
  |---|---|---|---|---|
  | Revenue | HK$209.5 million | (2016: HK$389.5 million) | ▼ | 46% |
  | Segment results | a loss of HK$153.2 million | (2016: a loss of HK$ 58.1 million) | | N/A |

  The PAS operated at a much reduced capacity during the Period as a result of disruptions stemming from the Victorian transmission network power outage on 1 December 2016. Therefore, although strong demand raised the average selling price of aluminium by 25% during the Period, the PAS recorded a significant drop in revenue, gross margin and results when compared to 1H 2016 as sales volume fell by 57% and cost of sales per tonne increased significantly as a result of the reduction in its production capacity.

  The performance of the PAS is expected to be affected until its production capacity to pre-outage level is restored. Restoration of pre-outage production capacity is expected by the end of Q3 2017.

  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 loss of HK$9.1 million (2016: a net exchange loss of HK$27.5 million).

- The pricing mechanism used in the electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia (the "**ESA**") included a component that was subject to the price of aluminium. In accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the component was considered to be an embedded derivative and revalued at the end of each reporting period during its term and on its expiry, based on future aluminium prices with its fair value gain or loss recognised in the consolidated income statement.

  On 31 October 2016, the ESA expired. Therefore, no unrealised fair value gain or loss arising from the revaluation was recorded for the Period (2016: Nil).

- On 1 March 2010, a base load electricity contract was signed between the Group and an independent electricity supplier (the "**EHA1**"). The EHA1 effectively allowed the PAS to hedge the spot price for electricity for a specific load from 1 November 2016 to 31 December 2036. The counterparties to the Group under the EHA1 are subsidiaries of AGL Energy Limited ("**AGL**"), an integrated renewable energy company listed on the Australian Securities Exchange (the "**ASX**") (Stock Code: AGL).

  On 12 August 2016, as the hedged price agreed under the EHA1 was considerably higher than the then prevailing spot price of electricity resulting in higher cost of sales and hardship, the Group served a notice to terminate the EHA1 effective August 2017. Details of the matter are set out in the announcement of the Company dated 7 November 2016.

  In accordance with HKFRSs, the EHA1 was considered to be a derivative financial instrument and revalued at the end of each reporting period during its term and on its expiry, based on forward market prices of electricity with its fair value gain or loss recognised in the consolidated statement of comprehensive income. However, since the date notice of termination of the EHA1 was served, the EHA1 no longer qualifies for hedge accounting and its fair value gain or loss is recognised in the consolidated income statement instead. The revaluation has no cash flow consequences for the Group's operations but the movement in valuation (if any) introduces volatility into the consolidated income statement.

  At the end of the Period, an unrealised fair value loss of HK$27.2 million (2016: Nil) arising from the revaluation was recorded in "Other expenses, net" in the condensed consolidated income statement.

- In January 2017, to assist in funding the restart and restoration of the PAS's production capacity and ongoing operations, the Group secured financial support from the State Government of Victoria and the Commonwealth Government of Australia under four year agreements. In addition, the Group entered into a new hedging agreement with several subsidiaries of AGL in relation to the supply of electricity from 1 August 2017 to 31 July 2021 (the "**EHA2**"). Details of the matters are set out in the announcements of the Company dated 2 December 2016 and 20 January 2017.

- In accordance with HKFRSs, the EHA2 is considered to be a derivative financial instrument and revalued at the end of each reporting period during its term and on its expiry, based on forward market prices of electricity with its fair value gain or loss recognised in the consolidated statement of comprehensive income.

## Coal

- The Group holds a 14% participating interest in the Coppabella and Moorvale coal mines joint venture (the "**CMJV**") and interests in a number of coal exploration operations in Australia. The CMJV is a major producer of low volatile pulverized coal injection coal in the international seaborne market.

-
| | | | | |
|---|---|---|---|---|
| Revenue | HK$333.6 million | (2016: | HK$189.5 million) | ▲ 76% |
| Segment results | a profit of HK$ 50.8 million | (2016: a loss of HK$ | 53.1 million) | N/A |

  The segment saw a substantial improvement in revenue, gross margin and results during the Period when compared to 1H 2016, primarily attributable to a 104% increase in the average selling price of coal. The selling price of coal, which began trending upwards in 4Q 2016 and continued during the Period, was further boosted by shortage in coal supplies from Queensland due to inclement weather during the Period.

  The degree of the increased selling prices during the Period was significant enough to overturn the adverse impact of a 14% decrease in sales volume as compared to 1H 2016. The production and sales of the CMJV were greatly reduced by weather conditions in late March 2017 with landslides and flooding halting transportation on the rail line connecting the coal mines and the port for five weeks in 2Q 2017.

  Cost of sales per tonne increased by 24% during the Period compared to 1H 2016 due to cleaning up cost resulting from inclement weather and higher royalty fee payable in respect of increased selling prices.

  The Group's coal business is a net US$ denominated asset while most of its costs are payable in A$. Fluctuations between A$ and US$ throughout the Period caused a net exchange loss of HK$8.4 million (2016: a net exchange gain of HK$4.5 million).

- In 1H 2016, the Group disposed of its interests in certain coal tenements. As a result, a pre-tax gain on disposal of other assets of HK$49.7 million was recorded in "Other income and gains" in the condensed consolidated income statement. Details of the transactions are set out in the announcement of the Company dated 9 May 2016.

## Import and export of commodities

- Exported products include aluminium ingots, coal, iron ore, alumina and copper sourced from Australia and other countries for trade into China and other Asian countries. Imported products include steel, and vehicle and industrial batteries and tyres from China and other countries into Australia.

- | | | | |
  |---|---|---|---|
  | Revenue | HK$472.8 million | (2016: HK$317.9 million) | ▲ 49% |
  | Segment results | HK$ 14.4 million | (2016: HK$ 12.0 million) | ▲ 20% |

  Attributable to an increase in sales volume, the segment recorded an improvement in revenue and results when compared to 1H 2016, despite market and operating conditions remaining difficult for the segment during the Period.

  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$3.7 million (2016: a net exchange loss of HK$2.1 million).

- In 2014, the Chinese authorities commenced an investigation into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**"). Although the Group is not involved in the Investigation, the Investigation has had significant adverse impact on the Group's export business since 2H 2014.

- The Group has certain alumina and copper stored in bonded warehouses at Qingdao port (the "**Inventories**"). In light of the Investigation, the Group applied to the Qingdao Maritime Court (the "**Qingdao Court**") in June 2014 for asset protection orders in respect of the Inventories. The Group also claimed against the operator of the bonded warehouses at Qingdao port and related parties (the "**Claim**"). Details of the Claim are set out in the announcements of the Company dated 9 June 2014, 17 June 2014 and 7 July 2014.

  Pursuant to the decisions of the Qingdao Court in September 2016, the Claim was transferred to the Southern Branch of the Qingdao Public Security Bureau (the "**Public Security Bureau**") for determination in accordance with China's criminal procedures. As a result, the Claim terminated. Details of the judgment of the Qingdao Court are set out in the announcement of the Company dated 28 October 2016.

  At the end of 2014, 2015 and 2016, provisions of HK$319.8 million, HK$389.7 million and HK$89.4 million (all before tax credit) were made respectively in respect of the Inventories. These provisions were charged in "Provision for impairment of inventories" in the consolidated income statement.

  The Group remains confident in being able to recover the remaining copper having considered the evidence in hand and the advice from its legal counsel. Therefore, no further provision was considered necessary for the Period (2016: Nil). As at 30 June 2017, the net carrying amount of the Inventories was HK$180.3 million (31 December 2016: HK$180.3 million).

- In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("**Shanxi Coal I/E**"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.), commenced a claim in 山西省高級人民法院 (the Shanxi High People's Court) (the "**Shanxi Court**") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("**CACT**"), an indirect wholly-owned subsidiary of the Company ("**Shanxi Claim A**"). In connection with Shanxi Claim A, Shanxi Coal I/E obtained an asset protection order from the Shanxi Court over a certain quantity of the Inventories (the "**Shanxi APO**"). Details of Shanxi Claim A are set out in the announcements of the Company dated 27 August 2014 and 9 September 2015.

In January 2017, pursuant to a civil ruling of the Shanxi Court, Shanxi Claim A was transferred to the Public Security Bureau for determination in accordance with China's criminal procedures. As a result, Shanxi Claim A terminated and Shanxi Coal I/E has no further recourse or rights against CACT in respect of Shanxi Claim A. Details of the ruling of the Shanxi Court are set out in the announcement of the Company dated 19 January 2017.

In February 2017, the Shanxi Court ordered the lifting of the Shanxi APO.

- In 2H 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "**ICC**") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (a) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "**Contracts**"); and (b) claiming an amount of US$27.9 million (HK$217.5 million) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("**Shanxi Claim B**").

  CACT has not entered into the Contracts as alleged by Shanxi Coal I/E, has not agreed or submitted to any process of arbitration by the ICC, and denies that it is in any respect subject to the jurisdiction or rules of the ICC and CACT has responded to the ICC in these terms. Details of Shanxi Claim B are set out in the announcement of the Company dated 21 December 2015.

  In November 2016, a hearing was held in Singapore to determine the jurisdiction of Shanxi Claim B. However, up to the date of this report, the determination is still pending. The Group will continue to follow up the associated market risks arising from Shanxi Claim B.

## 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 (the "**PSC**"). CITIC Seram is the operator of the Seram Block.

  As at 31 December 2016, the Seram Block had estimated proved oil reserves of 2.9 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$40.1 million (2016: a loss of HK$46.8 million). The following table shows a comparison of the performance of the Seram Block for the periods stated:

| | | 1H 2017 (51%) | 1H 2016 (51%) | Change |
|---|---|---|---|---|
| Average benchmark Mean of Platts Singapore (MOPS): Platts HSFO 180 CST Singapore | (US$ per barrel) | **48.9** | 30.0 | ▲ 63% |
| Average crude oil realised price | (US$ per barrel) | **44.8** | 24.6 | ▲ 82% |
| Sales volume | (barrels) | **202,000** | 202,000 | ▲ 0% |
| Revenue | (HK$ million) | **70.6** | 38.6 | ▲ 83% |
| Total production | (barrels) | **284,000** | 357,000 | ▼ 20% |
| Daily production | (barrels) | **1,570** | 1,960 | ▼ 20% |

Although production decreased by 20% due to the continuing natural decline of existing wells and no new development wells having been drilled in the Seram Block since 2016 under current cost control programs, CITIC Seram was able to record an 83% increase in revenue when compared to 1H 2016 as a result of an 82% increase in the average crude oil realised price and a comparable sales volume.

Cost of sales per barrel decreased by 37% as compared to 1H 2016. Direct operating costs per barrel decreased by 18% attributable to continuous cost saving efforts. Also, depreciation, depletion and amortisation per barrel decreased by 43% attributable to the low carrying amount of oil and gas properties of CITIC Seram as it approaches the expiry of the PSC.

- A tax regulation in Indonesia, effective in 1H 2015, limited value added tax ("**VAT**") reimbursements to equity oil distributed to the government under the PSC. At the end of 2015, as it was uncertain whether any equity oil would be available for distribution to the government prior to the expiry of the PSC, an impairment of other receivables of HK$105.7 million was made in respect of the potentially unrecoverable VAT reimbursement and charged to "Other expenses, net" in the consolidated income statement.

  Following an amendment to the tax regulation in October 2016, VAT reimbursements can now be claimed by CITIC Seram after each delivery of the first tranche production to the government. Accordingly, a reversal of impairment of value added tax receivables of HK$24.1 million was made during the Period and credited to "Other income and gains" in the condensed consolidated income statement.

- Despite a substantial improvement in oil prices during the Period compared to 1H 2016, current oil prices remain a challenge for CITIC Seram. CITIC Seram will continue to carry out necessary maintenance works to enhance sustainability of existing wells of the Seram Block and conduct its cost control programs.

- The Lofin area has been plugged and abandoned since 2H 2015 and any development program relating to it will be determined if the PSC is renewed with the Indonesian government.

## 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 China National Petroleum Corporation ("**CNPC**") in February 2004, as supplemented by an agreement signed in May 2010, Tincy Group holds the right to explore, develop and produce petroleum from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, 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 2016, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 19.2 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$27.2 million (2016: a loss of HK$82.7 million). The following table shows a comparison of the performance of the Yuedong oilfield for the periods stated:

| | | 1H 2017 (Tincy Group's share) | 1H 2016 (Tincy Group's share) | Change |
|---|---|---|---|---|
| Average benchmark quote: | | | | |
| Platts Dubai crude oil | (US$ per barrel) | **51.4** | 36.8 | ▲ 40% |
| Average crude oil realised price | (US$ per barrel) | **52.3** | 38.8 | ▲ 35% |
| Sales volume | (barrels) | **1,095,000** | 1,003,000 | ▲ 9% |
| Revenue | (HK$ million) | **445.0** | 301.8 | ▲ 47% |
| Total production | (barrels) | **1,075,000** | 1,109,000 | ▼ 3% |
| Daily production | (barrels) | **5,940** | 6,090 | ▼ 3% |

Although production decreased by 3% due to the continuing natural decline of existing wells and no new production wells having been drilled in the Yuedong oilfield since 2016 under current cost control programs, Tincy Group was able to record a 47% increase in revenue when compared to 1H 2016 as a result of a 35% increase in the average crude oil realised price and a 9% increase in sales volume.

Cost of sales per barrel increased by 2% as compared to 1H 2016. Direct operating costs per barrel increased by 9% due to an increase in repairs and maintenance. Despite the cost increase, a 5% devaluation of Renminbi ("**RMB**") during the Period had a favourable impact on the costs payable in RMB and helped reduce depreciation, depletion and amortisation per barrel slightly. RMB is the functional currency of Tincy Group's financial statements.

- Since 2015, Tincy Group has been utilising thermal recovery on a more extensive scale within the Yuedong oilfield.

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

- Despite a substantial improvement in oil prices during the Period compared to 1H 2016, current oil prices remain a challenge for Tincy Group. Tincy Group will continue to carry out necessary repairs and maintenance works to maintain the production level of existing wells of the Yuedong oilfield and conduct its cost control programs.

- During the Period, 勝利油田科爾工程建設有限公司 (Shengli Oilfield KEER Engineering and Construction Co., Ltd.) ("**Shengli KEER**") commenced a legal claim in the Dalian Maritime Court (the "**Dalian Court**") against Tincy Group (the "**Shengli Oilfield Claim**"). Pursuant to the Shengli Oilfield Claim, Shengli KEER is seeking compensation from Tincy Group of RMB29.5 million (HK$34.0 million) for, among other things, standby costs and expenses of labour and equipment, work slowdown losses, staying expenses and losses for overtime construction and loss of profits plus interest in respect of work it was sub-contracted to perform at the Yuedong oilfield. Details of the Shengli Oilfield Claim are set out in the announcement of the Company dated 29 March 2017.

  In July 2017, Shengli KEER applied to the Dalian Court to increase the compensation to RMB30.9 million (HK$35.6 million). A court hearing will be held in September 2017.

## Manganese

- The Group has an interest in manganese mining and production through its 34.39% 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 is 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.

  Since July 2015, following the acquisition of a 29.81% interest in China Polymetallic Mining Limited ("**CPM**"), a company listed on the Main Board of the Stock Exchange (Stock Code: 2133), CDH has diversified its investment into the non-ferrous metal sector, changing itself from a pure manganese producer to an integrated mineral producer.

  During the Period, CDH's equity interest in CPM was diluted to 24.84% following the issue of new shares by CPM. As a result of the dilution of its shareholding in CPM, CDH recorded a loss on deemed disposal of partial interest in an associate of HK$69.4 million, of which the Group's share was HK$23.9 million.

- Share of profit of an associate HK$23.5 million (2016: a loss of HK$42.8 million) N/A

  The Group recorded a share of profit for the Period with respect to its interest in CDH. Driven by an improved steel sector during the Period, the average selling prices and sales volumes of major manganese products increased when compared to 1H 2016. As a result, CDH recorded an improved operating result.

  Detailed financial results of CDH 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 9.6846% equity interest in AWC, a leading Australian company listed on the ASX (Stock Code: AWC). Other subsidiaries of CITIC Limited have a total 9.3775% equity interest in AWC.

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

- Between 31 December 2014 and 29 June 2017 inclusive, the Group's equity interest in AWC was classified as a financial asset at fair value through profit or loss. It was measured at its fair value based on the closing price of AWC shares as at the end of each reporting period with changes in fair value recognised in the consolidated income statement.

  During the same period, the Group increased its equity interest in AWC from 8.5482% to 9.6846%. Together with other subsidiaries of CITIC Limited, the total equity interest in AWC increased from 13.7656% to 19.0621%. At the end of the Period, the voting rights of AWC shares owned by the other subsidiaries of CITIC Limited have been duly assigned to the Group. The Group reassessed and concluded that significant influence over AWC has been demonstrated by the Group effective 30 June 2017. Consequently, the investment was reclassified as an investment in an associate on 30 June 2017 and its carrying amount as at 30 June 2017 was its fair value as at the close of business on 29 June 2017.

- At the close of business on 29 June 2017 and prior to the reclassification mentioned above, attributable to a higher closing price of AWC shares as compared to that at the end of 2016 and an appreciation of A$, a pre-tax fair value gain of HK$411.3 million (2016: HK$256.3 million) was recorded in "Other income and gains" in the condensed consolidated income statement in respect of the Group's interest in AWC. The post-tax effect of the fair value gain to the condensed consolidated income statement was HK$287.9 million (2016: HK$256.3 million).

  During the Period and prior to the reclassification, the Group received a dividend of HK$67.4 million (2016: HK$39.2 million) from AWC. The dividend income was credited to "Other income and gains" in the condensed consolidated income statement.

- As a result of the reclassification mentioned above, effective 30 June 2017, the Group accounts for its share of profit or loss in AWC using the equity method. However, the Group did not take into account its relevant share of results in AWC for the Period as share of 1-day operating results of AWC is considered not significant to the Group's financial results for the Period.

  Detailed financial results of AWC are available on its website at http://www.aluminalimited.com .

## Crude oil (the Karazhanbas oilfield, Kazakhstan)

- CITIC Oil & Gas Holdings Limited, an indirect wholly-owned subsidiary of the Company, and JSC KazMunaiGas Exploration Production through CCEL, a joint venture, own, manage and operate JSC Karazhanbasmunai ("**KBM**") jointly. Effectively, the Group owns 50% of the issued voting shares of KBM (which represents 47.31% of the total issued shares of KBM).

  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 2035.

  As at 31 December 2016, the Karazhanbas oilfield had estimated proved oil reserves of 241.3 million barrels as determined in accordance with the standards of the PRMS.

- Share of profit of a joint venture HK$90.5 million (2016: HK$204.0 million) ▼ 56%

The following table shows a comparison of the performance of the Karazhanbas oilfield for the periods stated:

| | | 1H 2017 (50%) | 1H 2016 (50%) | Change |
|---|---|---|---|---|
| Average benchmark end-market quotes: | | | | |
| Urals Mediterranean crude oil | (US$ per barrel) | **50.3** | 38.1 | ▲ 32% |
| Dated Brent crude oil | (US$ per barrel) | **51.2** | 39.5 | ▲ 30% |
| Average crude oil realised price | (US$ per barrel) | **46.5** | 35.6 | ▲ 31% |
| Sales volume | (barrels) | **3,642,000** | 3,771,000 | ▼ 3% |
| Revenue | (HK$ million) | **1,316.8** | 1,043.7 | ▲ 26% |
| Total production | (barrels) | **3,526,000** | 3,516,000 | ▲ 0% |
| Daily production | (barrels) | **19,500** | 19,300 | ▲ 0% |

Although production was comparable to 1H 2016 and sales volume decreased by 3%, CCEL was able to record a 26% increase in revenue when compared to 1H 2016 as a result of a 31% increase in the average crude oil realised price.

In CCEL's consolidated income statement, "Cost of sales" includes mineral extraction tax ("**MET**") while "Selling and distribution costs" includes export duty and rent tax. Different progressive rates are applied in respect of each kind of tax. The applicable rate of MET is determined by reference to production volume whereas the applicable rate of export duty and rent tax is determined by reference to average oil prices.

MET is charged on production volume on quarterly basis at rates per tonne by reference to the average oil price for the quarter. Export duty is charged on export volume on monthly basis at rates per tonne by reference to the average oil price for the month. Rent tax is charged on export revenue on quarterly basis at rates per US$ amount by reference to the average oil price for the quarter.

Cost of sales per barrel increased by 16% as compared to 1H 2016. Direct operating costs per barrel increased by 21%, mainly due to an increase in refining processing fee and the appreciation of Kazakhstan Tenge ("**KZT**") which is the functional currency of KBM's financial statements. The average exchange rate of US$1 against KZT in the Period was 318.78 (2016: 345.83). Despite this, depreciation, depletion and amortisation per barrel was comparable to 1H 2016.

Selling and distribution costs per barrel increased by 32% compared to 1H 2016, as increased oil prices resulted in increases in export duty per barrel and rent tax per barrel by 31% and 209% respectively.

- In 2014, the Kazakhstan tax authorities (the "**Tax Authorities**") completed a tax inspection on KBM in respect of transfer pricing for the five years from 2008 to 2012 and issued a tax assessment on KBM. In 2015, the Group made a full provision for its share. In 1H 2016, the final appeal by KBM was concluded and the tax assessment on KBM was cancelled. Accordingly, the Group wrote back the provision made previously, being HK$166.7 million.

- In 2014, the Tax Authorities completed an integrated tax inspection on KBM for the four years from 2009 to 2012. As a result, the Tax Authorities issued a tax assessment on KBM and the Group's share was HK$51.5 million. KBM made a provision for part of the tax assessment and the Group's share was HK$7.3 million. In 2015, KBM made a further provision in respect of the tax assessment and the Group's share was HK$23.7 million.

  Based on the advice from KBM's legal counsel, KBM has justifiable arguments for its tax position. Though KBM had failed in a couple of appeals in 2016 and during the Period, it is still considering making a final appeal.

## Liquidity, Financial Resources and Capital Structure

### Cash

As at 30 June 2017, the Group had cash and cash equivalents of HK$1,474.3 million.

During the Period, the Group entered into two term loan facilities, the D Loan and the E Loan (both defined on page 37). Drawdowns were made thereunder, mainly to repay the A Loan and the B Loan (both defined below). Both drawdowns and repayments of the term loans during the Period amounted to US$530 million (HK$4,134 million).

### Borrowings

As at 30 June 2017, the Group had total debt of HK$7,470.2 million, which comprised:

- unsecured bank borrowings of HK$3,552.0 million;
- unsecured other borrowing of HK$3,900.0 million; and
- finance lease payables of HK$18.2 million.

Most of the transactions of the Group's import and export of commodities business are debt funded. However, in contrast to term loans, these borrowings are self liquidating, transaction specific and of short durations, and matching the terms of the underlying transaction. When sale proceeds are received at the completion of a transaction, the related borrowings are repaid accordingly.

In September 2012, the Company entered into a facility agreement with a bank in respect of an unsecured 5-year term loan facility of US$40 million (HK$312 million) (the "**A Loan**"). The A Loan was fully prepaid by instalments during the Period, with the final instalment in May 2017 using the proceeds of the D Loan (as defined on page 37).

In June 2015, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility of US$490 million (HK$3,822 million) (the "**B Loan**"). The B Loan had two tranches, Tranche A and Tranche B, in the respective amounts of US$380 million (HK$2,964 million) and US$110 million (HK$858 million). Each of Tranche A and Tranche B had a tenor of three years commencing from its date of utilisation, being 29 June and 31 December 2015 respectively. The B Loan was fully prepaid in June 2017 using the proceeds of the E Loan (as defined on page 37).

In December 2016, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility of US$310 million (HK$2,418 million) (the "**C Loan**") to finance the repayment of an unsecured term loan facility of US$310 million entered into by the Company in March 2014. The C Loan has a tenor of three years commencing from the date of utilisation, being 30 December 2016. The outstanding balance of the C Loan as at 30 June 2017 was US$310 million.

In May 2017, the Company entered into a facility agreement with a bank in respect of an unsecured 3-year term loan facility of US$40 million (HK$312 million) (the "**D Loan**") to finance the repayment of the then outstanding balance of the A Loan and the general corporate funding requirements of the Company. The outstanding balance of the D Loan as at 30 June 2017 was US$30 million (HK$234 million).

In June 2017, a wholly-owned subsidiary of the Company entered into a facility agreement with a subsidiary of CITIC Limited (a substantial shareholder of the Company) in respect of an unsecured term loan facility of US$500 million (HK$3,900 million) (the "**E Loan**"). The proceeds of the E Loan were used to finance the repayment of the B Loan and the general corporate funding requirements of the Company. The E Loan has a tenor of five years commencing from the date of utilisation, being 29 June 2017. The outstanding balance of the E Loan as at 30 June 2017 was US$500 million.

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

The Group leases certain plant and machinery for its coal mine operations. The lease is classified as a finance lease. Further details of the finance lease payables are set out in note 20 to these Financial Statements.

As at 30 June 2017, the Group's net debt to net total capital was 52.2% (31 December 2016: 57.1%). Of the total debt, HK$946.1 million was repayable within one year, including short-term revolvers, trade finance and finance lease payables.

## 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, embedded derivatives and electricity hedge agreements. 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 2017, 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.13/2003 of Indonesia for those employees in Indonesia who are eligible to participate;

(b) a defined scheme under the superannuation legislation of Australia 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 2017, 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 | 5.24 |
| Mr. Sun Yang | Directly beneficially owned | 4,000 | — | — |
| Ms. Li So Mui | Directly beneficially owned | 2,388,000 | — | 0.03 |
| Mr. Chan Kin | Corporate | 786,558,488 * | — | 10.01 |

* The figure represents an attributable interest of Mr. Chan Kin ("**Mr. Chan**") through his interest in Argyle Street Management Holdings Limited ("**ASM Holdings**"). Mr. Chan is a significant shareholder of ASM Holdings.

### Long/short 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 |
|---|---|---|---|---|---|
| Ms. Li So Mui | CDH | Ordinary shares | 3,154 (L) | Directly beneficially owned | — |
| Mr. Chan Kin | CITIC Limited | Ordinary shares | 212,000 (L) | Corporate | — |
| | CITIC Limited | Ordinary shares | 501,000 (S) | Corporate | — |
| Mr. Gao Pei Ji | CITIC Limited | Ordinary shares | 20,000 (L) | Directly beneficially owned | — |

(L) : long position
(S) : short position

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

Save as disclosed herein and so far as is known to the directors, as at 30 June 2017, 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 10 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 expiry of the Old Scheme 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**"). 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 outstanding share options, which were granted under the Old Scheme, during the Period:

| Category and name of eligible person | Number of share options at 1 January 2017 | Number of share options at 30 June 2017 (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 | 1.77 |
| | 200,000,000 | **200,000,000** | 06-11-2013 | 06-11-2015 to 05-11-2018 | 1.77 |
| | 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 vest and are exercisable with effect from the first anniversary of the date of grant; and

(ii) the remaining 50% of the share options vest and are 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 2017, 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, were 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 |
|---|---|---|---|
| 中國中信集團有限公司 (CITIC Group Corporation) | Corporate | 4,675,605,697 (1) | 59.50 |
| CITIC Limited | Corporate | 4,675,605,697 (2) | 59.50 |
| CITIC Corporation Limited | Corporate | 4,675,605,697 (3) | 59.50 |
| CITIC Projects Management (HK) Limited | Corporate | 3,895,083,904 (4) | 49.57 |
| Keentech Group Limited | Corporate | 3,895,083,904 (5) | 49.57 |
| CITIC Australia Pty Limited | Corporate | 750,413,793 (6) | 9.55 |
| Argyle Street Management Holdings Limited | Corporate | 786,558,488 (7) | 10.01 |
| Argyle Street Management Limited | Corporate | 786,558,488 (8) | 10.01 |
| ASM Connaught House General Partner Limited | Corporate | 786,558,488 (9) | 10.01 |
| ASM Connaught House General Partner II Limited | Corporate | 786,558,488 (10) | 10.01 |
| ASM Connaught House Fund LP | Corporate | 786,558,488 (11) | 10.01 |
| ASM Connaught House Fund II LP | Corporate | 786,558,488 (12) | 10.01 |
| ASM Connaught House (Master) Fund II LP | Corporate | 786,558,488 (13) | 10.01 |
| Sea Cove Limited | Corporate | 786,558,488 (14) | 10.01 |
| TIHT Investment Holdings III Pte. Ltd. | Corporate | 786,558,488 (15) | 10.01 |

Notes:

(1) The figure represents an attributable interest of 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**") through its interest in CITIC Limited. CITIC Group is a company established in China.

(2) The figure represents an attributable interest of CITIC Limited through its interest in CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Limited, a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 267), is owned as to 32.53% by CITIC Polaris Limited ("**CITIC Polaris**") and 25.60% by CITIC Glory Limited ("**CITIC Glory**"). CITIC Polaris and CITIC Glory, companies incorporated in the British Virgin Islands (the "**BVI**"), are direct wholly-owned subsidiaries of CITIC Group.

(3) The figure represents an attributable interest of CITIC Corporation through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**"), CITIC Australia Pty Limited ("**CA**") and Extra Yield International Ltd. ("**Extra Yield**"). Extra Yield 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 direct wholly-owned subsidiary of CITIC Limited. Extra Yield, a company incorporated in 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 Corporation.

(7) The figure represents an attributable interest of ASM Holdings through its interest in Argyle Street Management Limited ("**ASM Limited**"), ASM Connaught House General Partner Limited ("**ASM General Partner**") and ASM Connaught House General Partner II Limited ("**ASM General Partner II**"). ASM Holdings is a company incorporated in the BVI.

(8) The figure represents an attributable interest of ASM Limited through its control of, by virtue of its position as investment manager of, ASM Connaught House Fund LP ("**ASM Fund LP**"), ASM Connaught House Fund II LP ("**ASM Fund II**") and ASM Connaught House (Master) Fund II LP ("**ASM (Master) Fund II**") and shareholding in ASM General Partner and ASM General Partner II. ASM Limited, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Holdings.

(9) The figure represents an attributable interest of ASM General Partner through its role as general partner of ASM Fund LP. ASM General Partner, a company incorporated in the Cayman Islands, is a direct wholly-owned subsidiary of ASM Holdings.

(10) The figure represents an attributable interest of ASM General Partner II through its role as general partner in ASM Fund II.

(11) The figure represents an attributable interest of ASM Fund LP through its interest in Albany Road Limited ("**Albany**"). Albany, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Fund LP.

(12) The figure represents an attributable interest of ASM Fund II through its interest in ASM (Master) Fund II.

(13) The figure represents an attributable interest of ASM (Master) Fund II through its interest in Caroline Hill Limited ("**Caroline**"). Caroline, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM (Master) Fund II. ASM (Master) Fund II, a limited partnership established in the Cayman Islands, is a direct wholly-owned subsidiary of ASM Fund II.

(14) The figure represents an attributable interest of Sea Cove Limited ("**Sea Cove**") through its interest in TIHT Investment Holdings III Pte. Ltd. ("**TIHT**"). Sea Cove, a company incorporated in the BVI, is owned as to more than one third of the total issued share capital by Caroline and more than one third of the total issued share capital by Albany.

(15) TIHT, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Sea Cove.

Save as disclosed herein and in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, and so far as is known to the directors, as at 30 June 2017, 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 December 2016, the Company entered into a facility agreement with a syndicate of financial institutions in respect of the C Loan, being an unsecured term loan facility of US$310 million (HK$2,418 million). The C Loan has a tenor of three years commencing from 30 December 2016.

In May 2017, the Company entered into a facility agreement with a bank in respect of the D Loan, being an unsecured 3-year term loan facility of US$40 million (HK$312 million).

Pursuant to the provisions of the above facility agreements, if CITIC Limited ceases to remain (directly or indirectly) the single largest shareholder of the Company, then (a) in respect of the C Loan, the financial institutions holding 66-2/3% or more of the C Loan then outstanding may require mandatory prepayment of the C Loan together with all other sums due; and (b) in respect of the D Loan, the bank may require mandatory prepayment of the D Loan together with all other sums due.

## Update on Directors' Information

The following changes in the information of the directors occurred on or after the date of the 2016 annual report of the Company, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On 3 April 2017, Mr. Look Andrew, an independent non-executive director of the Company, was appointed an independent non-executive director of Cowell e Holdings Inc. (Stock Code: 1415), listed on the Main Board of the Stock Exchange.

On 30 June 2017, Mr. Fan Ren Da, Anthony, an independent non-executive director of the Company, ceased to act as an independent non-executive director of LT Commercial Real Estate Limited (Stock Code: 112), listed on the Main Board of the Stock Exchange.

## Review of Accounts

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

On behalf of the Board
**Kwok Peter Viem**
*Chairman*

Hong Kong, 28 July 2017

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