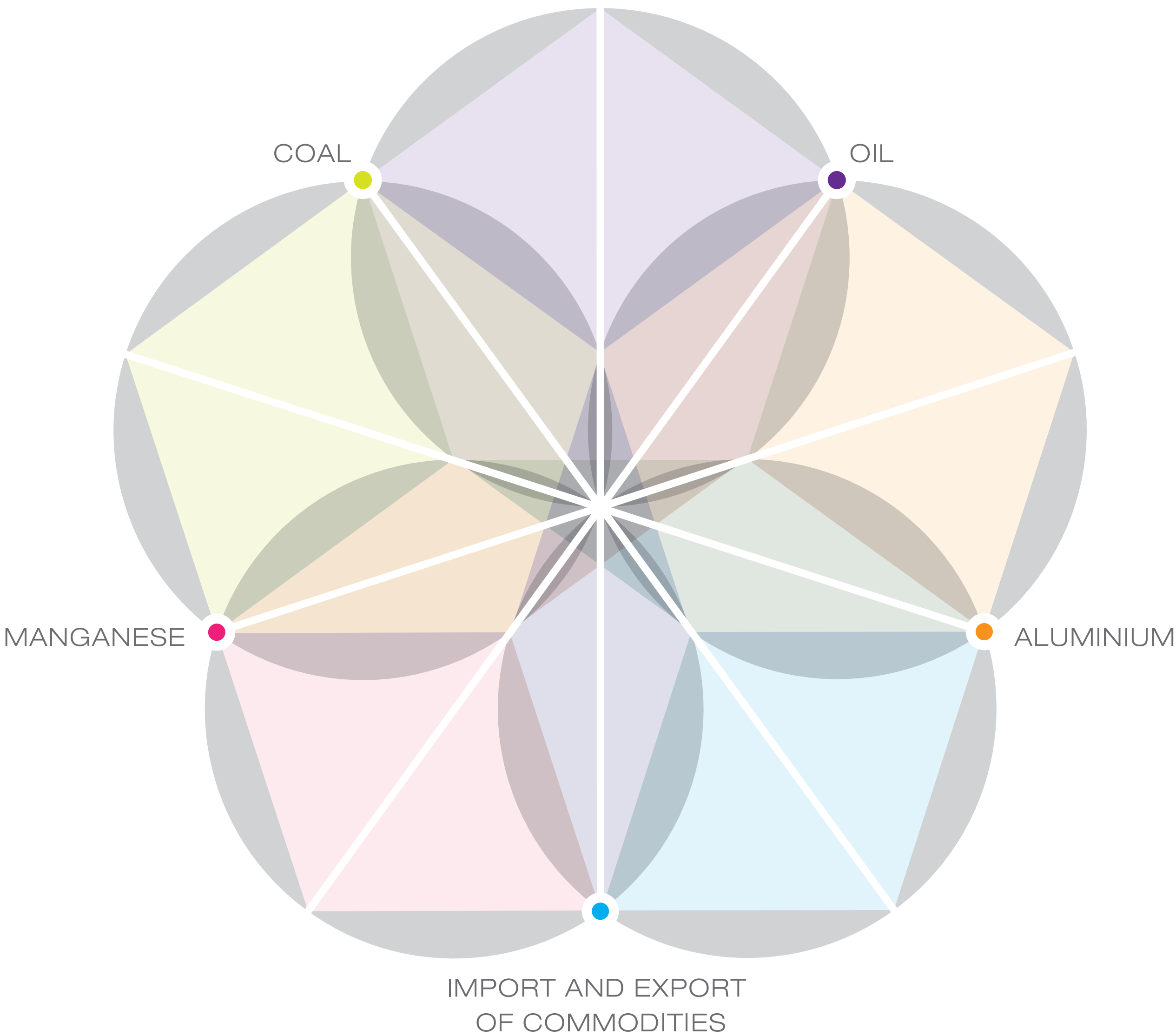
INTERIM REPORT 2018 中期報告



中信資源控股有限公司
CITIC Resources Holdings Limited

(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.

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.

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 9.6846% 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.

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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Other Information
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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 Director

Mr. Chan Kin

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. 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
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		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 2018 (the "**Period**").

Condensed Consolidated Income Statement

	Notes	2018	2017
REVENUE	4	**2,145,175**	1,531,516
Cost of sales		**(1,615,840)**	(1,453,104)
Gross profit		**529,335**	78,412
Other income and gains	5	**54,740**	522,008
Selling and distribution costs		**(13,022)**	(10,641)
General and administrative expenses		**(195,586)**	(165,618)
Other expenses, net		**(56,024)**	(62,458)
Finance costs	6	**(132,756)**	(164,571)
Share of profit of:			
Associates		**214,524**	23,459
A joint venture		**254,139**	90,484
		655,350	311,075
Provision for impairment of items of property, plant and equipment	11	**(86,814)**	—
Provision for impairment of other assets		**(13,026)**	—
PROFIT BEFORE TAX	7	**555,510**	311,075
Income tax expense	8	**(164)**	(123,421)
PROFIT FOR THE PERIOD		**555,346**	187,654
ATTRIBUTABLE TO:			
Shareholders of the Company		**529,125**	185,022
Non-controlling interests		**26,221**	2,632
		555,346	187,654
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	10	**HK cents**	HK cents
Basic		**6.73**	2.35
Diluted		**6.73**	2.35

Six months ended 30 June Unaudited HK$'000

Condensed Consolidated Statement of Comprehensive Income

	2018	2017
PROFIT FOR THE PERIOD	**555,346**	187,654
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Equity instrument at fair value through other comprehensive income:		
Changes in fair value	—	(214)
Income tax effect	—	64
	—	(150)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**(421,463)**	713,399
Income tax effect	**126,438**	(214,020)
	(295,025)	499,379
Exchange differences on translation of foreign operations	**(41,445)**	127,932
Share of other comprehensive loss of associates	**(21,989)**	—
Share of other comprehensive loss of a joint venture	**(810)**	—
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(359,269)**	627,161
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Equity instrument at fair value through other comprehensive income:		
Changes in fair value	**(337)**	—
Income tax effect	**101**	—
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(236)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(359,505)**	627,161
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**195,841**	814,815
ATTRIBUTABLE TO:		
Shareholders of the Company	**173,655**	800,786
Non-controlling interests	**22,186**	14,029
	195,841	814,815

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2018 Unaudited	31 December 2017 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	11	**3,522,614**	3,860,246
Prepaid land lease payments		**15,574**	16,411
Goodwill		**24,682**	24,682
Other assets		**255,931**	268,600
Investments in associates		**4,317,595**	4,327,686
Investment in a joint venture		**1,169,269**	915,940
Derivative financial instrument	17	**217,903**	496,054
Equity instrument at fair value through other comprehensive income	13	**508**	845
Prepayments, deposits and other receivables	14	**24,736**	52,910
Deferred tax assets		**57,569**	—
Total non-current assets		**9,606,381**	9,963,374
CURRENT ASSETS			
Inventories	15	**649,108**	642,719
Trade receivables	16	**575,104**	546,212
Prepayments, deposits and other receivables	14	**1,158,982**	1,168,261
Financial assets at fair value through profit or loss	12	**2,190**	3,029
Derivative financial instruments	17	**239,264**	403,649
Cash and cash equivalents		**1,678,266**	1,405,672
Total current assets		**4,302,914**	4,169,542
CURRENT LIABILITIES			
Accounts payable	18	**127,303**	167,093
Tax payable		**165**	73
Accrued liabilities and other payables		**735,998**	604,982
Derivative financial instruments	17	**3,046**	9,553
Bank borrowings	19	**142,362**	386,206
Finance lease payables	20	**5,773**	8,970
Provisions		**44,118**	46,312
Total current liabilities		**1,058,765**	1,223,189
NET CURRENT ASSETS		**3,244,149**	2,946,353
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,850,530**	12,909,727

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Condensed Consolidated Statement of Financial Position

	Notes	30 June 2018 Unaudited	31 December 2017 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,850,530**	12,909,727
NON-CURRENT LIABILITIES			
Bank and other borrowings	19	**6,608,839**	6,602,069
Finance lease payables	20	**913**	3,020
Deferred tax liabilities		**—**	67,365
Provisions		**294,744**	290,323
Total non-current liabilities		**6,904,496**	6,962,777
NET ASSETS		**5,946,034**	5,946,950
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	21	**392,886**	392,886
Reserves		**5,648,185**	5,671,287
		6,041,071	6,064,173
Non-controlling interests		**(95,037)**	(117,223)
TOTAL EQUITY		**5,946,034**	5,946,950

Condensed Consolidated Statement of Changes in Equity

	Issued capital	Share premium account	Contributed surplus	Capital reserve	Exchange fluctuation reserve
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	—	—	(117,866)	—	—
Share of other reserve movements of an associate	—	—	—	—	—
At 30 June 2017 (unaudited)	392,886	6,852	454,041	(38,579)	(1,074,911)
At 31 December 2017 (audited) and 1 January 2018	**392,886**	**6,852**	**454,041**	**(38,579)**	**(929,246)**
Total comprehensive income/(loss) for the Period	**—**	**—**	**—**	**—**	**(60,209)**
Distribution to shareholders (note 9)	**—**	**—**	**(196,443)**	**—**	**—**
Share of other reserve movements of associates	**—**	**—**	**2,106**	**5,365**	**—**
At 30 June 2018 (unaudited)	**392,886**	**6,852** *	**259,704** *	**(33,214)** *	**(989,455)** *

The share premium account had been reduced and cancelled by HK$9,700,000,000, pursuant to a special resolution passed by shareholders at the annual general meeting of the Company held on 23 June 2017. 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 as at 1 January 2017 while the remaining HK$500,000,000 was transferred to the contributed surplus account.

* These reserve accounts comprise the consolidated reserves of HK$5,648,185,000 (31 December 2017: HK$5,671,287,000) in the condensed consolidated statement of financial position.

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Attributable to shareholders of the Company							
Equity instrument at fair value through other comprehensive income revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits / (accumulated losses)	Sub-total	Non-controlling interests	Total equity
(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)
—	—	—	(270)	270	—	—	—
(2,647)	514,907	30,563	12,929	5,191,637	5,487,678	(94,439)	5,393,239
(2,454)	**626,138**	**30,563**	**17,594**	**5,506,378**	**6,064,173**	**(117,223)**	**5,946,950**
(236)	**(295,025)**	**—**	**—**	**529,125**	**173,655**	**22,186**	**195,841**
—	**—**	**—**	**—**	**—**	**(196,443)**	**—**	**(196,443)**
—	**—**	**—**	**(2,823)**	**(4,962)**	**(314)**	**—**	**(314)**
(2,690) *	**331,113 ***	**30,563 ***	**14,771 ***	**6,030,541 ***	**6,041,071**	**(95,037)**	**5,946,034**

Six months ended 30 June | Unaudited HK$'000

Condensed Consolidated Statement of Cash Flows

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	**446,045**	381,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**14,044**	9,189
Dividend income from a financial asset at fair value through profit or loss	**—**	67,438
Dividend income from an associate	**202,314**	—
Purchases of items of property, plant and equipment	**(53,692)**	(16,694)
Proceeds from disposal of items of property, plant and equipment	**33,116**	—
Proceeds from disposal of partial participating interest in a production sharing contract	**27,565**	—
Repayment of loans from a joint venture	**—**	118,160
Net cash flows from investing activities	**223,347**	178,093
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	**207,093**	4,494,302
Repayment of bank borrowings	**(442,661)**	(4,635,306)
Receipt of a government loan	**10,599**	—
Repayment of a government loan	**(14,904)**	—
Capital element of finance lease payables	**(4,897)**	(8,697)
Interest paid	**(125,169)**	(112,355)
Net cash flows used in financing activities	**(369,939)**	(262,056)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**299,453**	297,259
Cash and cash equivalents at beginning of period	**1,405,672**	1,160,989
Effect of foreign exchange rate changes, net	**(26,859)**	16,047
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,678,266**	1,474,295
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**696,547**	446,777
Time deposits	**981,719**	1,027,518
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**1,678,266**	1,474,295

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 2017.

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 2017, except for the adoption of new and revised standards with effect from 1 January 2018 as detailed in note 2.

These Financial Statements were approved and authorised for issue by the Board on 27 July 2018.

2. Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendment to HKAS 40	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014 – 2016 Cycle	Amendments to HKFRS 1 and HKAS 28

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

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied the transitional provisions set out in HKFRS 9 without restating comparative information. It applied the classification and measurement requirements (including impairment) to financial instruments that were not derecognised as at 1 January 2018.

(a) **Classification and measurement**

Under HKFRS 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification is based on two criteria: (i) the Group's business model for managing the assets; and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

2. Changes in Accounting Policies and Disclosures (continued)

HKFRS 9 Financial Instruments (continued)

(a) **Classification and measurement (continued)**

The Group's financial assets are classified and subsequently measured as follows:

(i) financial assets at amortised costs, including trade receivables and financial assets included in prepayments, deposits and other receivables;

(ii) equity instrument at fair value through other comprehensive income, representing the Group's listed equity investment, with no cumulative gains or losses to be reclassified to profit or loss on derecognition or reclassification. Prior to 1 January 2018, the Group's listed equity investment was classified as available-for-sale investment, with cumulative gains or losses to be reclassified to profit or loss on derecognition; and

(iii) financial assets at fair value through profit or loss, including derivative instruments and unlisted investments which are not measured at amortised costs nor fair value through other comprehensive income. Under HKAS 39, the Group's unlisted investments were classified as financial assets at fair value through profit or loss.

Under HKFRS 9, the Group's financial liabilities are subsequently measured at amortised cost or fair value through profit or loss. The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) **Impairment**

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets. The incurred loss approach under HKAS 39 was replaced by a forward-looking expected credit loss approach.

HKFRS 9 requires the Group to record a loss allowance for the expected credit loss of its financial assets not held at fair value through profit or loss. In that respect, the Group measured the expected credit losses of (i) its other receivables and listed equity investment at fair value through other comprehensive income on a 12-month basis as permitted by the general approach; and (ii) its trade receivables on a lifetime basis as permitted by the simplified approach.

The adoption of HKFRS 9 has had no material impact on the impairment provisions on the Group's financial assets.

(c) **Hedge accounting**

The Group has applied the hedge accounting under HKFRS 9 prospectively. The forward currency contracts, forward commodity contracts and the electricity hedge agreement as at 31 December 2017 continued to be qualified as cash flow hedges under HKFRS 9 and no adjustment was considered necessary.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations, and it applies to all revenue arising from contracts with customers unless those contracts are in the scope of other HKFRSs. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted the transitional provisions set out in HKFRS 15 to recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2018 and elected to retrospectively apply the transitional provisions only to contracts that were not completed at the date of initial application. Accordingly, the comparative information presented was not restated.

The Group is required to deliver oil, aluminium ingots, coal and other commodities according to the contract terms, which is expected to be the only performance obligation of the Group. The Group has concluded that revenue from the sale of its products should be recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the products. Therefore, the adoption of HKFRS 15 has had no material impact on 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 9	Prepayment Features with Negative Compensation [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 16	Leases [1]
HKFRS 17	Insurance Contracts [2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement [1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [1]
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 [1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments [1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
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 (the "**PAS**") 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, share of profit of associates and a joint venture, and provision for impairment of assets as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in associates, investment in a joint venture, equity instrument at fair value through other comprehensive income, deferred tax assets, financial assets at fair value through profit or loss, 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
2018					
Segment revenue:					
Sales to external customers	**635,191**	**420,924**	**439,142**	**649,918**	**2,145,175**
Other income	**2,052**	**—**	**2,302**	**28,926**	**33,280**
	637,243	**420,924**	**441,444**	**678,844**	**2,178,455**
Segment results	**24,926**	**98,373**	**29,476**	**305,348**	**458,123**
Reconciliation:					
Interest income and unallocated gains					**21,460**
Provision for impairment of items of property, plant and equipment					**(86,814)** *
Provision for impairment of other assets					**(13,026)** *
Unallocated expenses					**(160,140)**
Unallocated finance costs					**(132,756)**
Share of profit of:					
Associates					**214,524**
A joint venture					**254,139**
Profit before tax					**555,510**
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

* in respect of the coal segment

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment assets					
30 June 2018 (unaudited)	**1,077,156**	**598,672**	**651,868**	**3,247,356**	**5,575,052**
31 December 2017 (audited)	1,499,505	769,864	641,366	3,469,620	6,380,355
Segment liabilities					
30 June 2018 (unaudited)	**336,992**	**223,560**	**65,632**	**247,757**	**873,941**
31 December 2017 (audited)	346,647	240,463	64,551	310,858	962,519

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:

	2018	2017
Interest income	**14,829**	8,951
Dividend income from a financial asset at fair value through profit or loss	**—**	67,438
Handling service fees	**2,104**	1,814
Fair value gain on a financial asset at fair value through profit or loss *	**—**	411,278
Sale of scrap	**2,678**	3,106
Reversal of impairment of other receivables	**10,929**	24,082
Gain on disposal of partial participating interest in a production sharing contract	**15,870**	—
Others	**8,330**	5,339
	54,740	522,008

* The Group reassessed and concluded that significant influence over Alumina Limited ("**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 in respect of the Group's interest in AWC was recognised in the condensed consolidated income statement, representing the excess amount of such fair value over its carrying amount as at 31 December 2016.

6. Finance Costs

An analysis of finance costs is as follows:

	2018	2017
Interest expense on bank and other borrowings	**131,525**	159,601
Interest expense on a finance lease	**338**	937
Total interest expense on financial liabilities not at fair value through profit or loss	**131,863**	160,538
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	**893**	4,033
	132,756	164,571

7. Profit before Tax

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

	2018	2017
Depreciation	**224,682**	359,219
Amortisation of other assets	**2,392**	3,007
Amortisation of prepaid land lease payments	**631**	584
Loss on disposal of items of property, plant and equipment *	**309**	3,743
Provision for impairment of items of property, plant and equipment	**86,814**	—
Provision for impairment of other assets	**13,026**	—
Fair value losses on derivative financial instruments, net *	**18,602**	41,022
Exchange losses, net *	**25,651**	7,076

* 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

	2018	2017
Current – Hong Kong	—	—
Current – Elsewhere		
Charge for the period	**172**	—
Underprovision/(overprovision) in prior periods	**(8)**	38
Deferred	—	123,383
Total tax expense for the period	**164**	123,421

The statutory rate of Hong Kong profits tax was 16.5% (2017: 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 (2017: 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% (2017: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2017: 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% (2017: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2017: 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 (2017: Nil).

The final dividend of HK 2.50 cents per ordinary share for the year ended 31 December 2017, totalling HK$196,443,000, was approved by shareholders at the annual general meeting of the Company held on 22 June 2018 and was payable on or around 17 July 2018.

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$529,125,000 (2017: HK$185,022,000) and the weighted average number of ordinary shares in issue during the Period, which was 7,857,727,149 (2017: 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 having 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 2017 in respect of a dilution. There were no dilutive potential ordinary shares arising from share options as the respective average share price of the Company during the Period and during the six months ended 30 June 2017 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$57,507,000 (2017: HK$3,127,000) and disposed of property, plant and equipment having an aggregate carrying amount of HK$3,499,000 (2017: HK$3,743,000).

At the end of the Period, an impairment of HK$86,814,000 to capital works of the coal segment was provided to fully reduce their carrying amount. The impairment arose primarily due to limited prospects for recovery.

12. Financial Assets at Fair Value through Profit or Loss

Held for trading

	30 June 2018 Unaudited	31 December 2017 Audited
Current investments:		
Unlisted investments in Australia and China, at fair value	**2,190**	3,029

13. Equity Instrument at Fair Value through Other Comprehensive Income

	30 June 2018 Unaudited	31 December 2017 Audited
Non-current investment:		
Listed equity investment in Australia, at fair value	**508**	845

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**").

HK$'000

14. Prepayments, Deposits and Other Receivables

	30 June 2018 Unaudited	31 December 2017 Audited
Prepayments	**20,226**	20,442
Current portion of prepaid land lease payments	**1,229**	1,247
Deposits and other receivables	**1,162,263**	1,199,482
	1,183,718	1,221,171
Portion classified as current assets	**(1,158,982)**	(1,168,261)
Non-current portion	**24,736**	52,910

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$1,070,040,000 (31 December 2017: HK$1,071,837,000), which was interest free and repayable on demand.

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). In 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 this tax regulation in October 2016, VAT reimbursements can be claimed after each delivery of the first tranche production to the government. Accordingly, a reversal of impairment of other receivables of HK$10,929,000 (2017: HK$24,082,000) (note 5) was made during the Period.

As at 30 June 2018, 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.

15. Inventories

	30 June 2018 Unaudited	31 December 2017 Audited
Raw materials	**196,724**	153,385
Work in progress	**14,610**	12,051
Finished goods	**437,774**	477,283
	649,108	642,719

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 in June 2014 for asset protection orders in respect of the Inventories.

In prior years, in respect of the Inventories, a cumulative full provision was made on all the alumina of HK$579,277,000 and a partial provision of HK$219,662,000 was made on the copper leaving the remaining copper inventory (the "**Remaining Copper**") with a net carrying amount of HK$180,273,000 as at 31 December 2017. The cumulative provision of the Remaining Copper up to 31 December 2017 was HK$83,344,000.

HK$'000

15. Inventories (continued)

In March 2018, the Group was granted access to the Remaining Copper. At the end of the Period, as the estimated net realisable value of the Remaining Copper was higher than its net carrying amount, a write-up adjustment of HK$33,540,000 was made and credited to "Cost of sales" in the condensed consolidated income statement, bringing the net carrying amount of the Remaining Copper to HK$213,813,000 as at 30 June 2018.

Considering the significant uncertainty over the outcome of the Investigation and the passage of time, at the end of the Period, the Group wrote off the full amount of the Inventories (other than the Remaining Copper) together with their associated cumulative provisions, both being HK$715,595,000.

In July 2018, part of the Remaining Copper was sold.

16. Trade Receivables

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

	30 June 2018 Unaudited	31 December 2017 Audited
Within one month	**356,169**	324,727
One to two months	**44,231**	74,532
Two to three months	**73,978**	45,716
Over three months	**100,726**	101,237
	575,104	546,212

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

17. Derivative Financial Instruments

	30 June 2018 Unaudited		31 December 2017 Audited	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	**5,026**	**1,447**	2,324	—
Forward commodity contracts	**—**	**1,599**	22,518	9,553
EHA2 (as defined on page 22)	**452,141**	**—**	874,861	—
	457,167	**3,046**	899,703	9,553
Portion classified as non-current portion:				
EHA2	**(217,903)**	**—**	(496,054)	—
Non-current portion	**(217,903)**	**—**	(496,054)	—
Current portion	**239,264**	**3,046**	403,649	9,553

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.

HK$'000

18. Accounts Payable

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

	30 June 2018 Unaudited	31 December 2017 Audited
Within one month	**109,330**	148,125
One to three months	**—**	—
Over three months	**17,973**	18,968
	127,303	167,093

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 2018 Unaudited	31 December 2017 Audited
Bank borrowings — unsecured	(a)	**2,851,201**	3,088,275
Other borrowing — unsecured	(b)	**3,900,000**	3,900,000
		6,751,201	6,988,275

Notes:

(a) As at 30 June 2018, the bank borrowings included:

(i) trade finance totalling A$24,694,000 (HK$142,362,000), which was interest-bearing at the Bank Bill Swap Bid Rate (or cost of funds) plus margin; and

(ii) bank loans totalling US$347,287,000 (HK$2,708,839,000), 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.

	30 June 2018 Unaudited	31 December 2017 Audited
Bank borrowings repayable:		
Within one year or on demand	**142,362**	386,206
In the second year	**2,708,839**	2,393,825
In the third to fifth years, inclusive	**—**	308,244
	2,851,201	3,088,275
Other borrowing repayable:		
In the third to fifth years, inclusive	**3,900,000**	3,900,000
Total bank and other borrowings	**6,751,201**	6,988,275
Portion classified as current liabilities	**(142,362)**	(386,206)
Non-current portion	**6,608,839**	6,602,069

HK$'000

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 2018 Unaudited	31 December 2017 Audited
Amounts payable:		
Within one year	**6,009**	9,499
In the second year	**618**	2,569
In the third to fifth years, inclusive	**348**	569
Total minimum finance lease payments	**6,975**	12,637
Future finance charges	**(289)**	(647)
Total net finance lease payables	**6,686**	11,990
Portion classified as current liabilities	**(5,773)**	(8,970)
Non-current portion	**913**	3,020

21. Share Capital

	30 June 2018 Unaudited	31 December 2017 Audited
Authorised:		
10,000,000,000 (31 December 2017: 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 2017: 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$102,625,000) on KBM and the Group's share was HK$48,557,000. KBM made a provision for the amount of the tax assessment it had agreed with the Tax Authorities, being KZT633,851,000 (HK$14,481,000), of which the Group's share was HK$6,852,000. 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$47,286,000), of which the Group's share was HK$22,373,000.

HK$'000

22. Litigation and Contingent Liabilities (continued)

In 2016, in respect of the Remaining Amount, the Tax Authorities issued a revised tax assessment for KZT2,146,970,000 (HK$49,050,000). 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 made a couple of appeals in 2016 and 2017 but failed. Nevertheless, KBM is still considering making a final appeal.

(b) In 2017, 勝利油田科爾工程建設有限公司 (Shengli Oilfield KEER Engineering and Construction Co., Ltd.) ("**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, KEER is seeking compensation from Tincy Group of RMB29,535,000 (HK$34,981,000) 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 Hainan-Yuedong Block (as defined on page 32) in China.

In July 2017, KEER applied to the Dalian Court to increase the compensation to RMB30,928,000 (HK$36,631,000). Court hearings in respect of the Shengli Oilfield Claim were held in the second half of 2017 to determine any contractual relationship between Tincy Group and KEER, any rights and obligations thereunder and whether the Shengli Oilfield Claim had already lapsed. Up to the date of this report, no decision has been issued by the Dalian Court.

(c) In August 2017, Kuwait Foreign Petroleum Exploration Company ("**KUFPEC**"), which owned a 30% participating interest in the PSC at that time, filed a claim in the Supreme Court of Queensland (the "**Queensland Court**") against CITIC Seram Energy Limited ("**CITIC Seram**") for US$1,576,000 (HK$12,293,000) in respect of certain expenditure alleged by KUFPEC as unauthorised under the PSC. In December 2017, CITIC Seram filed its defence with the Queensland Court and in January 2018, KUFPEC filed its reply to the Queensland Court. Up to the date of this report, no hearing has been held.

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 2018 Unaudited	31 December 2017 Audited
Within one year	**39,520**	40,050
In the second to fifth years, inclusive	**65,365**	46,768
Beyond five years	**7,781**	8,434
	112,666	95,252

HK$'000

24. Commitments

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

	30 June 2018 Unaudited	31 December 2017 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**7,361**	6,993

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

	30 June 2018 Unaudited	31 December 2017 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**19,874**	52,900

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 Unaudited	2018	2017
Ultimate holding company:		
Rental expenses	**1,340**	983
Subsidiaries of the ultimate holding company:		
Rental expense	**1,423**	1,134
Interest expense	**76,076**	—
Handling service fees	**2,006**	1,582
Management fee income	**1,097**	864
A joint venture:		
Rental income	**2,063**	1,989
Service fee income	**167**	390

The above transactions were made based on mutually agreed terms.

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

	30 June 2018 Unaudited	31 December 2017 Audited
A subsidiary of the ultimate holding company:		
Other borrowing (note 19)	**3,900,000**	3,900,000

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

HK$'000

25. Related Party Transactions and Connected Transactions (continued)

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

Six months ended 30 June Unaudited	2018	2017
Salaries	**5,158**	3,681
Housing allowances	**324**	264
Bonuses	**650**	1,900
Pension scheme contributions	**477**	114
	6,609	5,959

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

	30 June 2018 Unaudited	31 December 2017 Audited
Within one year	**2,418**	2,493
In the second to fifth years, inclusive	**10,864**	11,207
Beyond five years	**2,634**	2,323
	15,916	16,023

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 2018 Unaudited	31 December 2017 Audited	30 June 2018 Unaudited	31 December 2017 Audited
Financial assets				
Financial assets at fair value through profit or loss	**2,190**	3,029	**2,190**	3,029
Equity instrument at fair value through other comprehensive income	**508**	845	**508**	845
Derivative financial instruments	**457,167**	899,703	**457,167**	899,703
	459,865	903,577	**459,865**	903,577
Financial liabilities				
Derivative financial instruments	**3,046**	9,553	**3,046**	9,553
Bank and other borrowings	**6,751,201**	6,988,275	**6,751,201**	6,988,275
Finance lease payables	**6,686**	11,990	**6,686**	11,990
	6,760,933	7,009,818	**6,760,933**	7,009,818

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

The fair values of trade 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 investment and unlisted investments were determined based on quoted prices in active markets as at the end of the 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 Period was assessed to be insignificant.

(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 derivative in provisional pricing arrangements, the EHA1 (as defined below) and the EHA2, were measured using valuation techniques similar to forward pricing and discounted cash flow models, which means using present value calculations. The fair values of forward currency contracts, forward commodity contracts, embedded derivative in provisional pricing arrangements, the EHA1 and the EHA2 were the same as their carrying amounts.

  (i) The fair values of forward currency contracts, forward commodity contracts, embedded derivative in provisional pricing arrangements, and the EHA1 (on the date notice of termination of the EHA1 was served) were based on valuation techniques using significant observable market inputs and insignificant unobservable market inputs.

  (ii) The fair value of the EHA2 was based on valuation techniques using significant unobservable market inputs.

The "**EHA1**" is a base load electricity contract signed in March 2010 between the Group and an independent electricity supplier. The EHA1 effectively allowed the PAS to hedge the spot price for electricity for a specific load from November 2016 to December 2036. However, it was terminated effective August 2017. The "**EHA2**" is a hedging agreement signed in January 2017 between the Group and several subsidiaries of AGL Energy Limited, an integrated renewable energy company listed on the ASX (Stock Code: AGL), in relation to the supply of electricity to the PAS from August 2017 to July 2021. The EHA2 swaps a floating electricity price for a fixed electricity price to minimise the variability in cash flow.

HK$'000

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

Below is a summary of significant unobservable inputs to the valuation of a financial instrument together with a quantitative sensitivity analysis:

Derivative financial instrument Valuation technique	Significant unobservable inputs	Range 30 June 2018 Unaudited	Range 31 December 2017 Audited	Sensitivity of fair value to the changes in inputs
EHA2 Discounted cash flow method	Electricity price (per Mwh)	**A$ 63 to A$123**	A$ 78 to A$155	1% increase (decrease) in the electricity price would result in an increase (a decrease) in fair value by HK$14,169,000 (HK$14,169,000) (31 December 2017: HK$20,484,000 (HK$20,484,000))
	Discount rate	**1.63% to 2.48%**	1.67% to 2.67%	1% increase (decrease) in the discount rate would result in a decrease (an increase) in fair value by HK$5,802,000 (HK$5,967,000) (31 December 2017: HK$12,431,000 (HK$12,823,000))

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 2018 (unaudited)				
Financial assets at fair value through profit or loss	**2,190**	**—**	**—**	**2,190**
Equity instrument at fair value through other comprehensive income:				
Listed equity investment	**508**	**—**	**—**	**508**
Derivative financial instruments	**—**	**5,026**	**452,141**	**457,167**
	2,698	**5,026**	**452,141**	**459,865**
31 December 2017 (audited)				
Financial assets at fair value through profit or loss	3,029	—	—	3,029
Equity instrument at fair value through other comprehensive income:				
Listed equity investment	845	—	—	845
Derivative financial instruments	—	24,842	874,861	899,703
	3,874	24,842	874,861	903,577

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)	Fair value measurement using significant observable inputs (Level 2)	Fair value measurement using significant unobservable inputs (Level 3)	Total
30 June 2018 (unaudited)				
Derivative financial instruments	—	**3,046**	—	**3,046**
31 December 2017 (audited)				
Derivative financial instruments	—	9,553	—	9,553

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 (2017: Nil).

Liabilities for which fair values are disclosed:

	Fair value measurement using quoted prices in active markets (Level 1)	Fair value measurement using significant observable inputs (Level 2)	Fair value measurement using significant unobservable inputs (Level 3)	Total
30 June 2018 (unaudited)				
Bank and other borrowings	—	**6,751,201**	—	**6,751,201**
Finance lease payables	—	**6,686**	—	**6,686**
	—	**6,757,887**	—	**6,757,887**
31 December 2017 (audited)				
Bank and other borrowings	—	6,988,275	—	6,988,275
Finance lease payables	—	11,990	—	11,990
	—	7,000,265	—	7,000,265

Business Review and Outlook

Review

The surge in oil and commodities prices fostered a favourable market condition which has enabled the Group to achieve a better financial performance than in the past few years. Brent crude oil prices hit three-and-a-half-year high with an average of around US$70 per barrel for the Period.

All of the Group's businesses recorded profits for the Period. The Yuedong oilfield (as defined on page 32) in China, the Karazhanbas oilfield (as defined on page 34) in Kazakhstan and Alumina Limited ("**AWC**") made significant contributions to the performance of the Group. The Portland Aluminium Smelter (the "**PAS**"), as a result of the restoration of its pre-outage production capacity in 4Q 2017, made a positive contribution to the Group. For these reasons, the Group achieved a significant increase in profit for the Period.

Crude oil

Attributable to the higher average crude oil realised price and stringent ongoing cost control, the Group's crude oil business as a whole achieved a substantial improvement in operating results.

During the Period, the Group continued to implement optimal maintenance plans to minimise the negative impact on oil production caused by the continuing natural decline of existing wells. In respect of production, the Karazhanbas oilfield showed a slight increase, the Yuedong oilfield maintained at a stable level whereas the Seram Block (as defined on page 30) in Indonesia had a significant drop due to a greater natural decline of existing wells. The Group's overall average daily production was 49,450 barrels (100% basis) for the Period, representing a slight decrease when compared to 50,190 barrels (100% basis) for 1H 2017.

In May 2018, the Group completed its sale of a 10% participating interest in the PSC (as defined on page 30) to an independent third party and the PSC was successfully renewed for a term of 20 years commencing from 1 November 2019. The Group retains a 41% participating interest in the PSC and remains the operator of the Seram Block.

Metals

The PAS resumed to its normal operation since the restoration of its pre-outage production capacity in 4Q 2017. As a result, both the production and sales volumes increased during the Period. Coupled with an increase in average selling price of aluminium, the Group's aluminium smelting segment achieved a turnaround in results.

The Group's equity interest in AWC was reclassified on 30 June 2017 from a financial asset at fair value through profit or loss to an investment in an associate. In respect of the Group's interest in AWC, a share of profit using the equity method was recorded for the Period whereas a fair value gain was recorded for 1H 2017.

For the Period, CITIC Dameng Holdings Limited ("**CDH**") recorded a drop in profit from normal operations, due to a decrease in both average selling prices and sales volumes of some of the major manganese products.

Coal

Attributable to an increase in sales volume, a comparable average selling price of coal and a reduction of costs, the Group's coal segment recorded a better operating profit for the Period. However, the positive impact was partly offset by the provision for impairment in respect of certain capital works and mining assets. As a result, this segment recorded a lower profit for the Period compared to 1H 2017.

Import and export of commodities

During the Period, the Group further strengthened its marketing strategy to meet the ever-changing market environment and trading behaviours. Attributable to an increase in commodities prices, this segment recorded a better profit.

Outlook

The Group believes that oil and commodities prices will at least remain steady at current levels, which should continue to benefit the Group. The Group will ride on the current favourable market conditions to facilitate its business development. As the global economic and political environments cast uncertainties on oil and commodities prices, the Group will continue to closely monitor the fast-paced market environment and take appropriate actions to create returns for shareholders.

With the renewal of the PSC, the Group will consider resuming the exploration of the Lofin area of the Seram Block. The Group will also endeavour in promoting application of new technologies to improve productivity in the Yuedong oilfield and plans to add new wells in the oilfield under a managed drilling program.

The Group will also continue to look for quality investment opportunities to strengthen its business portfolio, release investment value and promote sustainable growth. Last but not least, the ongoing support from CITIC Limited will drive the Group to achieve its objectives.

Financial Review

Group's financial results:

HK$'000

Operating results and ratios

	Six months ended 30 June 2018 Unaudited	2017 Unaudited	Increase
Revenue	**2,145,175**	1,531,516	40.1%
EBITDA [1]	**1,015,811**	838,456	21.2%
Adjusted EBITDA [2]	**1,322,853**	680,724	94.3%
Profit attributable to shareholders	**529,125**	185,022	186.0%
Adjusted EBITDA coverage ratio [3]	**7.7 times**	3.4 times	
Earnings per share (Basic) [4]	**HK 6.73 cents**	HK 2.35 cents	

Financial position and ratios

	30 June 2018 Unaudited	31 December 2017 Audited	Increase / (decrease)
Cash and cash equivalents	**1,678,266**	1,405,672	19.4%
Total assets *	**13,909,295**	14,132,916	(1.6%)
Total debt [5]	**6,757,887**	7,000,265	(3.5%)
Net debt [6]	**5,079,621**	5,594,593	(9.2%)
Equity attributable to shareholders	**6,041,071**	6,064,173	(0.4%)
Current ratio [7]	**4.1 times**	3.4 times	
Net debt to net total capital [8]	**45.7%**	48.0%	
Net asset value per share [9]	**HK$0.77**	HK$0.77	

1 profit before tax + finance costs + depreciation + amortisation + asset impairment losses
2 EBITDA + (share of finance costs, depreciation, amortisation, income tax expense 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$58,856,000 (HK$42,240,000 during 2017)

During the Period, oil and commodities prices had a positive effect on the Group's financial performance. All of the Group's segments and investments recorded profits for the Period. The Group recorded a profit attributable to shareholders of HK$529.1 million for the Period primarily attributable to:

- an improvement in operating results of the Group's oil business, including the Karazhanbas oilfield in Kazakhstan, attributable to a relatively higher average crude oil realised price and stringent ongoing cost control;
- a turnaround in results achieved by the Group's aluminium smelting segment, attributable to a higher sales volume of aluminium (as a result of the restoration of production at the PAS to pre-outage capacity in 4Q 2017) and an increase in average selling price of aluminium; and
- a share of profit recorded with respect to the Group's interest in each of CDH and AWC.

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 2017.

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$635.2 million	(2017: HK$209.5 million)	▲ 203%
Segment results	a profit of HK$ 24.9 million	(2017: a loss of HK$153.2 million)	N/A

  With the financial support from the State Government of Victoria and the Commonwealth Government of Australia, the disrupted production capacity of the PAS caused by the Victorian transmission network power outage on 1 December 2016 was restored to pre-outage level in 4Q 2017. Production of the PAS therefore increased during the Period, resulting in a 153% increase in sales volume. In addition, with selling prices trending upwards since 2H 2017 attributable to reduced output from China, the average selling price of aluminium for the Period increased by 20% when compared to 1H 2017. As a result, the PAS recorded a significant increase in revenue and gross margin, and achieved a turnaround in results.

  The Group's aluminium smelting business is a net United States dollar ("**US$**") denominated asset while certain costs are payable in Australian dollar ("**A$**"). Fluctuations between A$ and US$ throughout the Period caused a net exchange gain of HK$6.4 million (2017: a net exchange loss of HK$9.1 million).

- 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 were 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.

  In accordance with Hong Kong Financial Reporting Standards ("**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 qualified for hedge accounting and its fair value gain or loss was recognised in the consolidated income statement instead.

  On 31 July 2017, the EHA1 was terminated. Therefore, no fair value gain or loss arising from the revaluation was recorded for the Period. For 1H 2017, an unrealised fair value loss of HK$27.2 million arising from the revaluation was recorded in "Other expenses, net" in the condensed consolidated income statement.

  The revaluation of the derivative financial instrument had no cash flow consequences for the Group's operations but the movement in valuation (if any) introduced volatility into the consolidated income statement.

- In January 2017, the Group entered into a hedging agreement with several subsidiaries of AGL in relation to the supply of electricity to the PAS from 1 August 2017 to 31 July 2021 (the "**EHA2**"). The EHA2 swaps a floating electricity price for a fixed electricity price to minimise the variability in cash flow. Hedge accounting has been applied to the EHA2.

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$420.9 million	(2017: HK$333.6 million)	▲	26%
Segment results	HK$ 98.4 million	(2017: HK$ 50.8 million)	▲	94%

  Supported by a recovering market, the average selling price of coal for the Period was comparable to 1H 2017, which was higher than recent years. Revenue increased attributable to a 28% increase in sales volume. Besides, as cost of sales per tonne decreased by 9% resulting from ongoing cost control, the segment recorded better gross margin and results for the Period.

  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$8.1 million (2017: HK$8.4 million).

- At the end of the Period, considering limited prospects for recovery, impairments of HK$86.8 million and HK$13.0 million (each before tax credit) (2017: Nil) were provided in respect of certain capital works and mining assets in the CMJV and charged to "Provision for impairment of items of property, plant and equipment" and "Provision for impairment of other assets" respectively in the condensed consolidated income statement. These assets related to the Codrilla project, a greenfield prospect in the Bowen Basin, Queensland, where development had been suspended. Notwithstanding improved market conditions in recent times, the project has not been considered to be economically viable for the remaining life of the mine. Therefore, a full provision was made on the carrying amount of the related capital works and mining assets.

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$439.1 million	(2017: HK$472.8 million)	▼	7%
Segment results	HK$ 29.5 million	(2017: HK$ 14.4 million)	▲	105%

  Market and operating conditions remained difficult for the segment during the Period. Commodities prices increased, but due to a decrease in sales volume, the segment recorded a drop of 7% in revenue when compared to 1H 2017.

  The improvement in segment results came from a write-up of the net carrying amount of the Remaining Copper (as defined on page 30) to its estimated net realisable value as at the end of the Period, being HK$33.5 million.

  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$0.1 million (2017: HK$3.7 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**") with a gross carrying amount of HK$979.2 million. In light of the Investigation, the Group applied to the Qingdao Maritime Court in June 2014 for asset protection orders in respect of the Inventories.

  At the end of 2014, 2015 and 2016, provisions of HK$319.8 million, HK$389.7 million and HK$89.4 million (each before tax credit) were made respectively in respect of the Inventories, representing a full provision on all the alumina of HK$579.3 million and a partial provision of HK$219.6 million on the copper. These provisions, totalling HK$798.9 million, were charged to "Provision for impairment of inventories" in the consolidated income statement. As at 31 December 2017, the cumulative provision and the net carrying amount of the remaining copper inventory (the "**Remaining Copper**") were HK$83.3 million and HK$180.3 million respectively.

  Since February 2017, the Group had been in discussions with relevant parties and working to recover the Remaining Copper. In March 2018, the Group was granted access to the Remaining Copper. At the end of the Period, as the estimated net realisable value of the Remaining Copper was higher than its net carrying amount, a write-up adjustment of HK$33.5 million was made and credited to "Cost of sales" in the condensed consolidated income statement, bringing the net carrying amount of the Remaining Copper to HK$213.8 million as at 30 June 2018.

  Considering the significant uncertainty over the outcome of the Investigation and the passage of time, at the end of the Period, the Group wrote off the full amount of the Inventories (other than the Remaining Copper) together with their associated cumulative provisions, both being HK$715.6 million. As a consequence, the emphasis of matter in relation to the inherent uncertainty as to the carrying amount of the Inventories was duly eliminated at the end of the Period.

  In July 2018, part of the Remaining Copper was sold.

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 41% 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 31 October 2019 (the "**PSC**"). CITIC Seram is the operator of the Seram Block.

  On 4 May 2018, CITIC Seram completed the sale of its rights, interests and obligations in respect of a 10% participating interest in the PSC (the "**Sale Interest**") to an independent third party. According to the sale and purchase agreement of the Sale Interest, CITIC Seram reduced its participating interest in the PSC from 51% to 41% effective 1 January 2018. Details of the transaction are set out in the announcements of the Company dated 7 February 2018 and 4 May 2018.

  On 31 May 2018, SKK Migas (a special task force established by the government of Indonesia to manage the upstream oil and gas business activities of the country) and the existing participants of the PSC, including CITIC Seram, signed an amended and restated production sharing contract (the "**Amended and Restated PSC**") which extends the rights to explore, develop and produce petroleum from the Seram Block for a term of 20 years commencing from 1 November 2019. CITIC Seram will continue to be the operator of the Seram Block under the Amended and Restated PSC. Details of the transaction are set out in the announcement of the Company dated 31 May 2018.

  As at 31 December 2017, the Seram Block had estimated proved oil reserves of 1.1 million barrels as determined in accordance with the standards of the Petroleum Resources Management System (the "**PRMS**").

- For the Period, the segment results of CITIC Seram recorded a profit of HK$44.9 million (2017: HK$40.1 million). The following table shows a comparison of the performance of the Seram Block for the periods stated:

		1H 2018 (41%)	1H 2017 (51%)	Change
Average benchmark Mean of Platts Singapore (MOPS): Platts HSFO 180 CST Singapore	(US$ per barrel)	**63.3**	48.9	▲ 29%
Average crude oil realised price	(US$ per barrel)	**64.7**	44.8	▲ 44%
Sales volume	(barrels)	**139,000**	202,000	▼ 31%
Revenue	(HK$ million)	**70.3**	70.6	▼ 0%
Total production	(barrels)	**137,000**	284,000	▼ 52%
Daily production	(barrels)	**760**	1,570	▼ 52%

The substantial decrease in sales and production volumes which were attributable to CITIC Seram for the Period was partly due to the reduction of its participating interest in the PSC effective 1 January 2018. In case CITIC Seram had not reduced its participating interest during the Period, sales and production volumes would have decreased by 14% and 40% respectively.

Although sales volume decreased substantially, CITIC Seram was able to maintain a revenue comparable to 1H 2017 attributable to a 44% increase in the average crude oil realised price. The significant drop in production was above all due to a greater natural decline of existing wells and no new development wells being drilled in the Seram Block since 2016 under current cost control programs.

Due to a substantial decrease in sales volume, cost of sales per barrel increased by 36% as compared to 1H 2017, of which (a) direct operating costs per barrel increased by 62%; and (b) depreciation, depletion and amortisation per barrel increased by 22%.

- 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. In 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 this tax regulation in October 2016, VAT reimbursements can be claimed after each delivery of the first tranche production to the government. Accordingly, a reversal of impairment of other receivables of HK$10.9 million (2017: HK$24.1 million) was made during the Period and credited to "Other income and gains" in the condensed consolidated income statement.

- CITIC Seram received net proceeds of HK$27.6 million (after transfer tax) from the sale of the Sale Interest. A gain on disposal of partial interest of HK$15.9 million was recorded during the Period and credited to "Other income and gains" in the condensed consolidated income statement.

- The significant drop in production volume has been 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. CITIC Seram will consider resuming exploration of the Lofin area under the Amended and Restated PSC.

- In August 2017, Kuwait Foreign Petroleum Exploration Company ("**KUFPEC**"), which owned a 30% participating interest in the PSC at that time, filed a claim in the Supreme Court of Queensland (the "**Queensland Court**") against CITIC Seram for US$1.6 million (HK$12.3 million) in respect of certain expenditure alleged by KUFPEC as unauthorised under the PSC. In December 2017, CITIC Seram filed its defence with the Queensland Court and in January 2018, KUFPEC filed its reply to the Queensland Court. Up to the date of this report, no hearing has been held.

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 2017, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 30.2 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$260.4 million (2017: HK$27.2 million). The following table shows a comparison of the performance of the Yuedong oilfield for the periods stated:

		1H 2018 (Tincy Group's share)	1H 2017 (Tincy Group's share)	Change
Average benchmark quote:				
Platts Dubai crude oil	(US$ per barrel)	**67.9**	51.4	▲ 32%
Average crude oil realised price	(US$ per barrel)	**68.0**	52.3	▲ 30%
Sales volume	(barrels)	**1,087,000**	1,095,000	▼ 1%
Revenue	(HK$ million)	**579.6**	445.0	▲ 30%
Total production	(barrels)	**1,074,000**	1,075,000	▼ 0%
Daily production	(barrels)	**5,940**	5,940	▼ 0%

  The 30% increase in revenue during the Period was a result of a 30% increase in the average crude oil realised price compared to 1H 2017. By applying newly developed technologies, Tincy Group was able to minimise the negative impact on oil production caused by both the continuing natural decline of existing wells and no new production wells being drilled since 2016 under current cost control programs. As a result, it managed to maintain a stable level of production as compared to 1H 2017.

  Cost of sales per barrel decreased by 25% as compared to 1H 2017, of which (a) depreciation, depletion and amortisation per barrel decreased by 41% as a result of an upward revision of estimated proved oil reserves and an impairment loss provided in respect of certain oil and gas properties of Tincy Group at the end of 2017; and (b) on the contrary, direct operating costs per barrel increased by 15% mainly due to (i) an appreciation of Renminbi, the functional currency of Tincy Group's financial statements; and (ii) increasing material costs to maintain a stable production.

- 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.

- While 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, it will also endeavour in promoting application of new technologies to improve productivity in the Yuedong oilfield and plans to add new wells under a managed drilling program.

- In 2017, 勝利油田科爾工程建設有限公司 (Shengli Oilfield KEER Engineering and Construction Co., Ltd.) ("**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, KEER is seeking compensation from Tincy Group of RMB29.5 million (HK$35.0 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 Hainan-Yuedong Block. Details of the Shengli Oilfield Claim are set out in the announcement of the Company dated 29 March 2017.

  In July 2017, KEER applied to the Dalian Court to increase the compensation to RMB30.9 million (HK$36.6 million). Court hearings in respect of the Shengli Oilfield Claim were held in 2H 2017 to determine any contractual relationship between Tincy Group and KEER, any rights and obligations thereunder and whether the Shengli Oilfield Claim had already lapsed. Up to the date of this report, no decision has been issued by the Dalian Court.

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.

  In 1H 2017, 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.

  In 2H 2017, CDH's equity interest in CPM increased to 29.99% following the completion of a rights issue by CPM.

- Share of profit of an associate HK$31.2 million (2017: HK$23.5 million) ▲ 33%

  The Group recorded a share of profit for the Period with respect to its interest in CDH.

  For the Period, CDH recorded a drop in profit from normal operations, due to a decrease in both average selling prices and sales volumes of some of the major manganese products. Attributable to a relocation compensation from the local government in China, CDH recorded an increase in its results for the Period.

  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%. Effective 30 June 2017, 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.

- Prior to the reclassification mentioned above, the investment was measured at its fair value based on the closing price of AWC shares on 29 June 2017. As a result, in 1H 2017, a pre-tax fair value gain of HK$411.3 million in respect of the Group's interest in AWC was recognised in the condensed consolidated income statement, representing the excess amount of such fair value over its carrying amount as at 31 December 2016. The post-tax effect of the fair value gain to the condensed consolidated income statement was HK$287.9 million.

  During 1H 2017, the Group received a dividend of HK$67.4 million from AWC prior to reclassification. 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.

  Share of profit of an associate HK$183.3 million (2017: N/A)

  The Group recorded a share of profit for the Period in respect of its interest in AWC.

  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 CITIC Canada Energy Limited ("**CCEL**"), jointly own, manage and operate JSC Karazhanbasmunai ("**KBM**"). 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 2017, the Karazhanbas oilfield had estimated proved oil reserves of 209.1 million barrels as determined in accordance with the standards of the PRMS.

- Share of profit of a joint venture HK$254.1 million (2017: HK$90.5 million) ▲ 181%

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

		1H 2018 (50%)	1H 2017 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**69.1**	50.3	▲ 37%
Dated Brent crude oil	(US$ per barrel)	**70.8**	51.2	▲ 38%
Average crude oil realised price	(US$ per barrel)	**67.5**	46.5	▲ 45%
Sales volume	(barrels)	**3,410,000**	3,642,000	▼ 6%
Revenue	(HK$ million)	**1,795.2**	1,316.8	▲ 36%
Total production	(barrels)	**3,581,000**	3,526,000	▲ 2%
Daily production	(barrels)	**19,800**	19,500	▲ 2%

  Although sales volume decreased by 6%, CCEL was able to record a 36% increase in revenue when compared to 1H 2017 as a result of a 45% increase in the average crude oil realised price. Production increased by 2% when compared to 1H 2017.

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

  Cost of sales per barrel increased by 7% as compared to 1H 2017, of which (a) direct operating costs per barrel increased by 2% mainly due to rising salaries and wages; and (b) depreciation, depletion and amortisation per barrel increased by 25% as a result of a write-back of a prior year provision for impairment loss in respect of certain oil and gas properties of KBM in 2017. Despite the cost increase, a 3% devaluation of Kazakhstan Tenge ("**KZT**"), the functional currency of KBM's financial statements, had a favourable impact on the costs payable in KZT.

  Selling and distribution costs per barrel increased by 57% compared to 1H 2017. As export duty and rent tax are charged at progressive rates which are determined by reference to average oil prices, export duty per barrel and rent tax per barrel increased by 34% and 140% respectively following the increases in average oil prices.

- In 2014, the Kazakhstan tax authorities (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$48.6 million. KBM made a provision for part of the tax assessment and the Group's share was HK$6.9 million. In 2015, KBM made a further provision in respect of the tax assessment and the Group's share was HK$22.4 million. In 2016, the Tax Authorities issued a revised tax assessment with a reduced amount.

  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 made a couple of appeals in 2016 and 2017 but failed. Nevertheless, KBM is still considering making a final appeal.

Liquidity, Financial Resources and Capital Structure

Cash

As at 30 June 2018, the Group had cash and cash equivalents of HK$1,678.3 million.

Borrowings

As at 30 June 2018, the Group had total debt of HK$6,757.9 million, which comprised:

- unsecured bank borrowings of HK$2,851.2 million;
- unsecured other borrowing of HK$3,900.0 million; and
- finance lease payables of HK$6.7 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 December 2016, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured 3-year term loan facility of US$310 million (HK$2,418 million) (the "**A Loan**"). The proceeds of the A Loan were used to finance the repayment of a term loan of US$310 million signed in March 2014. The outstanding balance as at 30 June 2018 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 "**B Loan**"). Part of the proceeds of the B Loan was used to finance the repayment of the then outstanding balance of a term loan of US$40 million signed in September 2012. The outstanding balance as at 30 June 2018 was US$40 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 5-year term loan facility of US$500 million (HK$3,900 million) (the "**C Loan**"). The proceeds of the C Loan were used mainly to finance the repayment of a term loan of US$490 million (HK$3,822 million) signed in June 2015. The outstanding balance as at 30 June 2018 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 2018, the Group's net debt to net total capital was 45.7% (31 December 2017: 48.0%). Of the total debt, HK$148.1 million was repayable within one year, including 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 2018, the Group had around 310 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 of Hong Kong Limited (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 2018, 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 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	Directly beneficially owned	—
Mr. Gao Pei Ji	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

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

Save as disclosed herein and so far as is known to the directors, as at 30 June 2018, 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		Date of grant	Exercise period	Exercise price per share
	1 January 2018	30 June 2018 (1)			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 2018, 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" (on page 39) and so far as is known to the directors, as at 30 June 2018, 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 A Loan, being an unsecured 3-year term loan facility of US$310 million (HK$2,418 million).

In May 2017, the Company entered into a facility agreement with a bank in respect of the B 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 A Loan, the financial institutions holding 66-2/3% or more of the A Loan then outstanding may require mandatory prepayment of the A Loan together with all other sums due; and (b) in respect of the B Loan, the bank may require mandatory prepayment of the B Loan together with all other sums due.

Update on Directors' Information

The following changes in the information of a director occurred on or after the date of the 2017 annual report of the Company, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On 22 June 2018, Mr. Fan Ren Da, Anthony ("**Mr. Fan**"), an independent non-executive director of the Company, was appointed an independent non-executive director of Semiconductor Manufacturing International Corporation (Stock Code: 981), listed on the Main Board of the Stock Exchange.

On 26 June 2018, Mr. Fan resigned as an independent non-executive director of CGN New Energy Holdings Co., Ltd. (Stock Code: 1811), 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, 27 July 2018

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