INTERIM REPORT
2019
中期報告

OIL

COAL

ALUMINIUM

MANGANESE

IMPORT AND EXPORT
OF COMMODITIES

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

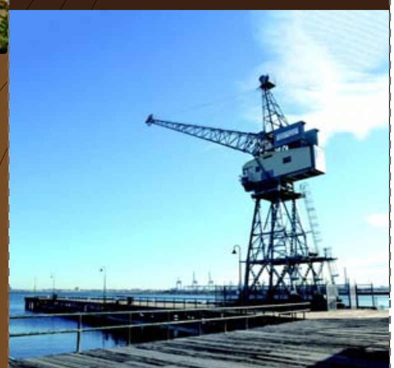
A 14% participating interest in the Coppabella and Moorvale coal mines joint venture (a major producer of low volatile pulverized coal injection coal in the international seaborne market) and interests in a number of coal exploration operations in Australia with significant resource potential.

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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其他資料

Corporate Information

Board of Directors

Executive Directors

Mr. Sun Yufeng *(Chairman)*
(appointed on 28 March 2019)
Mr. Kwok Peter Viem *(Chairman)*
(resigned on 28 March 2019)
Mr. Suo Zhengang
(Vice Chairman and Chief Executive Officer)
Mr. Sun Yang *(Vice Chairman)*
Ms. Li So Mui (resigned on 22 June 2019)

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. Sun Yufeng *(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. Sun Yufeng
Mr. Suo Zhengang

Company Secretary

Mr. Wong Wai Kwok (appointed on 22 June 2019)
Mr. Cha Johnathan Jen Wah (resigned on 22 June 2019)

Registered Office

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2 Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

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67/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

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 2019 (the "**Period**").

Condensed Consolidated Income Statement

	Notes	2019	2018
REVENUE	5	**1,828,363**	2,145,175
Cost of sales		**(1,639,545)**	(1,615,840)
Gross profit		**188,818**	529,335
Other income and gains	5	**81,519**	54,740
Selling and distribution costs		**(7,098)**	(13,022)
General and administrative expenses		**(176,002)**	(195,586)
Other expenses, net		**(26,612)**	(56,024)
Finance costs	6	**(151,389)**	(132,756)
Share of profit of:			
Associates		**194,132**	214,524
A joint venture		**277,809**	254,139
		381,177	655,350
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	**381,177**	555,510
Income tax expense	8	**(82)**	(164)
PROFIT FOR THE PERIOD		**381,095**	555,346
ATTRIBUTABLE TO:			
Shareholders of the Company		**362,051**	529,125
Non-controlling interests		**19,044**	26,221
		381,095	555,346
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	10	**HK cents**	HK cents
Basic		**4.61**	6.73
Diluted		**4.61**	6.73

Unaudited HK$'000

Condensed Consolidated Statement of Comprehensive Income

	2019	2018
PROFIT FOR THE PERIOD	**381,095**	555,346
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**38,800**	(421,463)
Income tax effect	**(11,641)**	126,438
	27,159	(295,025)
Exchange differences on translation of foreign operations	**(8,285)**	(41,445)
Share of other comprehensive income/(loss) of associates	**8,132**	(21,989)
Share of other comprehensive loss of a joint venture	**(2,505)**	(810)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**24,501**	(359,269)
Other comprehensive loss that will not 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 that will not be reclassified to profit or loss in subsequent periods	**—**	(236)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**24,501**	(359,505)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**405,596**	195,841
ATTRIBUTABLE TO:		
Shareholders of the Company	**386,979**	173,655
Non-controlling interests	**18,617**	22,186
	405,596	195,841

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,950,634**	3,114,985
Right-of-use assets		**121,509**	—
Prepaid land lease payments		—	14,374
Goodwill		**24,682**	24,682
Other assets		**260,382**	257,921
Investments in associates		**4,243,355**	4,359,615
Investment in a joint venture		**1,716,719**	1,441,411
Derivative financial instrument	16	**218,942**	244,983
Prepayments, deposits and other receivables	13	**63,320**	19,687
Deferred tax assets		**19,565**	33,217
Total non-current assets		**9,619,108**	9,510,875
CURRENT ASSETS			
Inventories	14	**440,796**	608,854
Trade receivables	15	**444,586**	559,665
Prepayments, deposits and other receivables	13	**399,276**	788,459
Financial assets at fair value through profit or loss	12	**2,190**	2,190
Derivative financial instruments	16	**354,070**	288,535
Cash and cash equivalents		**2,047,839**	1,921,169
Total current assets		**3,688,757**	4,168,872
CURRENT LIABILITIES			
Accounts payable	17	**111,326**	158,411
Tax payable		**71**	425
Accrued liabilities and other payables		**839,664**	777,416
Derivative financial instruments	16	**9,161**	23,743
Bank borrowings	18	**1,682,755**	2,006,729
Lease liabilities		**22,580**	—
Finance lease payables	19	—	2,243
Provisions		**45,605**	44,705
Total current liabilities		**2,711,162**	3,013,672
NET CURRENT ASSETS		**977,595**	1,155,200
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,596,703**	10,666,075

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,596,703**	10,666,075
NON-CURRENT LIABILITIES			
Bank and other borrowings	18	**3,900,000**	4,209,823
Lease liabilities		**86,994**	—
Finance lease payables	19	**—**	489
Provisions		**425,115**	401,745
Total non-current liabilities		**4,412,109**	4,612,057
NET ASSETS		**6,184,594**	6,054,018
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	20	**392,886**	392,886
Reserves		**5,860,556**	5,748,597
		6,253,442	6,141,483
Non-controlling interests		**(68,848)**	(87,465)
TOTAL EQUITY		**6,184,594**	6,054,018

Condensed Consolidated Statement of Changes in Equity

	Issued capital	Share premium account	Contributed surplus	Capital reserve	Exchange fluctuation reserve
At 31 December 2017 (audited) and 1 January 2018	392,886	6,852	447,661	(38,579)	158,492
Total comprehensive income/(loss) for the period	—	—	—	—	(37,410)
Distribution to shareholders	—	—	(196,443)	—	—
Share of other reserve movements of an associate	—	—	—	—	—
At 30 June 2018 (unaudited)	392,886	6,852	251,218	(38,579)	121,082
At 31 December 2018 (audited) and 1 January 2019	**392,886**	**6,852**	**251,218**	**(38,579)**	**12,246**
Total comprehensive income/(loss) for the Period	**—**	**—**	**—**	**—**	**(7,858)**
Distribution to shareholders (note 9)	**—**	**—**	**—**	**—**	**—**
Share of other reserve movements of an associate	**—**	**—**	**—**	**—**	**—**
At 30 June 2019 (unaudited)	**392,886**	**6,852** *	**251,218** *	**(38,579)** *	**4,388** *

* These reserve accounts comprise the consolidated reserves of HK$5,860,556,000 (31 December 2018: HK$5,748,597,000) 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	Cash flow hedge reserve	Share option reserve	Investment related reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
(455)	626,138	12,000	(1,047,200)	5,506,378	6,064,173	(117,223)	5,946,950
(236)	(295,025)	—	(22,799)	529,125	173,655	22,186	195,841
—	—	—	—	—	(196,443)	—	(196,443)
—	—	—	(2,823)	2,509	(314)	—	(314)
(691)	331,113	12,000	(1,072,822)	6,038,012	6,041,071	(95,037)	5,946,034
—	**385,448**	**—**	**(1,295,336)**	**6,426,748**	**6,141,483**	**(87,465)**	**6,054,018**
—	**27,159**	**—**	**5,627**	**362,051**	**386,979**	**18,617**	**405,596**
—	**—**	**—**	**—**	**(275,020)**	**(275,020)**	**—**	**(275,020)**
—	**—**	**—**	**7,605**	**(7,605)**	**—**	**—**	**—**
— *	**412,607** *	**—** *	**(1,282,104)** *	**6,506,174** *	**6,253,442**	**(68,848)**	**6,184,594**

Six months ended 30 June Unaudited HK$'000

Condensed Consolidated Statement of Cash Flows

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	**338,601**	446,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**20,822**	14,044
Dividend income from associates	**318,524**	202,314
Purchases of items of property, plant and equipment	**(109,838)**	(53,692)
Proceeds from disposal of items of property, plant and equipment	**106**	33,116
Proceeds from disposal of partial participating interest in a production sharing contract	**—**	27,565
Repayment of loans from a joint venture	**366,669**	—
Net cash flows from investing activities	**596,283**	223,347
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**487,977**	207,093
Repayment of bank borrowings	**(1,125,820)**	(442,661)
Receipt of a loan from government	**3,704**	10,599
Repayment of a loan from government	**(20,393)**	(14,904)
Principal portion of lease payment/finance lease payables	**(11,441)**	(4,897)
Interest paid	**(131,260)**	(125,169)
Net cash flows used in financing activities	**(797,233)**	(369,939)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**137,651**	299,453
Cash and cash equivalents at beginning of period	**1,921,169**	1,405,672
Effect of foreign exchange rate changes, net	**(10,981)**	(26,859)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,047,839**	1,678,266
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**599,236**	696,547
Time deposits	**1,448,603**	981,719
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**2,047,839**	1,678,266

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 (the "**Listing Rules**").

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 2018.

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 2018, except for the adoption of new and revised standards with effect from 1 January 2019 as detailed in note 2 below.

These Financial Statements were approved and authorised for issue by the Board on 26 July 2019.

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 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised HKFRSs has had no significant financial impact on these Financial Statements. The nature and impact of the HKFRS 16 are described as below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to accounts for all leases under a single on-balance sheet model. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits as at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

2. Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 Leases (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of plant and machinery, and land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the condensed consolidated statement of financial positions as at 30 June 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position. This includes the lease assets recognised previously under finance leases of HK$2,961,000 that were reclassified from property, plant and equipment at 31 December 2018.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Unaudited HK$'000

2. Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 Leases (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

Assets	
Increase in right-of-use assets	129,563
Decrease in property, plant and equipment	(2,961)
Decrease in prepaid land lease payments	(14,374)
Decrease in prepayments, deposits and other receivables	(3,746)
Increase in total assets	108,482
Liabilities	
Increase in lease liabilities	111,214
Decrease in finance lease payables	(2,732)
Increase in total liabilities	108,482

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is follows:

Operating lease commitments as at 31 December 2018	137,809
Weighted average incremental borrowing rate as at 1 January 2019	3.79%
Discounted operating lease commitments as at 1 January 2019	116,049
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	8,277
Others	1,940
Add:	
Commitments relating to leases previously classified as finance leases	2,732
Payments in optional extension periods not recognised as at 31 December 2018	2,650
Lease liabilities as at 1 January 2019	111,214

2. Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 Leases (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of four years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for a lease of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

HK$'000

2. Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 Leases (continued)

Amounts recognised in the condensed consolidated statement of financial position and condensed consolidated income statement

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the Period are as follows:

	Right-of-use assets				
	Prepaid land lease payments	Buildings	Plant and machinery	Total	Lease liabilities
As at 1 January 2019	15,556	111,046	2,961	129,563	111,214
Addition	—	—	9,745	9,745	9,745
Depreciation	(623)	(13,846)	(3,330)	(17,799)	—
Interest expense	—	—	—	—	1,848
Payments	—	—	—	—	(13,233)
As at 30 June 2019	14,933	97,200	9,376	121,509	109,574

The Group recognised rental expense from short-term leases of HK$10,311,000 for the Period.

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 3	Definition of a Business [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 17	Insurance Contracts [2]
Amendments to HKAS 1 and HKAS 8	Definition of Material [1]

1 Effective for annual periods beginning on or after 1 January 2020
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 result 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, 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, 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.

HK$'000

4. Operating Segment Information (continued)

Six months ended 30 June Unaudited	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2019					
Segment revenue:					
Sales to external customers (note 5)	**575,651**	**318,475**	**430,412**	**503,825**	**1,828,363**
Other income	**41,083**	**—**	**14,586**	**1,761**	**57,430**
	616,734	**318,475**	**444,998**	**505,586**	**1,885,793**
Segment results	**(43,415)**	**9,203**	**29,914**	**172,096**	**167,798**
Reconciliation:					
Interest income and unallocated gains					**24,089**
Unallocated expenses					**(131,262)**
Unallocated finance costs					**(151,389)**
Share of profit of:					
Associates					**194,132**
A joint venture					**277,809**
Profit before tax					**381,177**
2018					
Segment revenue:					
Sales to external customers (note 5)	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

* in respect of the coal segment

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment assets					
30 June 2019 (unaudited)	**908,981**	**618,187**	**424,905**	**2,877,560**	**4,829,633**
31 December 2018 (audited)	963,278	614,612	542,322	3,066,769	5,186,981
Segment liabilities					
30 June 2019 (unaudited)	**385,370**	**236,225**	**39,601**	**361,260**	**1,022,456**
31 December 2018 (audited)	417,086	247,110	156,504	389,212	1,209,912

Unaudited HK$'000

5. Revenue, other Income and Gains

An analysis of the Group's revenue is as follows:

	2019	2018
Revenue from contracts with customers		
Sale of goods:		
Aluminium smelting	575,651	635,191
Coal	318,475	420,924
Import and export of commodities	430,412	439,142
Crude oil	503,825	649,918
	1,828,363	2,145,175

(a) Disaggregated revenue information

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2019					
Geographical markets					
China	—	—	—	503,825	503,825
Australia	226,984	8,878	419,507	—	655,369
Europe	—	24,749	—	—	24,749
Other Asian countries	230,825	267,072	203	—	498,100
Others	117,842	17,776	10,702	—	146,320
	575,651	318,475	430,412	503,825	1,828,363
2018					
Geographical markets					
China	—	58,750	—	579,630	638,380
Australia	—	24,337	428,026	—	452,363
Europe	178,915	27,074	—	—	205,989
Other Asian countries	456,276	290,747	1,839	70,288	819,150
Others	—	20,016	9,277	—	29,293
	635,191	420,924	439,142	649,918	2,145,175

All of the Group's revenue from sale of goods was recognised at the point in time when control of the products was transferred to the customer.

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

	2019	2018
Interest income	20,892	14,829
Handling service fees	1,996	2,104
Sale of scrap	1,536	2,678
Reversal of impairment of other receivables	—	10,929
Reversal of impairment of trade receivables	12,409	—
Gain on disposal of partial participating interest in a production sharing contract	—	15,870
Insurance claims	22,815	—
Fair value gains on derivative financial instruments	17,065	—
Others	4,806	8,330
	81,519	54,740

Six months ended 30 June Unaudited HK$'000

6. Finance Costs

An analysis of finance costs is as follows:

	2019	2018
Interest expense on bank and other borrowings	**135,600**	131,525
Interest expense on lease liabilities	**1,848**	—
Interest expense on a finance lease	**—**	338
Total interest expense on financial liabilities not at fair value through profit or loss	**137,448**	131,863
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	**13,941**	893
	151,389	132,756

7. Profit Before Tax

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

	2019	2018
Depreciation of property, plant and equipment	**192,557**	224,682
Depreciation of right-of-use assets	**15,747**	—
Amortisation of other assets	**2,376**	2,392
Amortisation of prepaid land lease payments	**—**	631
Loss on disposal of items of property, plant and equipment, net	**319**	309
Provision for impairment of items of property, plant and equipment	**—**	86,814
Provision for impairment of other assets	**—**	13,026
Fair value loss on derivative financial instruments *	**—**	18,602
Exchange losses, net *	**11,080**	25,651

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

8. Income Tax Expense

	2019	2018
Current – Hong Kong	**—**	—
Current – Elsewhere		
Charge for the period	**74**	172
Underprovision/(overprovision) in prior periods	**8**	(8)
Total tax expense for the period	**82**	164

The statutory rate of Hong Kong profits tax was 16.5% (2018: 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 (2018: Nil).

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

8. Income Tax Expense (continued)

Australia: The Group's subsidiaries incorporated in Australia were subject to Australian income tax at a rate of 30% (2018: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2018: 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% (2018: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2018: 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 (2018: Nil).

The final dividend of HK 3.50 cents per ordinary share for the year ended 31 December 2018, totalling HK$275,020,000, was approved by shareholders at the annual general meeting of the Company held on 21 June 2019 and was paid on 16 July 2019.

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$362,051,000 (2018: HK$529,125,000) and the weighted average number of ordinary shares in issue during the Period, which was 7,857,727,149 (2018: 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 2018 in respect of a dilution. There were no dilutive potential ordinary shares arising from share options as (a) in respect of the Period, there was no outstanding share option throughout the Period as the share options expired during the year ended 31 December 2018; and (b) in respect of the six months ended 30 June 2018, the average share price of the Company during the six months ended 30 June 2018 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$61,352,000 (2018: HK$57,507,000) and disposed of property, plant and equipment having an aggregate carrying amount of HK$425,000 (2018: HK$3,499,000).

During the six months ended 30 June 2018, an impairment of HK$86,814,000 to certain capital works of the coal segment was provided to fully reduce their carrying amount. The impairment arose primarily due to limited prospects for recovery.

HK$'000

12. Financial Assets at Fair Value through Profit or Loss

Held for trading

	30 June 2019 Unaudited	31 December 2018 Audited
Current investments:		
Unlisted investments in Australia and China, at fair value	**2,190**	2,190

The above unlisted investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest.

13. Prepayments, Deposits and Other Receivables

	30 June 2019 Unaudited	31 December 2018 Audited
Prepayments	**50,818**	56,770
Current portion of prepaid land lease payments	**—**	1,182
Deposits and other receivables	**448,271**	786,687
	499,089	844,639
Impairment allowance	**(36,493)**	(36,493)
	462,596	808,146
Portion classified as current assets	**(399,276)**	(788,459)
Non-current portion	**63,320**	19,687

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 37) in Kazakhstan, of HK$323,178,000 (31 December 2018: HK$689,847,000), 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 33). 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 was made during the six months ended 30 June 2018.

As at 30 June 2019, none of the above assets was either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

HK$'000

14. Inventories

	30 June 2019 Unaudited	31 December 2018 Audited
Raw materials	**187,361**	190,298
Work in progress	**14,828**	14,520
Finished goods	**238,607**	404,036
	440,796	608,854

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 had 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.

In March 2018, the Group was granted access to the Remaining Copper. At the end of the six months ended 30 June 2018, 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.

In 2018, the Remaining Copper was sold.

Considering the significant uncertainty over the outcome of the Investigation and the passage of time, in 2018, the Group wrote off the full amount of the Inventories (other than the Remaining Copper) together with their associated cumulative provisions, each in aggregate of HK$715,595,000.

15. Trade Receivables

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, was as follows:

	30 June 2019 Unaudited	31 December 2018 Audited
Within one month	**209,088**	321,885
One to two months	**55,435**	88,509
Two to three months	**81,402**	63,325
Over three months	**98,661**	85,946
	444,586	559,665

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

HK$'000

16. Derivative Financial Instruments

	30 June 2019 Unaudited		31 December 2018 Audited	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	—	754	3,878	176
Forward commodity contracts	116	8,407	—	23,567
EHA2 (as defined on page 31)	572,896	—	529,640	—
	573,012	9,161	533,518	23,743
Portion classified as non-current portion:				
EHA2	(218,942)	—	(244,983)	—
Current portion	354,070	9,161	288,535	23,743

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 electricity prices.

17. Accounts Payable

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

	30 June 2019 Unaudited	31 December 2018 Audited
Within one month	111,326	158,350
One to three months	—	—
Over three months	—	61
	111,326	158,411

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

18. Bank and Other Borrowings

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
Bank borrowings – unsecured	(a)	1,682,755	2,316,552
Other borrowing – unsecured	(b)	3,900,000	3,900,000
		5,582,755	6,216,552

Notes:

(a) As at 30 June 2019, the bank borrowings included:

(i) trade finance totalling A$30,376,000 (HK$166,162,000), which was interest-bearing at the Bank Bill Swap Bid Rate (or cost of funds) plus margin; and

(ii) bank loans totalling US$194,435,000 (HK$1,516,593,000), which were interest-bearing at the London interbank offered rates ("**LIBOR**") plus margin.

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

HK$'000

18. Bank and Other Borrowings (continued)

	30 June 2019 Unaudited	31 December 2018 Audited
Bank loans repayable:		
Within one year	**1,682,755**	2,006,729
In the second year	**—**	309,823
	1,682,755	2,316,552
Other borrowing repayable:		
In the third to fifth years, inclusive	**3,900,000**	3,900,000
Total bank and other borrowings	**5,582,755**	6,216,552
Portion classified as current liabilities	**(1,682,755)**	(2,006,729)
Non-current portion	**3,900,000**	4,209,823

19. Finance Lease Payables

The Group leases certain plant and machinery for its coal mine operations, which expires in June 2021.

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

	31 December 2018 Audited
Amounts payable:	
Within one year	2,324
In the second year	367
In the third to fifth years, inclusive	149
Total minimum finance lease payments	2,840
Future finance charges	(108)
Total net finance lease payables	2,732
Portion classified as current liabilities	(2,243)
Non-current portion	489

Upon adoption of HKFRS 16 on 1 January 2019, the finance lease payables under HKAS 17 were reclassified to lease liabilities.

HK$'000

20. Share Capital

	30 June 2019 Unaudited	31 December 2018 Audited
Authorised:		
10,000,000,000 (31 December 2018: 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 2018: 7,857,727,149) ordinary shares of HK$0.05 each	**392,886**	392,886

21. Litigation and Contingent Liabilities

(a) In March 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**") (the "**Shengli Oilfield Claim**"). Pursuant to the Shengli Oilfield Claim, KEER was seeking compensation from Tincy Group of RMB29,535,000 (HK$33,543,000) 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.

In July 2017, KEER applied to the Dalian Court to increase the compensation to RMB30,928,000 (HK$35,125,000). 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.

In April 2019, KEER applied a cancellation of compensation to the Dalian Court.

(b) 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 July 2019, CITIC Seram reached a settlement agreement with KUFPEC and compensated for US$830,000 (HK$6,474,000).

HK$'000

22. 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 building falling due as follows:

	31 December 2018 Audited
Within one year	34,125
In the second to fifth years, inclusive	84,403
Beyond five years	19,281
	137,809

The Group is the lessee in respect of a number of plant and machinery, and land and buildings held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. In addition, the Group has applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application. From 1 January 2019 onwards, future lease payments (other than short-term lease payments) are recognised as lease liabilities in the condensed consolidated statement of financial position in accordance with the policies set out in the note 2 to the condensed consolidated financial statements.

23. Commitments

In addition to the operating lease commitments detailed in note 22, the Group's capital expenditure commitments were as follows:

	30 June 2019 Unaudited	31 December 2018 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**1,294,869**	1,215,515

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

	30 June 2019 Unaudited	31 December 2018 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**34,939**	19,412

HK$'000

24. 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	2019	2018
Ultimate holding company:		
Rental expenses	**1,392**	1,340
Subsidiaries of the ultimate holding company:		
Rental expense	**1,730**	1,423
Interest expense	**90,444**	76,076
Handling service fees	**1,987**	2,006
Management fee income	**1,040**	1,097
A joint venture:		
Rental income	**1,866**	2,063
Service fee income	**167**	167

The above transactions were made based on mutually agreed terms.

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

	30 June 2019 Unaudited	31 December 2018 Audited
A subsidiary of the ultimate holding company:		
Other borrowing (note 18)	**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.

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

Six months ended 30 June Unaudited	2019	2018
Salaries	**13,407**	11,529
Directors' fee	**492**	540
Housing allowances	**1,194**	934
Bonuses	**100**	650
Pension scheme contributions	**807**	825
	16,000	14,478

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

	30 June 2019 Unaudited	31 December 2018 Audited
Within one year	**3,633**	3,570
In the second to fifth years, inclusive	**10,391**	10,164
	14,024	13,734

HK$'000

25. 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 2019 Unaudited	31 December 2018 Audited	30 June 2019 Unaudited	31 December 2018 Audited
Financial assets				
Financial assets at fair value through profit or loss	**2,190**	2,190	**2,190**	2,190
Derivative financial instruments	**573,012**	533,518	**573,012**	533,518
	575,202	535,708	**575,202**	535,708
Financial liabilities				
Derivative financial instruments	**9,161**	23,743	**9,161**	23,743
Bank and other borrowings	**5,582,755**	6,216,552	**5,582,755**	6,216,552
Finance lease payables	**—**	2,732	**—**	2,732
	5,591,916	6,243,027	**5,591,916**	6,243,027

The fair values of financial assets included in prepayments, deposits and other receivables, trade 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 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 at the end of the Period was assessed to be insignificant.

(b) 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, 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, and the EHA2 were the same as their carrying amounts.

(i) The fair values of forward currency contracts, forward commodity contracts and embedded derivative in provisional pricing arrangements 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.

HK$'000

25. 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 2019 Unaudited	Range 31 December 2018 Audited	Sensitivity of fair value to the changes in inputs
EHA2 Discounted cash flow method	Electricity price (per Mwh)	**A$ 65 to A$146**	A$ 68 to A$140	1% increase (decrease) in the electricity price would result in an increase (a decrease) in fair value by HK$10,937,000 (HK$10,937,000) (31 December 2018: HK$11,683,000 (HK$11,683,000))
	Discount rate	**1.18% to 1.31%**	1.63% to 2.17%	1% increase (decrease) in the discount rate would result in a decrease (an increase) in fair value by HK$5,638,000 (HK$5,769,000) (31 December 2018: HK$5,614,000 (HK$5,757,000))

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 2019 (unaudited)				
Financial assets at fair value through profit or loss	**2,190**	**—**	**—**	**2,190**
Derivative financial instruments	**—**	**116**	**572,896**	**573,012**
	2,190	**116**	**572,896**	**575,202**
31 December 2018 (audited)				
Financial assets at fair value through profit or loss	2,190	—	—	2,190
Derivative financial instruments	—	3,878	529,640	533,518
	2,190	3,878	529,640	535,708

HK$'000

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2019 (unaudited)				
Derivative financial instruments	—	**9,161**	—	**9,161**
31 December 2018 (audited)				
Derivative financial instruments	—	23,743	—	23,743

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 (2018: Nil).

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2019 (unaudited)				
Bank and other borrowings	—	**5,582,755**	—	**5,582,755**
31 December 2018 (audited)				
Bank and other borrowings	—	6,216,552	—	6,216,552
Finance lease payables	—	2,732	—	2,732
	—	6,219,284	—	6,219,284

26. Comparative Amounts

Certain comparative amounts have been reclassified to uniform with the Period's presentation.

Business Review and Outlook

Review

Since beginning of the year, global trade and investment activities had been sluggish, growth in manufacturing industry has been weakened, growth of major economies have been diminished, and the downward pressures on the economy were prominent. As a result, the commodities prices of the Group's major business segments such as crude oil, aluminium smelting and coal suffered a year-on-year decline. Among which, the international crude oil prices were affected by the Organization of the Petroleum Exporting Countries' production cuts, declination in United States ("**US**") crude oil inventory and US sanctions on Iran, crude oil prices had been volatile upward from January to April, yet has started to decline since the end of May due to increase in tension of Sino-US trade war. Average Brent price in the first half of the year was around US$66.3 per barrel, representing a decrease when compared with the same period of last year.

Apart from the aluminium smelting segment which recorded a loss, other segments recorded profits for the Period, and in particular, the Karazhanbas oilfield (as defined on page 37) in Kazakhstan, the Yuedong oilfield (as defined on page 34) in China and Alumina Limited ("**AWC**") have significant profit contributions to the Group. Comparing with the same period of last year, performance of crude oil, coal, and aluminium smelting segments have shrunk. As a result, profits achieved during the Period decreased.

Crude oil

Facing a challenging business environment, the Group has strived to tighten its costs while steadily launched adjustment plan of development in its oilfields, and to stabilize its operating results in this segment.

During the Period, the production in the Karazhanbas oilfield remained stable. The production of Yuedong oilfield was affected by sand-attack to the old wells. In respect of the Seram Block (as defined on page 33) in Indonesia, as no new well was put into production, and natural decline occurred in existing wells, production decreased as compared with the same period of last year. The Group's overall average daily production was 48,810 barrels (100% basis) during the Period, representing a slight decrease when compared to 49,450 barrels (100% basis) for the same period of 2018.

During the Period, profits of the Karazhanbas oilfield was improved in comparing with the same period of last year. It is mainly due to increase in sales volume and depreciation of Kazakhstan Tenge ("**KZT**") against United States dollar ("**US$**") leading to reduction in costs payable which were denominated in KZT. In the Yuedong oilfield, cost increased due to increase in depreciation of wells. Thus, segment results was poorer than the same period of last year. As current concession period of the Seram Block in Indonesia is going to expire by end of the forthcoming October, cumulative crude oil inventory by the end of this Period together with crude oil to be produced prior to end of October 2019 will be sold in one go by the end of October 2019. During the Period, there had been no crude oil sold and the Seram Block recorded a loss.

Metals

During the Period, despite slashing the production costs and the increase in sales volume, decline in commodities prices led to a loss recorded in the PAS.

Due to a drop in the alumina price, the Group recorded a decrease in its share of profits using the equity method of its interest in AWC for the Period as compared with the same period of 2018.

During the Period, the average selling prices of some of the major manganese products increased year-on-year, so the operating results of CITIC Dameng Holdings Limited ("**CDH**") improved.

Coal

Due to global economic slow-down and uncertainty related to Sino-US trade negotiations, coal prices decreased in the first half of 2019 as compared with the same period of last year. In addition, due to malfunction of coal mining production equipment, both production and sales volume reduced in the Period. As a result, the coal segment results declined significantly as compared with the corresponding period of last year.

Import and export of commodities

For the Period, the Group had continued its marketing strategy to meet the ever-changing market environment and trading behaviours. Comparing with the same period of last year, revenue was slightly lower and segment results were roughly the same for the Period.

Outlook

Looking forward, the global political situation remains uncertain. However, the crude oil and commodities prices are expected to maintain at relatively stable levels. In the second half of 2019, the Group will continue to implement cost control measures to steer away from pressure on falling crude oil prices. The Group will endeavour to achieve its key production and operation targets and will strive to achieve steady profit growth. Through conducting geological studies and adjusting development plans, the Group will explore room to increase its crude oil reserves and enhance sustainable development of its existing business. At the same time, the Group will continue to look for quality investment opportunities to strengthen its business portfolio to bring better returns for our shareholders with the ongoing support from CITIC Limited.

Financial Review

Group's financial results:

HK$'000

Operating results and ratios

	Six months ended 30 June 2019 Unaudited	2018 Unaudited	Decrease
Revenue	**1,828,363**	2,145,175	(14.8%)
EBITDA [1]	**743,246**	1,015,811	(26.8%)
Adjusted EBITDA [2]	**1,113,997**	1,322,853	(15.8%)
Profit attributable to shareholders	**362,051**	529,125	(31.6%)
Adjusted EBITDA coverage ratio [3]	**5.9 times**	7.7 times	
Earnings per share (Basic) [4]	**HK 4.61 cents**	HK 6.73 cents	

Financial position and ratios

	30 June 2019 Unaudited	31 December 2018 Audited	Increase / (decrease)
Cash and cash equivalents	**2,047,839**	1,921,169	6.6%
Total assets *	**13,307,865**	13,679,747	(2.7%)
Total debt [5]	**5,582,755**	6,216,552	(10.2%)
Net debt [6]	**3,534,916**	4,295,383	(17.7%)
Equity attributable to shareholders	**6,253,442**	6,141,483	1.8%
Current ratio [7]	**1.4 times**	1.4 times	
Net debt to net total capital [8]	**36.1%**	41.2%	
Net asset value per share [9]	**HK$0.80**	HK$0.78	

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)
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
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$50,033,000, (HK$274,747,000 during the full year of 2018)

During the Period, crude oil and commodities prices had been softened. Revenue of the Group was inevitably reduced. Despite the softening in selling prices during the Period, the Group recorded a profit attributable to shareholders of HK$362.1 million. Majority of our costs were incurred in local currencies in which our businesses operated. The depreciation of KZT, Renminbi ("**RMB**") and Australian dollar ("**A$**") against US$ partially offset the impact of softened selling prices. Except the aluminium smelting segment, all of the Group's segments and investments recorded profits for the Period. Although the production capacity of the PAS had been restored to its pre-outage capacity since 4Q 2017, the slump in aluminium price led to a loss be recorded in the aluminium smelting segment during the Period.

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 2018.

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$575.7 million	(2018: HK$635.2 million)	▼	9%
Segment results	a loss of HK$ 43.4 million	(2018: a profit of HK$ 24.9 million)		N/A

  The average selling price of the segment decreased by 20%, as a result of the economic growth in China unwound by Sino-US trade war. Despite the segment had a 14% increase in sales volume, the revenue had a decrease of 9% as compared to 1H 2018. Consequently, the significant decrease in the average selling price of aluminium also had a negative impact on the segment's gross margin and results.

  The Group's aluminium smelting 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 loss of HK$2.4 million (2018: a net exchange gain of HK$6.4 million).

- In January 2017, the Group entered into a hedging agreement with several subsidiaries of AGL Energy Limited, an integrated renewable energy company listed on the Australian Securities Exchange (the "**ASX**") (Stock Code: 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 condensed consolidated statement of comprehensive income.

- In 1H 2019, an insurance claim of HK$22.8 million was received in compensating for disruptions in production capacity due to the Victorian transmission network power outage on 1 December 2016 and was recorded as "Other income and gains" in the condensed consolidated income statement.

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$318.5 million	(2018: HK$420.9 million)	▼	24%
Segment results	HK$ 9.2 million	(2018: HK$ 98.4 million)	▼	91%

  Due to global economic slowdown, uncertainty related to Sino-US trade war and malfunction of production equipment, selling price and sales volume of coal fell by 8% and 17% respectively, together with an increase in cost of sales per tonne resulting from a higher stripping ratio in 1H 2019, the segment recorded a decrease in revenue, 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 year caused a net exchange loss of HK$0.1 million (2018: HK$8.1 million).

- In June 2018, considering limited prospects for recovery, impairments of HK$86.8 million and HK$13.1 million (each before tax credit) 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 since late 2012. Notwithstanding improved market conditions in 1H 2018, 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$430.4 million	(2018: HK$439.1 million)	▼	2%
Segment results	HK$ 29.9 million	(2018: HK$ 29.5 million)	▲	1%

  Market and operating conditions remained difficult for the segment during the Period. Revenue decreased by 2% resulting from a drop of commodities prices. However, as an increase in sales volume, the segment result was comparable to 1H 2018.

  In 1H 2018, a write-up of the carrying amount of the Remaining Copper was recorded to its estimated net realisable value, 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 year caused a net exchange loss of HK$1.5 million (2018: a net exchange gain of HK$0.1 million).

- In 2014, the Chinese authorities commenced 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 had 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), respectively, were made 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 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. As at 30 June 2018, 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.

In 2H 2018, all the Remaining Copper was sold. In additions, considering the significant uncertainty over the outcome of the Investigation and the passage of time, 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, there will not be any further inherent uncertainty as to the carrying amount of the Inventories.

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

- 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, thereby reducing 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 which extends the right to explore, develop and produce petroleum from the Seram Block for a term of 20 years commencing from 1 November 2019 (the "**Amended and Restated PSC**"). The Amended and Restated PSC allows CITIC Seram to explore and exploit the Seram Block until the end of October 2039. 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 2018, in respect of the PSC, the Seram Block had estimated proved oil reserves of 0.5 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 loss of HK$20.5 million (2018: a profit of HK$44.9 million). The following table shows a comparison of the performance of the Seram Block for the periods stated:

		1H 2019 (41%)	1H 2018 (41%)	Change
Average benchmark Mean of Platts Singapore (MOPS): Platts HSFO 180 CST Singapore	(US$ per barrel)	**64.6**	63.3	▲ 2%
Average crude oil realised price	(US$ per barrel)	—	64.7	▼ 100%
Sales volume	(barrels)	—	139,000	▼ 100%
Revenue	(HK$ million)	—	70.3	▼ 100%
Total production	(barrels)	**123,000**	137,000	▼ 10%
Daily production	(barrels)	**682**	760	▼ 10%

During the Period, there has been no crude oil sold due to the expected sale of all inventories before the end of PSC, taking into account cost of sales and inventory levels.

Production decreased by 10% due to the continuing natural decline of existing wells and no new development wells had been drilled in the Seram Block since 2016.

- CITIC Seram planned to recommence development drilling in Oseil area and reactivate exploration activities in Lofin area after the commencement of the Amended and Restated PSC by November of 2019.

- A tax regulation in Indonesia, effective in 1H 2015, limited 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 for the year ended 31 December 2015.

  Following an amendment to this tax regulation in October 2016, VAT reimbursements are claimed after each delivery of the first tranche production to the government. For 1H 2018, a reversal of impairment of other receivables of HK$10.9 million was credited to "Other income and gains" in the condensed consolidated income statement.

- For 1H 2018, 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 participating interest of HK$15.9 million was recorded during 1H 2018 and credited to "Other income and gains" in the condensed consolidated income statement.

- In August 2017, KUFPEC, which owned a 30% participating interest in the PSC at that time, filed a claim in 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 July 2019, CITIC Seram reached a settlement agreement with KUFPEC and compensated for US$0.83 million (HK$6.5 million). The court case was closed.

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.

  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 2018, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 31.7 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$192.6 million (2018: HK$260.4 million), being a 26% decrease. The following table shows a comparison of the performance of the Yuedong oilfield for the periods stated:

		1H 2019	1H 2018 (Tincy Group's share)	Change
Average benchmark quote:				
Platts Dubai crude oil	(US$ per barrel)	**65.3**	67.9	▼ 4%
Average crude oil realised price	(US$ per barrel)	**65.5**	68.0	▼ 4%
Sales volume	(barrels)	**983,000**	1,087,000	▼ 10%
Revenue	(HK$ million)	**503.8**	579.6	▼ 13%
Total production	(barrels)	**1,011,000**	1,074,000	▼ 6%
Daily production	(barrels)	**5,590**	5,940	▼ 6%

A 13% decrease in revenue during the Period was a result of a 4% decrease in the average crude oil realised price coupled with a 10% decrease in sales volume filtered from decrease in production when compared to 1H 2018. Production decreased by 6% as compared to 1H 2018 mainly due to increase in sand-attack to old wells in the Yuedong oilfield. Most of the wells being attacked by sand had been treated.

- Cost of sales per barrel increased by 7% as compared to 1H 2018 was mainly due to depreciation, depletion and amortisation per barrel increased by 15% as a result of a downward revision of estimated proved developed oil reserves by the end of 2018. Devaluation of RMB, the functional currency of Tincy Group, against Hong Kong dollar by 6% during the Period, partially offsetted the increase in cost.

- Despite current cost control program, Tincy Group will continue to carry out necessary repairs and maintenance works to maintain production level of existing wells at the Yuedong oilfield. Since 2015, Tincy Group has been utilizing thermal recovery on a more extensive scale at the Yuedong oilfield. It will also endeavour in promoting application of new technologies to improve productivity of the Yuedong oilfield and plans to add new wells under a managed drilling program.

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

- In March 2017, KEER commenced the Shengli Oilfield Claim. Pursuant to the Shengli Oilfield Claim, KEER was seeking compensation from Tincy Group of RMB29.5 million (HK$33.5 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$35.1 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.

  In April 2019, KEER applied a cancellation of compensation to the Dalian Court. The court case was closed.

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, principally engaged in (a) manganese mining, ore processing and manganese downstream processing operations in China; (b) manganese mining and ore processing operations in Gabon, West Africa; and (c) trading of manganese products at various stages of the production chain.

  CDH owns a 29.99% interest in Greenway Mining Group Limited (formerly known as "China Polymetallic Mining Limited"), 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.

- The Group accounts for its share of profit or loss in CDH using the equity method.

Share of profit of an associate	HK$29.6 million	(2018: HK$31.2 million)	▼	5%

  The Group recorded a slight decrease in share of profit for the Period with respect to its interest in CDH. For the Period, CDH recorded an increase in profit from its manganese operations, due to an increase in average selling prices of some of the major manganese products. In 1H 2018, CDH recorded a relocation compensation from the local government in China.

  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 is treated as an associate of the Group.

  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.

- The Group accounts for its share of profit or loss in AWC using the equity method.

Share of profit of an associate	HK$164.5 million	(2018: HK$183.3 million)	▼	10%

  The Group recorded a share of profit for the Period in respect of its interest in AWC. For the Period, the Group recorded a drop in share of profit of AWC as a result of decrease in average selling price of alumina.

  During the Period, the Group received a dividend of HK$306.7 million (1H 2018: HK$202.3 million) from 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 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 2018, the Karazhanbas oilfield had estimated proved oil reserves of 194.7 million barrels as determined in accordance with the standards of the PRMS.

- The Group accounts for its share of profit or loss in CCEL using the equity method.

  Share of profit of a joint venture HK$277.8 million (2018: HK$254.1 million) ▲ 9%

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

		1H 2019 (50%)	1H 2018 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**66.0**	69.1	▼ 4%
Dated Brent crude oil	(US$ per barrel)	**66.3**	70.8	▼ 6%
Average crude oil realised price	(US$ per barrel)	**62.9**	67.5	▼ 7%
Sales volume	(barrels)	**3,638,000**	3,410,000	▲ 7%
Revenue	(HK$ million)	**1,785.7**	1,795.2	▼ 1%
Total production	(barrels)	**3,586,000**	3,581,000	▲ 0%
Daily production	(barrels)	**19,800**	19,800	▲ 0%

  Although sales volume increased by 7%, CCEL recorded a 1% decrease in revenue when compared to 1H 2018 as a result of a 7% decrease in the average crude oil realised price. Production was comparable to 1H 2018.

  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 rates of export duty and rent tax are 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 decreased by 4% as compared to 1H 2018, of which (a) direct operating costs per barrel decreased by 8% mainly due to a 14% devaluation of KZT, the functional currency of KBM, which had a favourable impact on the costs payable by KBM in KZT; and (b) depreciation, depletion and amortisation per barrel increased by 6% as a result of a write-back of a prior year provision for impairment in respect of certain oil and gas properties of KBM in 2018.

Selling and distribution costs per barrel decreased by 11% as compared to 1H 2018. 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 decreased by 9% and 12%, respectively, in line with decreases in average oil prices.

Liquidity, Financial Resources and Capital Structure

Cash

As at 30 June 2019, the Group's cash and cash equivalents stood at HK$2,047.8 million, compared with HK$1,921.2 million as at 31 December 2018.

During the Period, prepayments were made under the A Loan (as defined below), totalling US$62 million (HK$483.6 million).

Borrowings

As at 30 June 2019, the Group had total debt of HK$5,582.8 million, which comprised:

- unsecured bank borrowings of HK$1,682.8 million; and
- unsecured other borrowing of HK$3,900.0 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. During the Period, the A Loan was partially prepaid in the amount of US$62 million (HK$483.6 million). As at 30 June 2019, the outstanding balance was US$155 million (HK$1,209 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. As at 30 June 2019, the outstanding balance 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. As at 30 June 2019, the outstanding balance was US$500 million.

Further details of the bank and other borrowings are set out in note 18 to these Financial Statements.

As at 30 June 2019, the Group's net debt to net total capital was 36.1% (31 December 2018: 41.2%). Of the Group's total debt, HK$1,682.8 million was repayable within one year, including the A Loan, B Loan and trade finance.

Share capital

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

Financial risk management

The Group's diversified business is exposed to a variety of risks, such as market risks (including foreign currency risk, price risk, interest rate risk and inflation risk), credit risk and liquidity risk. The management of such risks is dictated by a set of internal policies and procedures designed to minimise potential adverse effects to the Group. The policies and procedures have proved effective.

The Group enters into derivative transactions, including principally forward currency contracts, forward commodity contracts, interest rate swap contracts, 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 2019, the Group had around 308 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 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 2019, 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. Sun Yang	Directly beneficially owned	4,000	—	—
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
Mr. Gao Pei Ji	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

Save as disclosed herein and so far as is known to the directors, as at 30 June 2019, 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, granted under the Old Scheme have been lapsed.

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.

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

As at 30 June 2019, 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 Fortune Class Investments Limited ("**Fortune Class**"). Fortune Class 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. Fortune Class, 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**"). 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 41) and so far as is known to the directors, as at 30 June 2019, 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 2018 annual report of the Company, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On 18 April 2019, Mr. Chan was appointed a member of the board of commissioners of PT Lippo Karawaci Tbk, a real estate company listed on Indonesia Stock Exchange.

Review of Accounts

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

On behalf of the Board
Sun Yufeng
Chairman

Hong Kong, 26 July 2019

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