CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
Website: www.citicresources.com
(Stock Code: 1205)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

Financial Results

The board of directors (the "Board") of CITIC Resources Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 (the "Period").

Condensed Consolidated Income Statement

Unaudited
HK$'000

	Notes	**Six months ended 30 June** **2006**	2005
REVENUE		**3,097,992**	3,067,250
Cost of sales		**(2,795,951)**	(2,824,989)
Gross profit		**302,041**	242,261
Other income and gains, net	4	**86,543**	51,363
Selling and distribution costs		**(25,383)**	(20,919)
Administrative expenses		**(81,828)**	(49,488)
Other operating expenses, net		**(15,652)**	(17,286)
Finance costs		**(62,260)**	(47,993)
PROFIT BEFORE TAX	5	**203,461**	157,938
Tax	6	**(51,458)**	(57,894)
PROFIT FOR THE PERIOD		**152,003**	100,044
ATTRIBUTABLE TO:			
Shareholders of the Company		**121,236**	93,451
Minority interests		**30,767**	6,593
		152,003	100,044
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	7		
Basic		**HK 2.81 cents**	HK 2.16 cents
Diluted		**HK 2.78 cents**	N/A
DIVIDEND PER SHARE	8	**NIL**	NIL

Condensed Consolidated Balance Sheet

HK$'000

	30 June 2006 Unaudited	31 December 2005 Audited
NON-CURRENT ASSETS		
Property, plant and equipment	**1,667,106**	1,170,614
Other assets	**551,395**	573,878
Goodwill	**325,586**	341,512
Available-for-sale equity investments	**722,295**	657,035
Deferred tax assets	**4,010**	11,188
Prepayments, deposits and other receivables	**65,602**	326,486
Total non-current assets	**3,335,994**	3,080,713
CURRENT ASSETS		
Inventories	**963,362**	656,138
Accounts receivable	**853,327**	395,749
Prepayments, deposits and other receivables	**174,764**	29,185
Equity investments at fair value through profit or loss	**1,854**	1,830
Derivative financial instruments	**16,157**	12,356
Other assets	**87,892**	58,365
Cash and bank balances	**1,779,188**	1,519,595
	3,876,544	2,673,218
Assets of a disposal group classified as held for sale	**–**	266,096
Total current assets	**3,876,544**	2,939,314
CURRENT LIABILITIES		
Accounts payable	**283,139**	186,288
Tax payable	**94,651**	71,709
Accrued liabilities and other payables	**419,345**	51,153
Due to a minority equity holder	**252,898**	–
Derivative financial instruments	**272,942**	203,541
Bank and other loans	**1,010,630**	858,393
Provisions	**31,910**	33,229
	2,365,515	1,404,313
Liabilities of a disposal group classified as held for sale	**–**	33,072
Total current liabilities	**2,365,515**	1,437,385
NET CURRENT ASSETS	**1,511,029**	1,501,929
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,847,023**	4,582,642
NON-CURRENT LIABILITIES		
Bank and other loans	**1,021,786**	1,047,223
Deferred tax liabilities	**426,066**	470,985
Derivative financial instruments	**18,956**	11,016
Provisions	**89,783**	86,011
Total non-current liabilities	**1,556,591**	1,615,235
Net assets	**3,290,432**	2,967,407
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	**215,844**	215,844
Reserves	**2,825,782**	2,725,929
	3,041,626	2,941,773
Minority interests	**248,806**	25,634
Total equity	**3,290,432**	2,967,407

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations 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 unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's financial statements as at 31 December 2005.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with the Group's financial statements as at 31 December 2005.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs (which also include HKASs and Interpretations) which are generally effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2006 which are pertinent to its operations and relevant to these unaudited condensed consolidated interim financial statements.

HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

There was no material impact on the basis of preparation of these unaudited condensed consolidated interim financial statements arising from the above-mentioned accounting standards.

3. SEGMENT INFORMATION

Segment information is presented by way of business segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the aluminium smelting segment comprises the operation of the Portland Aluminium Smelter which sources alumina and produces aluminium ingots in Australia;

(b) the coal segment comprises the operation of coal mining and the sale of coal;

(c) the import and export of commodities segment represents the export of various commodity products such as alumina, aluminium ingots and iron ore and the import of other commodities and manufactured goods such as vehicle and industrial batteries, tyres, alloy wheels and various metals such as steel and aluminium extrusion products;

(d) the manganese segment comprises the operation of manganese mining operated by CITIC Dameng Mining Industries Limited (a non-wholly-owned subsidiary of the Company) and the sale of refined manganese products; and

(e) the crude oil segment comprises the operation of the oilfield and the sale of crude oil.

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue and profit/(loss) for the Group's business segments for the six months ended 30 June 2006 and 2005.

Six months ended 30 June 2006 **Unaudited** **HK$'000**	**Aluminium smelting**	**Coal**	**Import and export of commodities**	**Manganese**	**Crude oil**	**Consolidated**
Segment revenue:						
Sales to external customers	**776,643**	**139,813**	**2,038,540**	**129,392**	**13,604**	**3,097,992**
Other income, net	**21,825**	**39,379**	**2,607**	**30,885**	**5,235**	**99,931**
	798,468	**179,192**	**2,041,147**	**160,277**	**18,839**	**3,197,923**
Segment results	**101,860**	**95,268**	**75,661**	**45,205**	**(12,419)**	**305,575**
Interest income and unallocated losses, net						**(13,388)**
Unallocated expenses						**(26,466)**
Profit from operating activities						**265,721**
Finance costs	**(17,767)**	**(395)**	**(26,661)**	**(2,491)**	**–**	**(47,314)**
Unallocated finance costs						**(14,946)**
Profit before tax						**203,461**
Tax						**(51,458)**
Profit for the Period						**152,003**

Six months ended 30 June 2005 **Unaudited** **HK$'000**	**Aluminium smelting**	**Coal**	**Import and export of commodities**	**Manganese**	**Crude oil**	**Consolidated**
Segment revenue:						
Sales to external customers	624,406	115,587	2,300,018	–	27,239	3,067,250
Other income, net	9,701	8,002	–	–	–	17,703
	634,107	123,589	2,300,018	–	27,239	3,084,953
Segment results	99,007	40,128	54,352	–	4,580	198,067
Interest income and unallocated gains, net						33,660
Unallocated expenses						(25,796)
Profit from operating activities						205,931
Finance costs	(15,024)	(631)	(23,216)	–	–	(38,871)
Unallocated finance costs						(9,122)
Profit before tax						157,938
Tax						(57,894)
Profit for the period						100,044

4. OTHER INCOME AND GAINS, NET

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

	2006 **HK$'000**	2005 HK$'000
Interest income	**52,622**	32,762
Handling service fee	**33,505**	365
Dividend income from listed investments	**39,363**	8,002
Gain on disposal of listed investments	**5,235**	–
Fair value gain/(loss) on derivative instruments, net	**(66,439)**	9,701
Sale of scraps	**4,857**	477
Others	**17,400**	56
	86,543	51,363

5. **PROFIT BEFORE TAX**

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

	2006	2005
	HK$'000	HK$'000
Depreciation	**31,529**	34,723
Amortisation of the Electricity Supply Agreement	**29,563**	30,375
Amortisation of other assets	**2,099**	–
Equity-settled share option expenses	**16,150**	–
Professional fees incurred in relation to an aborted investment project *	**5,189**	–
Loss on disposal/write-off of items of property, plant and equipment *	**159**	140
Exchange losses, net *	**7,160**	9,554

* These amounts are included in "Other operating expenses, net" on the face of the unaudited condensed consolidated income statement.

6. **TAX**

	2006	2005
	HK$'000	HK$'000
Current:		
Hong Kong	–	–
Elsewhere	**51,458**	46,313
	51,458	46,313
Deferred	–	11,581
Total tax charge for the Period	**51,458**	57,894

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (June 2005: Nil). The statutory tax rate of Hong Kong profits tax is 17.5% (June 2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Provision for Australian income tax has been made at the statutory rate of 30% (June 2005: 30%) on the estimated assessable profits arising in Australia during the Period.

For the Period, the tax rate applicable to the subsidiaries established and operating in the People's Republic of China (the "PRC") is 33% (June 2005: 33%). The new manganese subsidiary in the PRC is exempt from income tax for two years starting from its first profitable year of operations and is entitled to 50% relief from income tax for the following three years under the corporate income tax law of the PRC.

7. **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY**

The calculation of the basic earnings per share is based on the consolidated net profit attributable to shareholders of the Company for the Period of HK$121,236,000 (June 2005: HK$93,451,000) and the weighted average of 4,316,884,381 (June 2005: 4,316,884,381) ordinary shares in issue during the Period.

The calculation of the diluted earnings per share is based on the consolidated net profit attributable to shareholders of the Company for the Period of HK$121,236,000 and the weighted average of 4,316,884,381 ordinary shares in issue during the Period plus the weighted average of 45,303,448 ordinary shares deemed to have been issued at no consideration if all outstanding options had been exercised.

A diluted earnings per share amount for the six months ended 30 June 2005 had not been presented because no dilutive events existed during that period.

8. **DIVIDEND**

The Board resolved not to pay an interim dividend for the Period (June 2005: Nil).

Business Review and Outlook

The Company's implementation of its strategy as an integrated provider of key energy resources and commodities has progressed steadily in 2005 and brought about improvements to the Group's financial performance for the second year since turning a profit in 2004.

Moving into 2006, the Group now has manganese interests, in addition to aluminium smelting, coal, import and export of commodities businesses and interests. These interests together have been the principal contributors and formed the basis for the encouraging results of the Group in the 1H of 2006. The global demand for energy resources and commodities remains strong.

While the Group continues to strengthen its existing businesses organically, it has also continued with its efforts to explore appropriate key energy resources and commodities investment opportunities both inside and outside the PRC to further enhance the Group's value and maximize shareholder value. Energy resources remain a particular focus for the Group.

In August 2005, the Company agreed to establish a joint venture to manage and operate the largest manganese mines in the PRC and one of the largest manufacturers and suppliers of manganese products in the world. The transaction was completed at the end of the 1Q of 2006 and the new non-wholly-owned subsidiary is contributing to the Group's profitability.

The Group was not able to complete the formation of a joint venture with Chevron to develop a regional network of Caltex branded service stations in Southern China, owing to the complexities relating to associated regulatory requirements and the transaction lapsed towards the end of the 1H of 2006.

Following Mr. Shou Xuancheng's appointment to the Company as a Vice Chairman and an executive director, the Company has established a team of personnel who have significant petroleum expertise and technical know-how. Mr. Shou himself brings to the Group considerable experience in the oil and gas industry. In July 2006, the Company agreed to acquire from KUFPEC (Indonesia) Limited ("KUFPEC") a 51% participating interest in the production sharing contract relating to an oilfield in the Seram Island Non-Bula Block, Indonesia. The transaction is expected to complete in October 2006.

Whilst global competition for energy resources and commodities is strong and represents a challenge for the Group, the Board remains confident that the Group is positively positioned to continue with the implementation of its business strategy, with particular focus in energy resources.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2006, the Group had a strong cash balance of HK$1,779.2 million.

As at 30 June 2006, the Group had outstanding borrowings of HK$2,032.4 million, which comprised secured bank loans of HK$673.6 million, unsecured bank loans of HK$912.2 million and unsecured other loans of HK$446.6 million. The secured bank loans were secured by the Group's 22.5% interest in the Portland Aluminium Smelter joint venture and the fixed assets of Guangxi Start Manganese Material Co., Ltd. The bank trade finance facilities available to CITIC Australia Trading Limited ("CATL") are guaranteed by CITIC Resources Australia Pty Limited ("CRA").

Most transactions of CATL are debt funded, which means CATL is highly geared. However, in contrast to term loans, CATL's borrowings are transaction specific and of short duration, matching the term of the underlying trade. When sales proceeds are received at the completion of a transaction, the related borrowings are repaid accordingly.

As at 30 June 2006, though there was an increase in the Group's total outstanding borrowings caused by the growth of the business, the gearing ratio of the Group was 40.1%, remaining at the same level as of 31 December 2005. Of the total outstanding borrowings, HK$1,010.6 million was repayable within one year. There was no adverse change to the financial position of the Group.

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

The Group enters into derivative transactions, including principally interest rate swaps, forward currency and commodity contracts. The purpose of these transactions is to manage the interest rate, currency and commodity price risks arising from the Group's operations and its sources of finance.

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 and there will be no adverse change to its financial position.

Employees and Remuneration Policies

As at 30 June 2006, the Group had around 2,400 full time employees, including management and administrative staff. Most of the employees are employed in the PRC and Australia while the remainder are employed in Hong Kong.

The employees' remuneration, promotion and salary increment are assessed based on an individual's performance, professional and working experience and by reference to prevailing market practice and standards. Rent-free quarters are provided to the Group's PRC employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group also operates a defined contribution retirement benefits scheme (the "RB Scheme") under the superannuation legislation of the Australian government for those employees in Australia who are eligible to participate.

Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme and the RB Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions as an employer vest fully with the employees when contributed into the MPF Scheme and the RB Scheme.

The Company and CATL operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Purchase, Sale and Redemption of Shares

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

Related Party Transactions and Connected Transactions

In addition to matters disclosed elsewhere in these unaudited condensed consolidated interim financial statements, during the Period, the Group had the following transactions with its related parties:

(a) On 31 March 2004, CRA entered into two lease agreements with 99 King Street Property Management Pty Limited, a wholly-owned subsidiary of CITIC Australia Pty Limited ("CA"), with respect to certain office and car parking lease arrangements. Pursuant to these arrangements, CRA took possession of leased office premises and car parking spaces and assumed the obligations stipulated in the related tenancy agreements (the "Leases") entered by CA. Subject to renewal, the Leases will expire on 30 September 2006.

(b) During the Period, the Group made sales in the aggregate amount of HK$529,082,000 (June 2005: HK$542,337,000) to a fellow subsidiary, CITIC Metal Company Limited. The sales were made on normal commercial terms and conditions offered to the major customers of the Group.

    As at 30 June 2006, included in the Group's total accounts receivable is an amount due from CITIC Metal Company Limited of HK$154,946,000 (31 December 2005: HK$18,313,000), which is repayable on similar credit terms to those offered to other customers of the Group.

(c) To facilitate the continued operation of manganese mining and processing prior to the completion of the set up of CITIC Dameng Mining Industries Limited (the "Manganese Company"), the Manganese Company entered into a management agreement with Guangxi Dameng Manganese Industry Co., Ltd. ("Guangxi Dameng") to handle the daily management and operation of the Manganese Company for the period from September 2005 to March 2006. During such period, Guangxi Damang held all the assets, benefits and profits from the operation for the benefit and account of the Manganese Company. An income of HK$30,885,000 was distributed by Guangxi Dameng to the Manganese Company during such period.

    In April 2006, the Manganese Company entered into an another agreement with Guangxi Dameng engaging Guangxi Dameng to act as its invoicing agent for the purpose of carrying out sales of products overseas for the period from April 2006 to June 2006.

Post Balance Sheet Event

In July 2006, the Group, through CITIC Seram Energy Limited ("CITIC Seram"), agreed to acquire from KUFPEC a 51% participating interest in the benefits, rights and obligations of the contractor in the production sharing contract relating to an oilfield in the Seram Island Non-Bula Block, Indonesia for a purchase price of US$97.4 million (HK$759.7 million), subject to adjustment. A cash deposit of US$5.0 million (HK$39.0 million) has been paid by CITIC Seram and the balance will be paid in cash at completion. The transaction is expected to complete in October 2006.

Code on Corporate Governance Practices

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") and the Rules on the Corporate Governance Report as set out respectively in Appendix 14 and 23 to the Listing Rules as its own code on corporate governance practices. During the Period, the Company has met with the provisions of the CG Code except for the deviations in respect of the service term pursuant to paragraphs A.4.1 and A.4.2 of the CG Code.

Pursuant to paragraph A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term. However, pursuant to the Company's bye-laws, one-third of all directors (whether executive or non-executive) are subject to retirement by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Pursuant to paragraph A.4.2 of the CG Code, all directors appointed by the Board to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, pursuant to the Company's bye-laws, any director so appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting. To comply with the provision of A.4.2 of the CG Code, subsequent to the publication of the Corporate Governance Report in the 2005 annual report and at the annual general meeting held on 26 June 2006, a special resolution was passed to amend the bye-laws of the Company to the effect that any director so appointed by the Board shall hold office only until the next following general meeting of the Company or until the next following annual general meeting of the Company, whichever shall be the earlier, and such director shall be eligible for re-election at that meeting.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the Period.

Review of Accounts

The audit committee has reviewed the unaudited consolidated interim results for the Period with the management of the Company.

On behalf of the Board
Kwok Peter Viem
Chairman

Hong Kong, 22 September 2006

As of the date of this announcement, the executive directors of the Company are Mr. Kwok Peter Viem; Mr. Ma Ting Hung; Mr. Shou Xuancheng; Mr. Sun Xinguo; Ms. Li So Mui; Mr. Mi Zengxin; Mr. Qiu Yiyong; Mr. Zeng Chen and Mr. Zhang Jijing and the independent non-executive directors are Mr. Fan Ren Da, Anthony; Mr Ngai Man and Mr. Tsang Link Carl, Brian.

Please also refer to the published version of this announcement in The Standard.