THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of each of the Rights Issue Documents (as defined herein), having attached thereto the documents specified in the paragraph headed "Documents registered with the registrars of companies" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong and have been delivered to the Registrar of Companies in Bermuda for filing as required by the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the Shares (as defined herein) and the Rights Shares (as defined herein) in their nil-paid and fully-paid forms may be settled through CCASS (as defined herein) operated by HKSCC (as defined herein) and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. **If you have sold or transferred** all or part of your Shares, you should at once hand the Rights Issue Documents to the purchaser or bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser. Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein), as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

RIGHTS ISSUE OF 788,682,657 RIGHTS SHARES AT HK$3.20 EACH ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWENTY (20) SHARES HELD ON THE RECORD DATE

Underwriters to the Rights Issue

Keentech Group Limited
(subsidiary of CITIC Group)

Ellington Investments Pte. Ltd.
(subsidiary of Temasek Holdings (Private) Limited)

Financial adviser to the Company

Morgan Stanley

Morgan Stanley Asia Limited

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 7 July 2008. The procedure for acceptance and transfer of the Rights Shares is set out on pages 12 and 13 of this Prospectus.

The Underwriting Agreement (as defined herein) in respect of the Rights Issue (as defined herein) contains provisions entitling the Underwriters (as defined herein) by giving notice to the Company (as defined herein) to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 6 and 7 of this Prospectus. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

It should be noted that the Shares have been dealt with on an ex-rights basis since Thursday, 12 June 2008 and that the Rights Shares are expected to be dealt with in their nil-paid form from Tuesday, 24 June 2008 to Wednesday, 2 July 2008 (both days inclusive). Any dealings in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are required to be fulfilled (which is expected to be Wednesday, 16 July 2008), or any dealings in the Rights Shares in their nil-paid form between Tuesday, 24 June 2008 and Wednesday, 2 July 2008 (both days inclusive) are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders (as defined herein) and potential investors in the Company should therefore exercise caution when dealing in the Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.

20 June 2008

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Unless the context otherwise requires, the following terms and expressions used in this Prospectus shall have the following meanings:

"Acceptance Date"	7 July 2008, being the last day for acceptance of and payment for the Rights Shares, or such other date as the Company and the Underwriters may agree in writing
"Announcement"	the announcement of the Company dated 30 May 2008 in relation to the Rights Issue
"associates"	shall have the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday or public holiday or a day on which either a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal is or remains hoisted between 9:00 a.m. and 4:00 p.m.) on which banks are open in Hong Kong for general commercial business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CITIC Group"	CITIC Group, a state-owned enterprise incorporated in the PRC
"Companies Ordinance"	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	CITIC Resources Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
"Directors"	the directors of the Company (other than Mr. Ngai Man)
"Ellington"	Ellington Investments Pte. Ltd., a company incorporated in Singapore, which holds directly 3.84% of the issued share capital of the Company
"Excluded Shareholder(s)"	Overseas Shareholder(s) where the Board, after taking appropriate legal advice in the relevant jurisdiction, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction

"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Keentech"	Keentech Group Limited, a company incorporated in the British Virgin Islands, which holds directly 37.85% of the issued share capital of the Company
"Last Trading Day"	30 May 2008, being the last trading day of the Shares on the Stock Exchange prior to the Announcement
"Latest Practicable Date"	13 June 2008, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Overseas Shareholders"	Shareholder(s) whose name(s) appears on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
"Posting Date"	20 June 2008 or such other date as the Company and the Underwriters may agree in writing for the despatch of the Rights Issue Documents
"PRC"	the People's Republic of China
"Prospectus"	this prospectus, issued by the Company in relation to the Rights Issue
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appears on the register of members of the Company as at the close of business on the Record Date and who is/are not an Excluded Shareholder(s)
"Record Date"	19 June 2008, the record date to determine entitlements to the Rights Issue
"Registrar"	the branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

"Rights Issue"	the issue of 788,682,657 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every twenty (20) existing Shares held as at the close of business on the Record Date payable in full on acceptance
"Rights Issue Documents"	this Prospectus, the provisional allotment letters relating to the Rights Issue and the forms of application for excess Rights Shares
"Rights Share(s)"	new Share(s) to be allotted and issued in respect of the Rights Issue
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted by the Company on 30 June 2004
"Share Optionholders"	holders of outstanding Share Options
"Share Options"	options issued under the terms of the Share Option Scheme which entitle the holder thereof to subscribe for new Shares
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$3.20 per Rights Share
"subsidiary"	has the meaning ascribed to it in the Listing Rules
"Temasek Holdings"	Temasek Holdings (Private) Limited, a company incorporated in Singapore
"Underwriters"	Keentech and Ellington
"Underwriting Agreement"	the underwriting agreement dated 30 May 2008 entered into between the Company and the Underwriters in relation to the Rights Issue
"Underwritten Shares"	all of the Rights Shares which are fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement

"A$"	Australian dollars, the lawful currency of Australia
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"Tenge"	Tenge, the lawful currency of Kazakhstan
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this Prospectus, amounts in A$, RMB, Tenge and US$ have been converted into HK$ or vice versa at the rates of A$1 = HK$7.283, RMB1 = HK$1.1111, Tenge 1 = HK$0.0647313 and US$1 = HK$7.8 respectively for illustration purposes only. No representation is made that any amounts in A$, HK$, RMB, Tenge or US$ have been or could have been or can be converted at the above rates or at any other rates or at all.

EXPECTED TIMETABLE

First day of dealings in nil-paid Rights Shares .... Tuesday, 24 June 2008

Latest time for splitting nil-paid Rights Shares ....4:30 p.m. on Thursday, 26 June 2008

Last day of dealings in nil-paid Rights Shares .... Wednesday, 2 July 2008

Latest time for acceptance of and payment for
the Rights Shares and
application for excess Rights Shares .... 4:00 p.m. on Monday, 7 July 2008

Latest time for termination of
the Underwriting Agreement by the Underwriters .... 5:00 p.m. on Thursday, 10 July 2008

Announcement of results of the Rights Issue
to be published on the respective websites of
the Stock Exchange and the Company .... Monday, 14 July 2008

Refund cheques in respect of wholly or partially
unsuccessful applications for excess Rights Shares
expected to be posted on or about .... Tuesday, 15 July 2008

Certificates for the Rights Shares
expected to be despatched on or about .... Tuesday, 15 July 2008

Dealings in fully-paid Rights Shares commence .... Thursday, 17 July 2008

Notes:

(i) All references to times and dates in this Prospectus refer to Hong Kong times and dates.

(ii) Dates or deadlines specified in this Prospectus for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published by way of announcements or otherwise notified to Shareholders.

(iii) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal:

(a) in force in Hong Kong at any time before 12:00 noon but no longer in force after 12:00 noon on the Acceptance Date, the latest time for acceptance of and payment for the Rights Issue will be extended to 5:00 p.m. on the same date; or

(b) in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on the Acceptance Date, the latest time for acceptance of and payment for the Rights Issue will be postponed to 4:00 p.m. on the next following Business Day.

If the latest time for acceptance of and payment for the Rights Issue is postponed in accordance with the above paragraphs, the dates mentioned in this section may be affected. In such event, an announcement will be made by the Company as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

Under the Underwriting Agreement, if at any time prior to 5:00 p.m. on the third Business Day after the Acceptance Date:

(a) there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any change or prospective change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore, Bermuda or any other place in which any member of the Group conducts or carries on business; or

(ii) any change or prospective change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions, for this purpose but without limiting the generality of the foregoing a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America shall be an event resulting or likely to result in a change in currency conditions; or

(iii) any change or prospective change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or

(iv) any material change in the business or in the financial or trading position or prospects of the Group; or

(v) any act of God, war, riot, public disorder, any outbreak or escalation of hostilities, declaration of emergency, calamity, crisis, epidemic, terrorism or any event or a series of events beyond the control of the Underwriters; or

(vi) any suspension in the trading of the Shares on the Stock Exchange; or

(vii) any litigation against any member of the Group by a third party; or

(viii) any moratorium on commercial banking activities having been declared by the PRC, Hong Kong or Singapore authorities,

which, in the reasonable opinion of the Underwriters:

(x) is likely to have a material adverse effect on the Company or the Group or the Rights Issue; or

(y) is likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or

(z) is so material as to make it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or

(b) there comes to the notice of the Underwriters:

(i) any matter or event showing any of the representations and warranties or any undertakings of the Company under the Underwriting Agreement to be untrue or misleading or as having been breached in any respect; or

(ii) any change or development involving a prospective change in Hong Kong taxation or exchange control which will or may materially and adversely affect the Group or a material proportion of the existing Shareholders in their capacity as such,

then and in any such case the Underwriters may (but shall not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

In the event the Underwriters exercise their rights to terminate the Underwriting Agreement, the Underwriting Agreement shall, save in respect of certain provisions therein, terminate and the obligations of the Company and the Underwriters shall cease and be null and void and none of the Company and the Underwriters shall, save in respect of certain provisions and any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the other arising out of or in connection with the Underwriting Agreement.

CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 1205)

Executive Directors:
Mr. KONG Dan *(Chairman)*
Mr. MI Zengxin *(Vice Chairman)*
Mr. SHOU Xuancheng *(Vice Chairman)*
Mr. SUN Xinguo *(President and Chief Executive Officer)*
Ms. LI So Mui
Mr. QIU Yiyong
Mr. ZENG Chen
Mr. ZHANG Jijing

Non-executive Directors:
Mr. MA Ting Hung
Mr. WONG Kim Yin
Ms. YAP Chwee Mein (Alternate to Mr. WONG Kim Yin)

Independent Non-executive Directors:
Mr. FAN Ren Da, Anthony
Mr. NGAI Man
Mr. TSANG Link Carl, Brian

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
Suites 3001-3006
30/F, One Pacific Place
88 Queensway
Hong Kong

20 June 2008

To the Qualifying Shareholders
(and, for information only, to the Excluded Shareholders)

Dear Sir or Madam,

RIGHTS ISSUE OF 788,682,657 RIGHTS SHARES AT HK$3.20 EACH ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWENTY (20) SHARES HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the Announcement in respect of the Rights Issue. The purpose of this Prospectus is to provide you with further details regarding the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares, and certain financial and other information in respect of the Group.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every twenty (20) existing Shares held as at the close of business on the Record Date
Subscription Price	:	HK$3.20 per Rights Share
Number of existing Shares in issue	:	5,257,884,381 Shares as at the Latest Practicable Date
Number of Rights Shares	:	788,682,657 Rights Shares
Underwriters	:	Keentech and Ellington

The Rights Shares will be fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement, details of which are described in the section headed "Underwriting Arrangement" below.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be allotted and issued on or before the Record Date pursuant to the exercise of the Share Options. As at the Latest Practicable Date, the Company has 57,000,000 outstanding vested Share Options entitling the Share Optionholders to subscribe for 57,000,000 Shares. Each of the Share Optionholders has irrevocably undertaken to the Company and each of the Underwriters that he or she will not exercise such Share Options up to and including the Record Date. Save for the outstanding Share Options, there are no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Shares as at the Latest Practicable Date.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date.

The Company will send the Rights Issue Documents to the Qualifying Shareholders on the Posting Date. The Company will send only this Prospectus to the Excluded Shareholders (if any) for information purposes.

TERMS OF THE RIGHTS ISSUE

Subscription Price

HK$3.20 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of 9.09% to the closing price of HK$3.520 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of 27.77% to the closing price of HK$4.430 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of 25.51% to the average closing price of HK$4.296 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of 25.60% to the average closing price of HK$4.301 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(v) a discount of 17.97% to the average closing price of HK$3.901 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and

(vi) a discount of 25.06% to the theoretical ex-rights price of HK$4.270 based on the closing price of HK$4.430 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the prevailing market price of the Shares and current market conditions.

The Directors consider the terms of the Rights Issue and the Subscription Price to be fair and reasonable and the Rights Issue to be in the best interests of the Company and Shareholders as a whole.

Basis of provisional allotments

Three (3) Rights Shares (in nil-paid form) for every twenty (20) existing Shares held by Qualifying Shareholders as at the close of business on the Record Date.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu in all respects with all existing issued Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions to the Rights Issue as contained in the Underwriting Agreement, certificates for fully-paid Rights Shares are expected to be posted by ordinary mail on or about Tuesday, 15 July 2008 to those Qualifying Shareholders or their transferees who have paid for and have accepted the Rights Shares, at such persons' own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are also expected to be posted by ordinary mail on or about Tuesday, 15 July 2008 at such applicants' own risk.

Fractions of the Rights Shares and Rights Shares which would have been allotted to Excluded Shareholders had they been Qualifying Shareholders

The Company will not provisionally allot and issue and will not accept applications for any fractions of the Rights Shares. The Company may sell in the market any nil-paid Rights Shares created by adding fractions of the Rights Shares, if any, and if the Company does so, it will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess Rights Shares applications.

In the case of Rights Shares (excluding fractional entitlements) which would have been allotted to Excluded Shareholders had they been Qualifying Shareholders, the Company shall use its reasonable endeavours to procure that all or as many as possible of such Rights Shares are sold on the Stock Exchange nil paid at such a premium in excess of the expenses of sale as may reasonably be obtained as soon as reasonably practicable after the commencement of dealings in the nil-paid Rights Shares but before the latest time for dealings in nil-paid Rights Shares. The Company will distribute to the Excluded Shareholders the net proceeds of such sale of the Rights Shares (pro rata to their entitlement to Rights Shares had they been Qualifying Shareholders) except that a sum due to any Excluded Shareholder of less than HK$100 will not be distributed but will be retained, along with the proceeds of the sale of nil-paid Rights Shares created by adding fractions of the Rights Shares, by the Company for its own benefit. In the event that such Rights Shares are not sold on the Stock Exchange, they will become part of the excess Rights Shares available for application by the Qualifying Shareholders.

Excluded Shareholders

Any Overseas Shareholder to whom the Board, based on advice provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction will not be regarded as a Qualifying Shareholder. The Company reserves the right, however, in its discretion to vary the requirements set out above to avoid any offer of Rights Shares to Shareholders (without compliance with registration or other legal and regulatory requirements) outside Hong Kong.

The Rights Issue Documents have not been registered under any securities or equivalent legislation of any jurisdictions other than the applicable laws in Hong Kong. Accordingly, no action has been taken to permit the Rights Issue in any jurisdiction other than Hong Kong. No person receiving a provisional allotment letter or form of application for excess Rights Shares in any jurisdiction other than Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in the relevant jurisdiction such an offer or invitation to apply for the Rights Shares or excess Rights Shares could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares or excess Rights Shares to satisfy himself/herself/itself, before exercising any rights to subscribe for the provisionally allotted Rights Shares or excess Rights Shares, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares or excess Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

Based on the register of members of the Company as at the Latest Practicable Date, there was no Shareholder with a registered address outside Hong Kong.

Procedures for acceptance and payment or transfer

A provisional allotment letter is enclosed with this Prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all Rights Shares provisionally allotted to him/her/it as specified in the provisional allotment letter, he/she/it must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 7 July 2008. **All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "CITIC Resources Holdings Limited - Provisional Allotment Account" and crossed "Account Payee Only"**.

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Monday, 7 July 2008, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the provisional allotment letter or to transfer all or part of his/her/its rights to more than one person, the original provisional allotment letter must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 26 June 2008 with the Registrar, who will cancel the original provisional allotment letter and issue new provisional allotment letter(s) in the denomination(s) required which will be available for collection from the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original provisional allotment letter.

All cheques or cashier's orders for the Rights Shares will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Any provisional allotment letter in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriters exercise their rights to terminate the Underwriting Agreement or if any of the conditions of the Rights Issue are not fulfilled on or before the time and date as specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be refunded to the applicants without interest by means of cheque(s) to be despatched by ordinary mail at the risk of such applicants on or about Tuesday, 15 July 2008.

Application for excess Rights Shares

A Qualifying Shareholder shall be entitled to apply for (a) any unsold entitlement of the Excluded Shareholders (if any) and any unsold Rights Shares created by adding together fractions of the Right Shares; and (b) any Rights Shares provisionally allotted but not accepted by other Qualifying Shareholders.

Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion on a fair and reasonable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied for by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares).

The Qualifying Shareholders whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Qualifying Shareholders whose Shares are registered in the name of the nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the form of application for excess Rights Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares being applied for, with the Registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 7 July 2008, or such later time and/or date as may be agreed between the Company and the Underwriters. **All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "CITIC Resources Holdings Limited - Excess Application Account" and crossed "Account Payee Only"**.

If the Underwriters exercise their rights to terminate the Underwriting Agreement or if any of the conditions of the Rights Issue are not fulfilled on or before the time and date as specified in the Underwriting Agreement, the monies received in respect of application for excess Rights Shares will be refunded to the applicants without interest by means of cheque(s) to be despatched by ordinary mail at the risk of such applicants on or about Tuesday, 15 July 2008.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the share capital of the Company is listed or dealt in on any other stock exchange, nor is listing of or permission to deal in the share capital or any part of the share capital of the Company being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (as the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealing in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following:

(a) all necessary approvals, permits, waivers, consents and authorisations having been obtained for the Rights Issue, the provisional allotment and allotment of the Rights Shares;

(b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listing of, and permission to deal in, all the Rights Shares, in their nil-paid and fully-paid forms, by not later than Monday, 23 June 2008 and Wednesday, 16 July 2008 respectively and such listing not being revoked prior to 4:00 p.m. on Thursday, 10 July 2008 which is the third Business Day following the Acceptance Date;

(c) the delivery on or before the Posting Date of one signed copy of each of the Rights Issue Documents to the Underwriters and the Stock Exchange;

(d) the registration on or prior to the Posting Date of one signed copy of each of the Rights Issue Documents (and all other documents required to be attached) with the Registrar of Companies in Hong Kong, complying with the requirements of the Companies Ordinance;

(e) the filing on or prior to the Posting Date of one signed copy of each of the Rights Issue Documents with the Registrar of Companies in Bermuda, complying with the requirements of the Companies Act 1981 of Bermuda;

(f) the posting of the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date (or such later date as the Underwriters may agree with the Company); and

(g) the Underwriting Agreement becoming unconditional and not being terminated by the Underwriters.

In the event that any of the above conditions has not been satisfied on or before the time and dates specified in the Underwriting Agreement, the Underwriting Agreement shall, save in respect of certain provisions therein, terminate and the obligations of the Company and the Underwriters shall cease and be null and void upon such termination and none of the Company and the Underwriters shall, save in respect of certain provisions and any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the other arising out of or in connection with the Underwriting Agreement.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date	:	30 May 2008
Underwriters	:	Keentech and Ellington
Number of Underwritten Shares	:	All of the Rights Shares
Underwriting Commitments	:	Keentech and Ellington shall underwrite, on a several only basis, 649,468,279 Underwritten Shares and 139,214,378 Underwritten Shares respectively
Commission	:	Nil

As at the Latest Practicable Date, Keentech is directly interested in 1,990,180,588 Shares representing 37.85% of the issued share capital of the Company and Ellington is directly interested in 202,000,000 Shares representing 3.84% of the issued share capital of the Company. The ordinary course of business of each of Keentech and Ellington does not include underwriting.

Termination of the Underwriting Agreement

If, at any time prior to 5:00 p.m. on the third Business Day after the Acceptance Date:

(a) there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any change or prospective change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore, Bermuda or any other place in which any member of the Group conducts or carries on business; or

(ii) any change or prospective change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions, for this purpose but without limiting the generality of the foregoing a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America shall be an event resulting or likely to result in a change in currency conditions; or

(iii) any change or prospective change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or

(iv) any material change in the business or in the financial or trading position or prospects of the Group; or

(v) any act of God, war, riot, public disorder, any outbreak or escalation of hostilities, declaration of emergency, calamity, crisis, epidemic, terrorism or any event or a series of events beyond the control of the Underwriters; or

(vi) any suspension in the trading of the Shares on the Stock Exchange; or

(vii) any litigation against any member of the Group by a third party; or

(viii) any moratorium on commercial banking activities having been declared by the PRC, Hong Kong or Singapore authorities,

which, in the reasonable opinion of the Underwriters:

(x) is likely to have a material adverse effect on the Company or the Group or the Rights Issue; or

(y) is likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or

(z) is so material as to make it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or

(b) there comes to the notice of the Underwriters:

(i) any matter or event showing any of the representations and warranties or any undertakings of the Company under the Underwriting Agreement to be untrue or misleading or as having been breached in any respect; or

(ii) any change or development involving a prospective change in Hong Kong taxation or exchange control which will or may materially and adversely affect the Group or a material proportion of the existing Shareholders in their capacity as such,

then and in any such case the Underwriters may (but shall not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

In the event the Underwriters exercise their rights to terminate the Underwriting Agreement, the Underwriting Agreement shall, save in respect of certain provisions therein, terminate and the obligations of the Company and the Underwriters shall cease and be null and void and none of the Company and the Underwriters shall, save in respect of certain provisions and any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the other arising out of or in connection with the Underwriting Agreement.

Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the entering into of the Underwriting Agreement by the Company with the Underwriters constitutes an exempt connected transaction for the Company and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue:

Name of Shareholder	Existing shareholding		After completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		After completion of the Rights Issue (assuming no Rights Shares are taken up by the Qualifying Shareholders other than associates of Keentech and Ellington, and Keentech and Ellington have fully underwritten the Underwritten Shares)	
	Shares	%	Shares	%	Shares	%
Keentech	1,990,180,588	37.85	2,288,707,675	37.85	2,527,086,800	41.79
CITIC Australia Pty Limited	750,413,793	14.27	862,975,860	14.27	862,975,860	14.27
Baytree Investments (Mauritius) Pte. Ltd.	385,450,000	7.33	443,267,500	7.33	443,267,500	7.33
Ellington	202,000,000	3.84	232,300,000	3.84	283,396,878	4.69
Public	1,929,840,000	36.71	2,219,316,003	36.71	1,929,840,000	31.92
Total	5,257,884,381	100.00	6,046,567,038	100.00	6,046,567,038	100.00

Note: Keentech and CITIC Australia Pty Limited are wholly-owned subsidiaries of CITIC Group.

Baytree Investments (Mauritius) Pte. Ltd. and Ellington are wholly-owned subsidiaries of Temasek Holdings.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Shares have been dealt with on an ex-rights basis since Thursday, 12 June 2008. The Rights Shares will be dealt with in their nil-paid form from Tuesday, 24 June 2008 to Wednesday, 2 July 2008 (both days inclusive). If prior to 5:00 p.m. on the third Business Day after the Acceptance Date, the Underwriters terminate the Underwriting Agreement (see sub-section headed "Termination of the Underwriting Agreement" above) or the conditions of the Rights Issue (see sub-section headed "Conditions of the Rights Issue" above) cannot be fulfilled, the Rights Issue will not proceed. Any dealings in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are required to be fulfilled (which is expected to be Wednesday, 16 July 2008), and any dealings in the Rights Shares in their nil-paid form between Tuesday, 24 June 2008 and Wednesday, 2 July 2008 (both days inclusive) are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. If the Rights Issue fails to proceed, the application monies received will be refunded to the applicants without interest by means of cheque(s) to be despatched by ordinary mail at the risk of such applicants on or about Tuesday, 15 July 2008. Shareholders and potential investors in the Company should therefore exercise caution when dealing in the Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The estimated net proceeds of the Rights Issue of HK$2,505.7 million will enhance the financial condition of the Company by improving its gearing ratio. In addition, the net proceeds of the Rights Issue will also be applied by the Group towards funding its future investments, working capital requirements and for general corporate purposes.

ADJUSTMENT TO SHARE OPTIONS

In accordance with the terms of the Share Option Scheme, the Rights Issue may lead to adjustments to the number of Shares to be issued on the exercise of the Share Options and/or the exercise price payable by each Share Optionholder in respect of each Share to be issued on the exercise of the Share Options. The Company will engage Ernst & Young, the auditors of the Company, pursuant to the terms of the Share Option Scheme to determine if any adjustment is required to be made to the number of Shares to be issued on the exercise of the Share Options and/or the exercise price payable by each Share Optionholder in respect of each Share to be issued on the exercise of the Share Options as a result of the Rights Issue.

INFORMATION ON THE COMPANY

The Company is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production.

For the financial year ended 31 December 2007, the consolidated profits before and after taxation of the Group amounted to HK$731.0 million and HK$521.4 million respectively and the consolidated net assets of the Group as at 31 December 2007 were HK$7,159.6 million.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
CITIC Resources Holdings Limited
Sun Xinguo
Chief Executive Officer

(A) SUMMARY OF AUDITED CONSOLIDATED FINANCIAL INFORMATION ON THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2007

The following was extracted from the published audited financial statements of the Group for the three years ended 31 December 2007 and restated/reclassified as appropriate.

Results
HK$'000

	Year ended 31 December		
	2007	**2006**	**2005**
		Restated	
Revenue	10,007,656	6,835,161	5,786,386
Profit before tax	731,012	316,189	342,157
Tax	(209,630)	(70,152)	(110,642)
Profit for the year	521,382	246,037	231,515
Attributable to:			
Shareholders of the Company	282,777	200,815	221,703
Minority interests	238,605	45,222	9,812
	521,382	246,037	231,515

Assets, liabilities and minority interests
HK$'000

	31 December		
	2007	**2006**	**2005**
		Restated	
Non-current assets	24,897,231	4,373,701	3,080,713
Current assets	5,877,734	4,954,660	2,939,314
Total assets	30,774,965	9,328,361	6,020,027
Current liabilities	4,436,425	2,854,539	1,437,385
Non-current liabilities	19,178,981	2,968,733	1,615,235
Total liabilities	23,615,406	5,823,272	3,052,620
Minority interests	1,088,096	279,746	25,634
	6,071,463	3,225,343	2,941,773

(B) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2007

The following was extracted from the Company's 2007 annual report. References to page numbers in the extract reproduced below are to pages contained in such annual report.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

To the shareholders of CITIC Resources Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of CITIC Resources Holdings Limited set out on pages 49 to 156, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

18 April 2008

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2007
HK$'000

	Notes	2007	2006 (restated)
REVENUE	5	10,007,656	6,835,161
Cost of sales		(8,576,552)	(6,306,331)
Gross profit		1,431,104	528,830
Other income and gains	5	430,672	283,245
Selling and distribution costs		(103,132)	(68,302)
Administrative expenses		(310,118)	(214,910)
Other operating expenses, net		(190,629)	(62,319)
Finance costs	9	(542,583)	(150,355)
Share of profit of an associate		15,698	—
PROFIT BEFORE TAX	6	731,012	316,189
Tax	10	(209,630)	(70,152)
PROFIT FOR THE YEAR		521,382	246,037
ATTRIBUTABLE TO:			
Shareholders of the Company	11	282,777	200,815
Minority interests		238,605	45,222
		521,382	246,037
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	12		
Basic		HK 5.65 cents	HK 4.65 cents
Diluted		HK 5.61 cents	HK 4.61 cents
DIVIDEND PER SHARE		Nil	Nil

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2007
HK$'000

	Notes	2007	2006 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	22,187,440	2,194,250
Prepaid land lease premiums	14	72,451	58,353
Goodwill	17	341,512	341,512
Other intangible assets	15	142,038	135,701
Other assets	16	549,295	555,983
Interest in an associate	21	1,164,472	—
Available-for-sale investments	22	201,206	845,936
Prepayments, deposits and other receivables	23	78,860	16,346
Loan receivable	26	3,222	21,615
Deferred tax assets	37	156,735	204,005
Total non-current assets		24,897,231	4,373,701
CURRENT ASSETS			
Inventories	24	1,126,642	800,007
Accounts receivable	27	1,619,666	1,252,081
Prepayments, deposits and other receivables	23	745,518	1,867,396
Loan receivable	26	18,393	17,327
Equity investments at fair value through profit or loss	28	2,430	1,974
Derivative financial instruments	32	8,608	16,380
Due from related companies	25	119,600	51,486
Due from the ultimate holding company	25	—	34,320
Other assets	16	70,125	62,945
Tax recoverable		92,295	—
Cash and bank balances	29	2,074,457	850,744
Total current assets		5,877,734	4,954,660
CURRENT LIABILITIES			
Accounts payable	30	613,991	533,788
Tax payable		408,984	47,108
Accrued liabilities and other payables	31	653,313	306,789
Derivative financial instruments	32	102,366	286,920
Due to a minority shareholder	33	—	38,174
Due to related companies	25	9,674	—
Bank and other loans	34	2,238,916	1,588,022
Bond obligations	35	356,868	—
Provisions	36	52,313	53,738
Total current liabilities		4,436,425	2,854,539
NET CURRENT ASSETS		1,441,309	2,100,121
TOTAL ASSETS LESS CURRENT LIABILITIES		26,338,540	6,473,822

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2007
HK$'000

	Notes	2007	2006 (restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		26,338,540	6,473,822
NON-CURRENT LIABILITIES			
Bank and other loans	34	1,963,188	2,214,540
Bond obligations	35	7,635,991	—
Deferred tax liabilities	37	9,173,110	519,933
Derivative financial instruments	32	86,756	41,063
Provisions	36	246,612	117,549
Other payables		73,324	75,648
Total non-current liabilities		19,178,981	2,968,733
NET ASSETS		7,159,559	3,505,089
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	38	262,894	215,909
Reserves	40(a)	5,808,569	3,009,434
		6,071,463	3,225,343
Minority interests		1,088,096	279,746
TOTAL EQUITY		7,159,559	3,505,089

Sun Xinguo
Director

Li So Mui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2007

HK$'000

		Attributable to shareholders of the Company											
	Notes	Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits/ (accumulated losses)	Subtotal	Minority interests	Total equity
At 1 January 2006		215,844	2,561,962	65,527	(6,840)	290,786	(152,331)	12,680	—	(45,855)	2,941,773	25,634	2,967,407
Exchange realignment		—	—	—	5,802	—	—	—	—	—	5,802	2,016	7,818
Net gains on cash flow hedges #		—	—	—	—	—	72,915	—	—	—	72,915	—	72,915
Change in fair value of available-for-sale investments #		—	—	—	—	(23,507)	—	—	—	—	(23,507)	—	(23,507)
Total income and expense recognised directly in equity		—	—	—	5,802	(23,507)	72,915	—	—	—	55,210	2,016	57,226
Profit for the year		—	—	—	—	—	—	—	—	200,815	200,815	45,222	246,037
Total income and expense for the year		—	—	—	5,802	(23,507)	72,915	—	—	200,815	256,025	47,238	303,263
Acquisition of interests in subsidiaries by minority shareholders	41(d)	—	—	—	—	—	—	—	—	—	—	213,432	213,432
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	—	(6,558)	(6,558)
Issue of new shares upon exercise of share options	40(b)	65	1,625	—	—	—	—	(286)	—	—	1,404	—	1,404
Equity-settled share option arrangements		—	—	—	—	—	—	26,141	—	—	26,141	—	26,141
At 31 December 2006		215,909	2,563,587*	65,527*	(1,038)*	267,279*	(79,416)*	38,535*	—*	154,960*	3,225,343	279,746	3,505,089

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2007
HK$'000

	Notes	Attributable to shareholders of the Company											
		Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds (note 40 (a))	Retained profits	Subtotal	Minority interests	Total equity
At 1 January 2007													
As previously reported		215,909	2,563,587	65,527	(1,038)	267,279	(79,416)	38,535	–	154,960	3,225,343	279,746	3,505,089
Opening adjustments	21	–	–	–	(5,045)	(320,668)	–	–	–	76,109	(249,604)	–	(249,604)
As restated		215,909	2,563,587	65,527	(6,083)	(53,389)	(79,416)	38,535	–	231,069	2,975,739	279,746	3,255,485
Exchange realignment		–	–	–	303,819	–	–	–	–	–	303,819	5,071	308,890
Net gains on cash flow hedges #	32	–	–	–	–	–	136,232	–	–	–	136,232	–	136,232
Change in fair value of available-for-sale investments #	22	–	–	–	–	64,199	–	–	–	–	64,199	–	64,199
Total income and expense recognised directly in equity		–	–	–	303,819	64,199	136,232	–	–	–	504,250	5,071	509,321
Profit for the year		–	–	–	–	–	–	–	–	282,777	282,777	238,605	521,382
Total income and expense for the year		–	–	–	303,819	64,199	136,232	–	–	282,777	787,027	243,676	1,030,703
Acquisition of interests in subsidiaries by minority shareholders	41(a) to (c)	–	–	–	–	–	–	–	–	–	–	618,892	618,892
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(54,218)	(54,218)
Share of reserves of an associate		–	–	–	–	(577)	1,169	–	–	–	592	–	592
Issue of new shares	38, 40(b)	40,050	2,132,410	–	–	–	–	–	–	–	2,172,460	–	2,172,460
Share issue expenses	38, 40(b)	–	(34,610)	–	–	–	–	–	–	–	(34,610)	–	(34,610)
Issue of new shares upon exercise of share options	38, 40(b)	6,935	182,430	–	–	–	–	(39,669)	–	–	149,696	–	149,696
Equity-settled share option arrangements	38, 40(b)	–	–	–	–	–	–	20,559	–	–	20,559	–	20,559
Transfer from retained profits		–	–	–	–	–	–	–	20,340	(20,340)	–	–	–
At 31 December 2007		262,894	4,843,817 *	65,527 *	297,736 *	10,233 *	57,985 *	19,425 *	20,340 *	493,506 *	6,071,463	1,088,096	7,159,559

* These reserve accounts comprise the consolidated reserves of HK$5,808,569,000 (2006: HK$3,009,434,000) in the consolidated balance sheet.

\# Amounts net of deferred tax impact.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2007
HK$'000

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		731,012	316,189
Adjustments for:			
Interest income	5	(342,174)	(144,810)
Interest income from CITIC Group	5	(3,096)	—
Dividend income from available-for-sale listed investments	5	(15,670)	(55,115)
Gain on disposal of coal exploration interests	5	(7,358)	—
Gain on disposal of available-for-sale listed investments	5	—	(5,235)
Gain on conversion of available-for-sale listed investments	5	—	(17,502)
Equity-settled share option expenses	6	20,559	26,158
Depreciation	6	248,952	92,560
Amortisation	6	77,632	68,113
Loss on disposal/write-off of items of property, plant and equipment	6	6,586	4,568
Provision/(write-back of provision) for impairment of items of property, plant and equipment	6	65,598	(4,893)
Provision for long service and leave payments	6	906	6,715
Provision for impairment of accounts receivable	6	5,126	1,816
Provision for inventories	6	27,731	1,515
Provision for rehabilitation cost	6	13,808	8,554
Provision for abandonment cost	6	1,556	112
Unrealised losses/(gains) on embedded derivatives		(36,466)	111,667
Unrealised foreign exchange losses		33,646	25,777
Warranty income, net	6	—	(14,908)
Finance costs	9	542,583	150,355
Share of profit of an associate		(15,698)	—
Excess over the cost of a business combination	5	(11,933)	—
Write-off of payable	5	(13,443)	—
		1,329,857	571,636
Decrease/(increase) in inventories		7,491	(302,729)
Increase in accounts receivable		(73,608)	(502,396)
Increase in prepayments, deposits and other receivables		(123,413)	(59,723)
Increase in amounts due from related companies		(68,114)	(51,486)
Decrease in amounts due from ultimate holding company		34,320	—
Increase/(decrease) in accounts payable		(42,373)	313,906
Decrease in accrued liabilities and other payables		(20,398)	(116,872)
Increase/(decrease) in an amount due to a minority shareholder/related companies		(28,500)	38,174
Decrease in provisions		(11,451)	—
Cash generated/(used in) from operations		1,003,811	(109,490)
Australian income tax paid		(126,158)	(144,835)
Kazakhstan income tax paid		(26,655)	—
PRC income tax paid		(12,061)	(623)
Net cash inflow/(outflow) from operating activities		838,937	(254,948)

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2007

HK$'000

	Notes	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	342,174	142,403
Interest received from CITIC Group		67,600	—
Dividends received from available-for-sale listed investments	5	15,670	55,115
Purchases of items of property, plant and equipment	13	(527,085)	(173,368)
Purchase of other intangible assets	15	(377)	(32)
Purchases of prepaid land lease premiums	14	(310)	—
Purchases of available-for-sale investments	22	(4,377)	—
Proceeds from disposal of items of property, plant and equipment		34,255	21,632
Proceeds from disposal of available-for-sale listed investments		—	31,221
Net cash inflow/(outflow) from acquisition of the subsidiaries	41(a) to (d)	(7,844,081)	148,230
Acquisition of additional equity interest in an associate	21	(757,358)	—
Repayment of loan receivable	26	17,327	15,990
Net cash outflow from acquisition of the Seram Interest	41(e)	—	(757,723)
Deposit paid for potential investment projects	23	—	(1,560,000)
Payments of interest, legal and professional fees and other charges incurred in relation to potential investment projects		—	(35,177)
Net cash outflow from investing activities		(8,656,562)	(2,111,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital, net of expenses	38	2,287,546	1,404
Proceeds from issue of bonds		7,621,666	—
Dividends paid to minority shareholders		(54,218)	(6,558)
New bank and other loans		6,098,247	6,019,860
Repayment of bank and other loans		(6,409,437)	(4,183,162)
Interest paid		(520,063)	(137,025)
Finance charges paid		(4,561)	(3,652)
Interest paid for earnest money		(64,504)	—
Net cash inflow from financing activities		8,954,676	1,690,867
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,137,051	(675,790)
Cash and cash equivalents at beginning of year		850,744	1,519,595
Effect of foreign exchange rate changes, net		86,662	6,939
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,074,457	850,744
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	757,871	310,258
Non-pledged time deposits with original maturity of less than three months when acquired	29	1,316,586	540,486
		2,074,457	850,744

BALANCE SHEET
31 DECEMBER 2007
HK$'000

	Notes	2007	2006
NON-CURRENT ASSETS			
Property, plant and equipment	13	426	—
Interests in subsidiaries	18	5,053,089	2,382,642
Prepayments, deposits and other receivables	23	3,508	5,527
Total non-current assets		5,057,023	2,388,169
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	5,362	1,674,413
Bank balances	29	747,114	22,690
Total current assets		752,476	1,697,103
CURRENT LIABILITIES			
Accrued liabilities and other payables		25,240	76,706
Bank loans, unsecured	34	234,000	343,200
Total current liabilities		259,240	419,906
NET CURRENT ASSETS		493,236	1,277,197
TOTAL ASSETS LESS CURRENT LIABILITIES		5,550,259	3,665,366
NON-CURRENT LIABILITIES			
Bank loans, unsecured	34	936,000	1,170,000
NET ASSETS		4,614,259	2,495,366
EQUITY			
Issued capital	38	262,894	215,909
Reserves	40(b)	4,351,365	2,279,457
TOTAL EQUITY		4,614,259	2,495,366

Sun Xinguo
Director

Li So Mui
Director

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

1. CORPORATE INFORMATION

CITIC Resources Holdings Limited is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong.

The principal activity of the Company is investment holding.

Following the acquisition of Tincy Group Energy Resources Limited ("**Tincy Group**"), Renowned Nation Limited and its subsidiaries (the "**RNL Group**") and Guangxi Qinzhou Guixin Ferroalloy Co., Ltd. ("**Guixin Ferroalloy**"), as detailed in note 41(a) to (c), the Group is principally engaged in the following businesses:

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

(b) the operation of coal mining and the sale of coal in Australia;

(c) the export of various commodity products such as alumina, aluminium ingots, iron ore and steel; 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 in Australia;

(d) the operation of manganese mining and the sale of refined manganese products in the People's Republic of China (the "**PRC**");

(e) the exploration, development, production and the sale of naphtha and high sulphur fuel oil produced from the Seram Island Non-Bula Block, Indonesia;

(f) the exploration, development and operation of the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the PRC (the "**Hainan-Yuedong Block**"); and

(g) the exploration, development, production and sale of oil in the Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan ("**Karazhanbas oilfield**").

On 23 November 2007, CITIC Dameng Mining Industries Limited (the "**Manganese Company**"), a 48% owned subsidiary of the Group, entered into an agreement (the "**S&P Agreement**") with Future Idea Investment Limited, a third party company, to acquire a 51% indirect interest in Compagnie Industrielle ET Commerciale Des Mines De Hua Zhou (Gabon) ("**Compagnie Industrielle**") at a consideration of US$15,880,000 (HK$123,864,000). Compagnie Industrielle holds certain pre-operating exploration and mining rights in Gabon, Western Africa. Pursuant to the S&P Agreement, the Manganese Company has an option to withdraw from this transaction if the final approval of the exploration and mining rights are not successfully obtained prior to 30 June 2008 or within 30 days after the commencement of mining operations. This transaction is currently expected to be completed soon.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is CITIC Group, a company established in the PRC.

During the year, the Group continues to explore other investment opportunities in the field of energy and natural resources.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for certain cases giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements — Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 49 to the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has not changed the terms of such contracts, the interpretation has had no material impact on the financial position or results of operations of the Group.

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellation [4]
HKFRS 3 (Revised)	Business Combination [5]
HKFRS 8	Operating Segments [4]
HKAS 23 (Revised)	Borrowing Costs [4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

1 Effective for annual periods beginning on or after 1 March 2007
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2009
5 Effective for annual periods beginning on or after 1 July 2009

The amendment to HKFRS 2 clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based arrangement.

HKFRS 3 (Revised) amends the definitions of a business and a business combination and additional guidance was added for identifying when a group of assets constitutes a business. It also clarifies how the acquirer makes any classifications, designations or assessments for the identifiable assets acquired and liabilities assumed in a business combination.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 27 has been revised to add a new term "non-controlling interest" to replace the term "minority interest", and require that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity measures any gain or loss arising on the loss of control of a subsidiary.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39 Financial Instruments*:* Recognition and Measurement, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled assets

Jointly-controlled assets are assets in a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly-controlled assets and any liabilities incurred jointly with other venturers are recognised in the consolidated balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests of jointly-controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly-controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Jointly-controlled entities

A jointly-controlled entities is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the assets transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. The Group's equity voting rights in Macarthur Coal Limited ("**Macarthur Coal**") is less than 20%. However, the Group is able to exercise significant influence over the company and the investment is accounted for as an associate of the Group.

The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Plant and machinery, which include the furnace, water system, pot room and ingot mill, and buildings and structures used in the Portland Aluminium Smelter, are estimated to have a useful life up to 2030.

Other property, plant and equipment are estimated to have the following useful lives:

Leasehold improvements	10 – 12 years or over the unexpired lease terms, whichever is shorter
Motor vehicles, plant, machinery, tools and equipment	5 – 26 years
Furniture and fixtures	4 – 5 years
Buildings and structures	15 – 30 years

Freehold land is not depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents building and structure under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Oil and gas properties

For oil and gas properties, the successful effort method of accounting is adopted. The Group capitalises initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells are all classified as development costs, including those renewals and betterment which extend the economic lives of the assets. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

Exploratory wells are evaluated for economic viability within one year of completion. Exploratory wells that discover potential economic reserves in areas where major capital expenditure will be required before production could begin and when the major capital expenditure depends upon successful completion of further exploratory work remain capitalised, and are reviewed periodically for impairment.

Oil and gas properties are stated at cost less accumulated depreciation and depletion. The depreciation and depletion of oil and gas properties with a life longer than or equal to the licence life is estimated on a unit-of-production basis, in the proportion of actual production for the period to the total estimated remaining reserves of the field. The remaining reserves figure is the amount estimated up to the licence expiration date plus the production for the period. Oil and gas properties with a useful life less than the licence life is calculated based on a straight-line basis over each asset's estimated useful life that ranges from 3 to 10 years. Costs associated with significant development projects are not depleted until commercial production commences and the reserves related to those costs are excluded from the calculation of depletion.

Capitalised acquisition costs of proved properties are amortised by the unit-of-production method on a property-by-property basis computed based on the total estimated units of proved reserves.

The Group estimates future dismantlement costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement required in accordance with the current legislation and industry practices. The associated cost is capitalised and the liability is discounted and an accretion expense is recognised using the credit-adjusted risk-free in effect when the liability is initially recognised. No market-risk premium has been included in the calculation of asset retirement obligation balances since no reliable estimate can be made.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Capital works

Capital works represent exploration and development expenditure in relation to the Group's mining activities, which are carried forward to the extent that:

(a) such costs are expected to be recouped through successful development and production of the areas or by its sale; or

(b) exploration activities in the area that have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Costs are amortised from the date of commencement of production on a production output basis.

Other intangible assets

Other intangible assets represent mining rights and are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised using the units of production method based on the proven and probable mineral reserves, which are reviewed at least at each balance sheet date. The intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Other assets

Other assets represent the amounts paid for an electricity supply agreement (the "**ESA**"), a 30-year base power contract entered into with the State Electricity Commission of Victoria, Australia. The ESA provides steady electricity supply at a fixed tariff to the Portland Aluminium Smelter for a period to 31 October 2016. Other assets are stated at cost less accumulated amortisation, provided on a straight-line basis over the term of the base power contract, and any impairment losses.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivatives is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the consolidated income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. A provision for impairment is made for available-for-sale investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(a) the rights to receive cash flows from the asset have expired;

(b) the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(c) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including bank and other loans and bond obligations)

Financial liabilities including bank and other loans and bond obligations are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the consolidated income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency and commodity contracts and interest rate swaps to hedge its risks associated with foreign currency, commodity price and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

The fair value of forward currency and commodity contracts is calculated by reference to current forward exchange rates and commodity prices for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to applicable interest rates in the market.

For the purpose of hedge accounting, hedges are classified as:

(a) fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk); or

(b) cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the consolidated income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Fair value hedges (continued)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The changes in the fair value of the hedging instrument are also recognised in the consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the consolidated income statement.

Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised immediately in equity remain in equity until the forecast transaction or firm commitment occurs.

Inventories

Inventories are stated at the lower of cost and net realisable value. Except for the costs of crude oil and exported goods held for re-sale which are determined on the first-in, first-out basis, cost is determined on the weighted average basis. In the case of work in progress and finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Provision for rehabilitation cost represents the estimated costs of rehabilitation relating to the areas disturbed during the operation of the Portland Aluminium Smelter and the coal mines in Australia. The Group is required to return the sites to the Australian authorities in their original condition. The Group has estimated and provided for the expected costs of removal and clean-up on a periodical basis, based on the estimates provided by the environmental authorities when they reviewed the sites.

Provision for abandonment cost represents the estimated costs of abandoning oil and gas properties. The provision for abandonment has been classified under long term liabilities. The associated cost is capitalised and the liability is discounted and an accretion expense is recognised using the credit-adjusted risk-free interest rate in effect when the liability is initially recognised.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised on the following bases when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(c) handling service fee, when the services have been rendered; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land lease premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (the "**equity-settled transactions**").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes option pricing model, further details of which are given in note 39 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (the "**market condition**"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "**vesting date**"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Ownership-based remuneration is provided to employees via the CITIC Australia Trading Limited ("**CATL**") director option plan and the employee option plan.

Share-based compensation to directors and employees is recognised as an expense in respect of the services received measured on a fair value basis.

Share options granted after 7 November 2002 and vested on or after 1 January 2005

The fair value of the options granted under the director and employee option plans is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value of the options at the grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the options, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share options granted after 7 November 2002 and vested on or after 1 January 2005 (continued)

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised during each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share option reserve relating to those options is transferred to the share premium account. The market value of any shares issued to employees for no cash consideration under the employee share option scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF 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.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. Subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

The Group 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 and are charged to the consolidated income statement as they become payable in accordance with the rules of the RB Scheme. The assets of 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 RB Scheme.

The Group's jointly-controlled entities, with operations domiciled in Kazakhstan, pay certain post retirement insurance, which represent their contribution to the post retirement benefits of their employees.

In accordance with the Law of the Republic of Kazakhstan "Pension provisioning in the Republic of Kazakhstan" effective from 1 January 1998 which replaced the state mandated pension system, all employees have the right to receive pension payments from the individual pension accumulation accounts. The accumulating pension funds comprise the compulsory pension contributions of 10% from employees' income subject to a maximum statutory limit.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Paid leave carried forward

The Group provides paid leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled assets and entities and an associate are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries, jointly-controlled assets and entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries, jointly-controlled assets and entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Employee benefits — share-based payment transactions

The valuation of the fair value of share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to become exercisable, details of which are set in note 39 to the financial statements. Where the actual outcome of the number of exercisable options is different from the previously estimated number of exercisable options, such difference will have impact on the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$341,512,000 (2006: HK$341,512,000). More details are given in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE (continued)

Estimation uncertainty (continued)

Oil and gas reserves and mining reserves

The most significant estimates in the oil and gas operation pertain to oil and gas reserves and mining reserves volumes and the future development, purchase price allocation, provision for rehabilitation cost and abandonment cost, as well as estimates relating to certain oil and gas reserves and mining revenues and expenses. Actual amounts could differ from those estimates and assumptions. More details are given in notes 13, 36 and 41 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical 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 the 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 mines and the sale of coal in Australia;

(c) the import and export of commodities segment represents the export of various commodity products such as alumina, aluminium ingots, iron ore and steel; 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 in Australia;

(d) the manganese segment comprises the operation of manganese mining operated by the Manganese Company (a non-wholly-owned subsidiary of the Company) and the sale of refined manganese products in the PRC;

(e) the crude oil segment comprises the operation of oilfields and the sale of crude oil in Indonesia, the PRC and Kazakhstan; and

(f) the others segment comprises other operating activities of the Group.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

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4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

Year ended 31 December 2007	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Others	Consolidated
Segment revenue:							
Sales to external customers	1,761,416	169,895	5,873,555	1,684,457	518,333	—	10,007,656
Other income	9,635	7,436	7,680	7,002	3,580	13,443	48,776
	1,771,051	177,331	5,881,235	1,691,459	521,913	13,443	10,056,432
Segment results	210,997	14,645	152,686	439,017	221,766	(33,929)	1,005,182
Interest income and unallocated gains							381,896
Unallocated expenses							(129,181)
Profit from operating activities							1,257,897
Unallocated finance costs							(542,583)
Share of profit of an associate	—	15,698	—	—	—	—	15,698
Profit before tax							731,012
Tax							(209,630)
Profit for the year							521,382
Assets and liabilities							
Segment assets	2,493,820	106,106	1,285,740	1,556,915	21,458,955	14,776	26,916,312
Interest in an associate	—	1,164,472	—	—	—	—	1,164,472
Unallocated assets							2,694,181
Total assets							30,774,965
Segment liabilities	473,965	68,781	164,888	354,835	669,178	3,836	1,735,483
Unallocated liabilities							21,879,923
Total liabilities							23,615,406
Other segment information:							
Depreciation and amortisation	130,163	11,407	1,774	45,351	123,911	11,221	323,827
Unallocated amounts							2,757
							326,584
Impairment losses recognised in the income statement	28,427	—	—	3,448	—	33,723	65,598
Other non-cash expenses	16,790	—	1,517	24,547	621	—	43,475
Unallocated amounts							4,746
							48,221
Capital expenditure	88,865	66,628	2,991	248,828	113,035	—	520,347
Unallocated amounts							7,115
							527,462

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

Year ended 31 December 2006 (restated)	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Others	Consolidated
Segment revenue:							
Sales to external customers	1,602,930	274,752	4,405,869	538,006	13,604	—	6,835,161
Other income	37,039	120	9,756	15,193	5,637	—	67,745
	1,639,969	274,872	4,415,625	553,199	19,241	—	6,902,906
Segment results	108,340	76,756	111,025	65,759	15,847	(11,980)	365,747
Interest income and unallocated gains							215,500
Unallocated expenses							(114,703)
Profit from operating activities							466,544
Unallocated finance costs							(150,355)
Profit before tax							316,189
Tax							(70,152)
Profit for the year							246,037
Assets and liabilities							
Segment assets	2,351,007	157,624	1,379,843	941,984	841,030	55,195	5,726,683
Unallocated assets							3,601,678
Total assets							9,328,361
Segment liabilities	596,365	62,113	258,892	162,748	260,650	28,788	1,369,556
Unallocated liabilities							4,453,716
Total liabilities							5,823,272
Other segment information:							
Depreciation and amortisation	106,630	10,060	1,460	17,198	11,549	11,534	158,431
Unallocated amounts							2,242
							160,673
Other non-cash expenses	19,750	5,487	842	2,041	—	—	28,120
Unallocated amounts							33,668
							61,788
Capital expenditure	14,955	10,795	2,368	133,111	7,975	—	169,204
Unallocated amounts							4,196
							173,400

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group

Year ended 31 December 2007	Hong Kong	PRC	Australia	Europe	North America	Kazakhstan	Other Asian countries	Others	Consolidated
Segment revenue:									
Sales to external customers	—	4,015,092	1,928,766	1,980,642	179,452	197,160	1,642,888	63,656	10,007,656
Other segment information:									
Segment assets	878,116	4,268,366	4,998,022	270,695	37,834	19,238,990	1,078,315	4,627	30,774,965
Capital expenditure	2,155	249,326	163,256	—	—	68,092	44,633	—	527,462
Year ended 31 December 2006 (restated)									
Segment revenue:									
Sales to external customers	—	3,305,764	827,015	1,850,518	315,187	—	494,481	42,196	6,835,161
Other segment information:									
Segment assets	1,860,751	1,788,287	4,373,161	215,243	—	—	1,090,919	—	9,328,361
Capital expenditure	280	137,027	28,118	—	—	—	7,975	—	173,400

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5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold during the year, after allowances for returns, trade discounts and royalties.

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

	Notes	2007	2006 (restated)
Revenue			
Sale of goods:			
Aluminium smelting		1,761,416	1,602,930
Coal		169,895	274,752
Import and export of commodities		5,873,555	4,405,869
Manganese		1,684,457	538,006
Crude oil		518,333	13,604
		10,007,656	6,835,161
Other income and gains			
Interest income		342,174	144,810
Handling service fees		8,164	7,121
Dividend income from available-for-sale listed investments		15,670	55,115
Gain on disposal of coal exploration interests		7,358	—
Gain on disposal of available-for-sale listed investments		—	5,235
Insurance claim income		—	25,996
Gain on conversion of available-for-sale listed investments	42(b)	—	17,502
Interest income from CITIC Group	47(b)	3,096	—
Excess over the cost of a business combination	41(c)	11,933	—
Write-off of payable		13,443	—
Sale of scraps		7,878	11,891
Others		20,956	15,575
		430,672	283,245
		10,438,328	7,118,406

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6. PROFIT BEFORE TAX

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

	Notes	2007	2006 (restated)
Cost of inventories sold *		8,576,552	6,306,331
Depreciation	13	248,952	92,560
Amortisation of the ESA	16	70,108	62,930
Amortisation of other intangible assets	15	5,969	4,235
Amortisation of prepaid land lease premiums	14	1,555	948
Minimum lease payments under operating leases on land and buildings		11,651	8,504
Auditors' remuneration		12,080	7,369
Employee benefits expense (including directors' remuneration — note 7):			
Wages and salaries		107,492	95,218
Equity-settled share option expenses		20,559	26,158
Pension scheme contributions		715	289
Provision for long service and leave payments		906	6,715
		129,672	128,380
Loss on disposal/write-off of items of property, plant and equipment **		6,586	4,568
Provision/(write-back of provision) for impairment of items of property, plant and equipment **		65,598	(4,893)
Exchange losses, net **		86,485	53,883
Provision for inventories		27,731	1,515
Provision for impairment of accounts receivable **		5,126	1,816
Provision for rehabilitation cost		13,808	8,554
Provision for abandonment cost		1,556	112
Warranty income, net ** #		—	(14,908)

* Cost of inventories sold for the year ended 31 December 2007 included an amount of HK$469,178,111 (2006: HK$331,693,257), which comprised direct staff costs, operating lease rentals, depreciation and amortisation of the ESA. Such amount has also been included in the respective expense items disclosed above.

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

The warranty income, net, represents warranty income of HK$34,320,000 received from CITIC Group net of loss of HK$19,412,000 incurred on conversion of the Group's 40% participating interest in Kongnan Block within the Dagang Oilfield in the PRC (the "**Dagang Participating Interest**") into common shares of Ivanhoe Energy Inc. and a 3-year non-interest-bearing unsecured loan of US$7,386,135 (HK$57,612,000). More details are given in note 47(c) to the financial statements.

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7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2007	2006
Fees:		
Executive directors and non-executive directors	728	860
Independent non-executive directors	690	567
	1,418	1,427
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	9,735	11,910
Bonuses	3,130	2,865
Share option benefits	20,559	24,618
Pension scheme contributions	380	322
	33,804	39,715
	35,222	41,142

During the year, a director was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above director's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
Fan Ren Da, Anthony	230	200
Ngai Man	230	167
Tsang Link Carl, Brian	230	200
	690	567

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

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7. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Bonuses	Share option benefits	Pension scheme contributions	Total remuneration
2007						
Executive directors:						
Kong Dan	50	—	—	11,429	—	11,479
Mi Zengxin	138	—	—	—	—	138
Shou Xuancheng	—	1,938	600	—	12	2,550
Sun Xinguo	—	1,938	600	—	12	2,550
Li So Mui	—	2,206	750	—	12	2,968
Qiu Yiyong	138	—	—	—	—	138
Zeng Chen	138	2,096	954	—	328	3,516
Zhang Jijing	138	—	—	—	—	138
Kwok Peter Viem #	—	768	113	4,565	8	5,454
Ma Ting Hung *	—	789	113	4,565	8	5,475
Non-executive directors:						
Tang Kui	63	—	—	—	—	63
Ma Ting Hung *	63	—	—	—	—	63
	728	9,735	3,130	20,559	380	34,532
2006						
Executive directors:						
Kwok Peter Viem	—	1,873	300	7,825	12	10,010
Ma Ting Hung	—	2,003	300	7,825	12	10,140
Shou Xuancheng	—	2,003	450	1,283	12	3,748
Sun Xinguo	—	2,003	450	1,597	12	4,062
Li So Mui	—	2,003	450	642	12	3,107
Mi Zengxin	215	—	—	1,283	—	1,498
Qiu Yiyong	215	—	—	1,283	—	1,498
Zeng Chen	215	2,025	915	1,597	262	5,014
Zhang Jijing	215	—	—	1,283	—	1,498
	860	11,910	2,865	24,618	322	40,575

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

\# Resigned on 21 August 2007

* Re-designated as non-executive director on 21 August 2007

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8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included five (2006: five) directors, details of whose remuneration are set out in note 7 above.

9. FINANCE COSTS

	Group 2007	2006
Interest expense on bank and other loans repayable:		
Within one year	111,266	85,452
In the second to fifth years, inclusive	62,300	64,773
Beyond five years	16,201	9,697
Fixed rate senior notes, net	330,296	—
Total interest expense on financial liabilities not at fair value through profit or loss	520,063	159,922
Amortisation of fixed rate senior notes	14,392	—
Less: Interest capitalised	—	(22,897)
	534,455	137,025
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time	1,562	7,673
Others *	6,566	5,657
	542,583	150,355

* Included amortisation of up-front fees of HK$2,004,600 (2006: HK$2,004,600).

10. TAX

	Group 2007	2006
Current – Hong Kong	—	—
Current – Elsewhere		
Charge for the year	189,579	103,072
Overprovision in prior years	(2,467)	(4,533)
Deferred – note 37	22,518	(28,387)
Total tax charge for the year	209,630	70,152

The statutory tax rate for Hong Kong profits tax is 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2006: Nil).

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10. TAX (continued)

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% (2006: 30%) on the estimated assessable profits arising in Australia during the year.

For the year ended 31 December 2007, the corporate tax rates applicable to the subsidiaries and jointly-controlled entities established and operating in the PRC, Indonesia and Kazakhstan are 33% (2006: 33%), 30% (2006: 30%) and 30% respectively.

Certain PRC subsidiaries of the Group are subject to a full corporate income tax exemption for the two years and a 50% reduction in the succeeding three years, commencing from the first profitable year.

Under the new PRC Corporate Income Tax Law (the "**New Corporate Income Tax Law**") and its Implementation Rules (effective on 1 January 2008), the PRC corporate income tax rates for domestic and foreign-invested enterprises (including Sino-foreign equity joint ventures) are unified to 25%. Sino-foreign equity joint ventures which were established before the New Corporate Income Tax Law was promulgated and have been entitled to the above income tax holiday can continue to enjoy the existing tax holiday until its expiry, subject to a five-year period restriction. Consequently, certain PRC subsidiaries of the Group can continue to enjoy their tax holiday, commencing from their respective first profitable year and expiring within five years from 1 January 2008.

The Group's subsidiary owning participating interest in oil and gas properties in Indonesia is subject to branch tax at the effective rate of 14%.

In accordance with the subsoil use contract, the Group's jointly-controlled entities with operation domiciled in Kazakhstan shall pay excess profit tax (the "**EPT**") on its profit after corporate income tax each year, pursuant to the Tax Code of Kazakhstan. The EPT shall be paid on a basis of the cumulative real internal rate of return (the "**IRR**") exceeding 20%. The IRR is calculated based on the after-tax cash flow (the "**ATCF**") and by further discounting using the published oil machinery and equipment index. The ATCF shall be calculated as the cumulative gross income less all expenses relating to petroleum operations, including transporting expenses, operating costs, capital expenditures and all taxes. The EPT is paid at progressive rates from 4% to 30% of the profit after corporate income tax, as shown in the table below:

IRR	**EPT rate**	**Effective EPT rate**
20% - 22%	4%	2.8%
22% - 24%	8%	5.6%
24% - 26%	12%	8.4%
26% - 28%	18%	12.6%
28% - 30%	24%	16.8%
More than 30%	30%	21.0%

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10. TAX (continued)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory rates for the countries/jurisdiction in which the Company and its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rates is as follows:

	Group	
	2007	**2006**
Profits before tax	731,012	316,189
Tax at statutory rate of 17.5%	127,927	55,333
Higher tax rates on profits arising elsewhere	167,268	47,483
Lower tax rate/tax holiday or concessions for specific provinces or local authorities	(115,789)	(25,638)
Adjustments in respect of current tax of previous periods	(2,467)	(4,533)
Income not subject to tax	(61,322)	(25,819)
Expenses not deductible for tax	120,538	23,300
Tax losses utilised from previous periods	(26,525)	(6,815)
Increase in unutilised tax losses carried forward	—	6,841
Tax charge at the Group's effective rate	209,630	70,152

The share of tax attributable to associate amounting to HK$7,450,000 (2006: Nil) and is included in "Share of profit of an associate" on the face of the consolidated income statement.

The Group has unrecognised deferred tax assets from tax losses arising in Hong Kong and the PRC in aggregate of HK$82,490,000 (2006: aggregate of HK$69,569,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time.

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2007 includes a loss of HK$189,467,000 (2006: loss of HK$152,093,000) (note 40(b)) which has been dealt with in the financial statements of the Company.

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12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

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

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

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

	2007	**2006**
Earnings		
Profit attributable to ordinary shareholders of the Company, used in the basic earnings per share calculation	282,777	200,815

	Number of shares	
	2007	**2006**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	5,008,380,271	4,317,072,600
Effect of dilution		
– weighted average number of ordinary shares:		
Share options	30,706,963	43,138,686
	5,039,087,234	4,360,211,286

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13. PROPERTY, PLANT AND EQUIPMENT

Group – 31 December 2007

	Note	Oil and gas properties	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Construction in progress and construction material	Furniture and fixtures	Buildings and structures	Capital works	Total
Cost:										
At beginning of year		657,254	5,857	4,329	1,134,226	109,735	6,558	426,193	90,694	2,434,846
Additions		45,960	323	34	108,593	262,730	5,484	19,201	84,760	527,085
Disposals/write-off		—	(1,237)	—	(20,318)	—	(932)	(18,780)	(2,393)	(43,660)
Acquisition of subsidiaries	41(a) to (c)	18,761,865	—	—	129,121	618,565	21,976	32,455	—	19,563,982
Transfers		276,306	—	—	22,607	(340,356)	(3,595)	45,038	—	—
Exchange realignment		(3,154)	1,181	143	246,871	7,898	204	88,566	17,017	358,726
At 31 December 2007		19,738,231	6,124	4,506	1,621,100	658,572	29,695	592,673	190,078	22,840,979
Accumulated depreciation and impairment:										
At beginning of year		3,323	—	1,611	171,684	—	731	41,002	22,245	240,596
Depreciation provided during the year		119,890	—	538	93,130	—	3,838	26,587	4,969	248,952
Disposals/write-off		—	—	—	(8,601)	—	(505)	(1,071)	—	(10,177)
Transfers		(389)	—	—	1,593	—	209	(1,413)	—	—
Impairment		—	—	—	54,330	6,997	—	4,271	—	65,598
Exchange realignment		(577)	—	278	77,288	—	115	26,776	4,690	108,570
At 31 December 2007		122,247	—	2,427	389,424	6,997	4,388	96,152	31,904	653,539
Net book value:										
At 31 December 2007		19,615,984	6,124	2,079	1,231,676	651,575	25,307	496,521	158,174	22,187,440

Note: As at 31 December 2007, the property, plant and equipment of HK$374,735,000 (2006: HK$62,252,000) were pledged against the bank loans as further detailed in note 34(a) to the financial statements. Freehold land of the Group is located in Australia.

During the year ended 31 December 2007, the directors of the Company considered that certain machinery, tools and equipment were impaired following an explosion at the Group's spent pot lining plant in Australia resulting in the inability to process spent pot lining. The assets and machinery of Dongguan Xinlian Wood Products Company Limited ("**Dongguan Xinlian**") were frozen by the Shenzhen Intermediate People's Court due to the litigation explained in note 43(a). Accordingly, an impairment provision of HK$56,290,000 was made on these assets, machinery, tools and equipment in 2007.

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group – 31 December 2006

	Notes	Oil and gas properties (restated)	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Construction in progress and construction material	Furniture and fixtures	Buildings and structures	Capital works	Total (restated)
Cost:										
At beginning of year		—	5,832	4,119	977,819	—	1,377	275,926	60,582	1,325,655
Additions		7,975	25	210	41,710	85,714	755	10,700	26,279	173,368
Disposals/write-off		—	—	—	(19,184)	(8,711)	(165)	(3,181)	(163)	(31,404)
Acquisition of subsidiaries	41(d)	—	—	—	117,990	69,172	2,524	122,199	3,996	315,881
Acquisition of the Seram Interest	41(e)	649,279	—	—	—	—	2,067	—	—	651,346
Transfers		—	—	—	15,891	(36,440)	—	20,549	—	—
At 31 December 2006		657,254	5,857	4,329	1,134,226	109,735	6,558	426,193	90,694	2,434,846
Accumulated depreciation and impairment:										
At beginning of year		—	—	867	125,389	—	238	21,048	7,499	155,041
Depreciation provided during the year		3,323	—	742	63,662	—	565	19,253	5,015	92,560
Disposals/write-off		—	—	—	(4,875)	—	(72)	(257)	—	(5,204)
Impairment/(reversal of impairment)		—	—	—	(14,583)	—	—	191	9,499	(4,893)
Exchange realignment		—	—	2	2,091	—	—	767	232	3,092
At 31 December 2006		3,323	—	1,611	171,684	—	731	41,002	22,245	240,596
Net book value:										
At 31 December 2006		653,931	5,857	2,718	962,542	109,735	5,827	385,191	68,449	2,194,250

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company – 31 December 2007

	Motor vehicles and equipment
Cost:	
At beginning of year	—
Additions	541
At 31 December 2007	541
Accumulated depreciation and impairment:	
At beginning of year	—
Provided during the year	115
At 31 December 2007	115
Net book value:	
At 31 December 2007	426
At 31 December 2006	—

14. PREPAID LAND LEASE PREMIUMS

	Group	
	2007	2006
Carrying amount at 1 January	59,616	—
Acquisition of subsidiaries (note 41(c) and (d))	11,105	60,564
Addition	310	—
Amortisation	(1,555)	(948)
Exchange realignment	4,545	—
Carrying amount at 31 December	74,021	59,616
Current portion included in prepayments, deposits and other receivables	(1,570)	(1,263)
Non-current portion	72,451	58,353

The leasehold land is held under a long-term lease and is situated in the PRC. Leasehold land of HK$52,347,000 (2006: HK$1,300,000) is pledged for certain bank loans as further detailed in note 34(a) to the financial statements.

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15. OTHER INTANGIBLE ASSETS

	Group 2007	Group 2006
Mining rights		
Cost:		
At beginning of year	139,936	—
Additions	377	32
Acquisition of subsidiaries (note 41(a) and (d))	4,220	139,904
Exchange realignment	7,911	—
At 31 December	152,444	139,936
Accumulated amortisation:		
At beginning of year	4,235	—
Provided during the year	5,969	4,235
Exchange realignment	202	—
At 31 December	10,406	4,235
Net carrying amount at 31 December	142,038	135,701

As at 31 December 2007, mining right of HK$119,518,000 (2006: HK$135,701,000) was pledged against a bank loan of the Group, as further detailed in note 34(a) to the financial statements.

The mining right of HK$17,641,000 will expire in October 2008. As at the date of this annual report, management is in the process of applying for an extension of the mining right and management is confident that the extension will be successfully obtained.

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16. OTHER ASSETS

	Group 2007	2006
Cost:		
At beginning of year	792,244	737,311
Exchange realignment	90,369	54,933
At 31 December	882,613	792,244
Accumulated amortisation:		
At beginning of year	173,316	105,068
Provided during the year	70,108	62,930
Exchange realignment	19,769	5,318
At 31 December	263,193	173,316
Net book value:		
At 31 December	619,420	618,928
Non-current portion	549,295	555,983
Current portion	70,125	62,945
	619,420	618,928

Other assets represent the amounts paid for the ESA.

17. GOODWILL

	Group 2007	2006
Cost and carrying amount:		
At beginning and end of year	341,512	341,512

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17. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- aluminium smelting segment of HK$316,830,000 (2006: HK$316,830,000); and
- import and export of commodities segment of HK$24,682,000 (2006: HK$24,682,000).

Aluminium smelting segment

The recoverable amount of the aluminium smelter cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 9.5% (2006: 9.6%).

Import and export of commodities segment

The recoverable amount of the import and export of commodities cash-generating unit is determined based on fair value less costs to sell. The fair value is calculated by reference to the market share price of CATL, the listed vehicle of the import and export of commodities segment in Australia, as at 31 December 2007.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	**2006**
Unlisted shares, at cost	173,133	173,134
Due from subsidiaries	6,009,896	2,822,924
Due to subsidiaries	(370,128)	(1,716)
	5,812,901	2,994,342
Impairment	(759,812)	(611,700)
	5,053,089	2,382,642

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
SEA Wood Investment Holdings Limited	British Virgin Islands/ Hong Kong	US$10,000	100	Investment holding
Starbest Venture Limited	British VirginIs lands/ Hong Kong	US$1	100	Investment holding
Star Elite Venture Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Resources Finance (2007) Limited *	British Virgin Islands/ Hong Kong	US$1	100	Financing
Indirectly held				
Nusoil Manufacturing Limited	British Virgin Islands/ PRC	US$100	100	Investment holding
Wing Lam (International) Timber Limited	Hong Kong	HK$60,000,000	100	Investment holding
Dongguan Xinlian Wood Products Company Limited (note (a)) #	PRC	HK$60,000,000	100	Dormant
Global Enterprises (HK) Limited	Hong Kong	HK$2	100	Provision of management services
Maxpower Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Toplight Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Richfirst Holdings Limited	British Virgin Islands/ PRC	US$100	100	Investment holding
Cogent Assets Limited	British Virgin Islands/ Hong Kong	US$2	100	Investment holding

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Group Smart Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Highkeen Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Petrochemical Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Petrochemical Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Resources Australia Pty Limited	State of Victoria, Australia	A$199,019,212	100	Investment holding
CITIC Portland Holdings Pty Limited	State of Victoria, Australia	A$196,791,454	100	Investment holding
CITIC Australia (Portland) Pty Limited	State of Victoria, Australia	A$45,675,117	100	Aluminium smelting
CITIC Portland Surety Pty Limited	State of Victoria, Australia	A$1	100	Investment holding
CITIC (Portland) Nominees I Pty Limited (note (b))	State of Victoria, Australia	A$2	100	Investment holding
CITIC (Portland) Nominees II Pty Limited (note (b))	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nominees Pty Limited Partnership	State of Victoria, Australia	A$6,693,943	100	Investment holding
CITIC Nominees Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
CITIC Portland Finance I Pty Limited	State of Victoria, Australia	A$2	100	Financing

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Australia Trading Limited (note (c))	State of Victoria, Australia	A$7,635,440	76.35	Investment holding
CITIC Australia Commodity Trading Pty Limited	State of Victoria, Australia	A$500,002	76.35	Import and export of commodities and manufactured goods
CITIC Tyres & Wheels Pty Limited	State of Victoria, Australia	A$100	76.35	Import of tyres and alloy wheels
CITIC Batteries Pty Limited	State of Victoria, Australia	A$2	76.35	Dormant
CITIC Australia Coal Pty Limited	State of Victoria, Australia	A$6,589,637	100	Investment holding
CITIC Australia Coal Exploration Pty Limited	State of Victoria, Australia	A$2,845,375	100	Exploration, development and mining of coal
CITIC Australia Coppabella Pty Limited	State of Victoria, Australia	A$5,000,002	100	Mining and production of coal
CITIC Australia Moorvale West Pty Limited	State of Victoria, Australia	A$2	100	Exploration and development of coal mines
CITIC Olive Downs Pty Limited	State of Victoria, Australia	A$99,958	100	Exploration and development of coal mines
CITIC West Walker Pty Limited	State of Victoria, Australia	A$91,812	100	Exploration and development of coal mines

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC West Rolleston Pty Limited	State of Victoria, Australia	A$196,390	100	Exploration and development of coal mines
CITIC West/North Burton Pty Limited	State of Victoria, Australia	A$34,238	100	Exploration and development of coal mines
CITIC Capricorn Pty Limited	State of Victoria, Australia	A$9,549	100	Exploration and development of coal mines
CITIC Bowen Basin Pty Limited	State of Victoria, Australia	A$378,353	100	Exploration and development of coal mines
CITIC Nickel Pty Ltd	State of Victoria, Australia	A$2	100	Investment holding
CITIC Nickel Australia Pty Limited	State of Victoria, Australia	A$1	100	Exploration and development of nickel mines
CITIC Nickel International Pty Limited	State of Victoria, Australia	A$1	100	Exploration and development of nickel mines
Beijing Qian Quan Investment Consultant Limited # +	PRC	RMB1,243,173	100	Consulting
Beijing Yi Xin Mei Cheng Commercial Information Consulting Co. Ltd. # +	PRC	RMB500,000	100	Consulting
CITIC Mining Equipment Pty Limited	State of Victoria, Australia	A$2	100	Investment holding
Tyre Choice Pty Limited	State of Victoria, Australia	A$2	76.35	Investment holding

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Dameng Holdings Limited	Bermuda/ Hong Kong	HK$100,000	80	Investment holding
CITIC Dameng Investments Limited (note (d))	British Virgin Islands/ Hong Kong	US$1	80	Investment holding
CITIC Dameng Trading Limited	Hong Kong	HK$10,000	80	Trading
CITIC Dameng Mining Industries Limited (中信大錳礦業有限責任公司) ^	PRC	RMB500,000,000	48	Exploration and development of manganese mines
Guangxi Start Manganese Materials Co., Ltd. (廣西斯達特錳材料有限公司) +	PRC	RMB24,280,000	34.16	Manufacture and sale of manganese products
Guangxi Nanning Kuanguang Industry & Trade Co., Ltd. (廣西南寧寬廣工貿有限責任公司) +	PRC	RMB1,000,000	36.96	Provision of transportation services
Tiandeng Dameng Ferroalloy Co., Ltd. (天等縣大錳鐵合金有限公司) +	PRC	RMB6,000,000	28.8	Manufacture and sale of ferroalloy products
Guangxi Daxin Dabao Ferroalloy Co., Ltd. (廣西大新縣大寶鐵合金有限公司) +	PRC	RMB2,680,000	28.8	Ferroalloy smelting
Guangxi Qinzhou Guixin Ferroalloy Co., Ltd. (廣西欽州市桂鑫冶金有限公司) * +	PRC	RMB30,000,000	33.6	Manufacture and sale of chromium alloy

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
CITIC Indonesia Energy Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Seram Energy Limited	British Virgin Islands/ Indonesia	US$1	100	Investment holding
CITIC New Highland Petroleum Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Haiyue Energy Limited (note (e)) *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Tincy Group Energy Resources Limited *	Hong Kong/ PRC	HK$10,000,000	90	Exploration, development and operation of oilfield
CITIC Oil and Gas Holdings Limited (note (f))	British Virgin Islands/ Hong Kong	US$100	100	Investment holding
Renowned Nation Limited ("**RNL**") *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
KBM Energy Limited ("**KEL**") *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
CITIC Netherlands Energy Coöperatief U.A. *	Netherlands/ Hong Kong	Euro100	100	Investment holding

* Acquired, established or incorporated during the year.

\# Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

^ Sino-foreign equity joint venture registered under PRC law.

\+ Limited liability company registered under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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18. INTERESTS IN SUBSIDIARIES (continued)

Notes:

(a) Dongguan Xinlian is a wholly-foreign owned enterprise established by Wing Lam (International) Timber Limited ("**Wing Lam**") in the PRC for a period of 12 years commencing from the date of issuance of its business licence on 3 January 1997.

(b) These two companies jointly own CITIC Nominees Pty Limited Partnership, which owns the interests in the Portland Aluminium Smelter joint venture.

(c) The shares of CATL are listed on the Australian Stock Exchange (the "**ASX**") and the market value of its shares as at 31 December 2007 was A$58,521,000 (HK$402,390,000) (2006: A$49,093,000 (HK$303,002,000)).

(d) The Manganese Company, Guangxi Start Manganese Materials Co., Ltd., Guangxi Nanning Kuanguang Industry & Trade Co., Ltd., Tiandeng Dameng Ferroalloy Co., Ltd. and Guangxi Daxin Dabao Ferroalloy Co., Ltd. (collectively referred to as the "**Manganese Group**") are subsidiaries of CITIC Dameng Investments Limited, a 80% indirectly owned subsidiary of the Company. Accordingly, they are accounted for as subsidiaries by virtue of the Company's control over them. The Manganese Group acquired a 70% equity interest in Guixin Ferroalloy during the year. The acquisition was completed on 8 February 2007 (note 41(c)).

(e) On 10 October 2007, CITIC Haiyue Energy Limited ("**CITIC Haiyue**") completed the acquisition of a 90% interest in Tincy Group, a company which holds the right to explore, develop and operate the Hainan-Yuedong Block (note 41(b)).

(f) On 12 December 2007, CITIC Oil & Gas Holdings Limited completed the acquisition of RNL, a company which principally holds a 47.3% equity interest in JSC Karazhanbasmunai, a joint stock company formed under the laws of Kazakhstan, and is engaged in the development, production and sale of oil in the Karazhanbas oilfield (note 41(a)).

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19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

At 31 December 2007, the Group's jointly-controlled entities are primarily engaged in the exploration, development, production and sale of oil in Kazakhstan. Particulars of the jointly-controlled entities are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held				
CITIC Canada Energy Limited *	Canada	US$1	50	Investment holding
CITIC Canada Petroleum Limited ("**CCPL**") *	Canada	US$96,377,881	50	Investment
JSC Karazhanbasmunai ("**KBM**") *	Kazakhstan	Ordinary share: 2,045,035,000 Tenge Preference share: 116,077,000 Tenge	47.3	Exploration, development, production and sale of oil
Argymak TransService LLP ("**ATS**") *	Kazakhstan	200,000 Tenge	50	Provision of transportation services and other oilfield related logistic services
Tulpar Munai Service LLP ("**TMS**") *	Kazakhstan	100,000 Tenge	50	Provision of oil well drilling, construction and workover services
CITIC Services Inc. *	United States of America	US$1,000	50	Provision of management services

* Acquired during the year.

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19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following table illustrates the summarised financial information of the Group's proportionate share of the jointly-controlled entities, which was proportionately consolidated by the Group as at 31 December 2007 and for the year then ended.

	2007	**2006**
Proportionate share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	14,640,628	—
Current assets	1,610,397	—
Current liabilities	(7,835,339)	—
Non-current liabilities	(7,262,044)	—
Net assets	1,153,642	—
Proportionate share of the jointly-controlled entities' results:		
Revenue	197,160	—
Other income	1,245	—
	198,405	—
Total expenses	(102,954)	—
Tax	(51,475)	—
Profit after tax	43,976	—

20. INTERESTS IN JOINTLY-CONTROLLED ASSETS

At 31 December 2007, the Group held interests in the following joint ventures:

(a) 22.5% participating interest in the Portland Aluminium Smelter joint venture, the principal activity of which is aluminium smelting;

(b) 16% participating interest in the spent potlining project joint venture at Portland, the principal activity of which is the processing of spent potlining;

(c) 7% participating interest in the Coppabella and Moorvale coal mines joint venture, the principal activity of which is the mining and sale of coal;

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20. INTERESTS IN JOINTLY-CONTROLLED ASSETS (continued)

(d) 10% participating interest in the Olive Downs joint venture, the principal activity of which is the exploration of coal;

(e) 10% participating interest in the Moorvale West joint venture, the principal activity of which is the exploration of coal;

(f) 10% participating interest in the West/North Burton joint venture, the principal activity of which is the exploration of coal;

(g) 10% participating interest in the West Rolleston joint venture, the principal activity of which is the exploration of coal;

(h) 15% participating interest in the West Walkers joint venture, the principal activity of which is the exploration of coal;

(i) 15% participating interest in the Capricorn joint venture, the principal activity of which is the exploration of coal;

(j) 15% participating interest in the Bowen Basin Coal joint venture, the principal activity of which is the exploration of coal;

(k) 50% participating interest in the CB Exploration joint venture, the principal activity of which is the exploration of coal;

(l) 51% participating interest in the Seram Island Non-Bula Block production sharing contract (the "**Seram Interest**"). Details of the acquisition of the participating interest in this oilfield are included in note 41(e) to the financial statements; and

(m) the Production Sharing Contract dated 24 February 2004 for the exploration, development and operation of the Hainan-Yuedong Block.

The jointly-controlled assets as detailed in (c) to (k) above have different reporting dates to the Group, being 30 June compared to 31 December. The jointly-controlled assets as detailed in (a) to (k) are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network. The audited financial statements issued by the auditors of these jointly-controlled assets up to 31 December 2007 have been used for the purpose of preparation of the consolidated financial statements of the Group.

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20. INTERESTS IN JOINTLY-CONTROLLED ASSETS (continued)

The Group's interests in the net assets employed in the Portland Aluminium Smelter joint venture are included in the consolidated balance sheet under the classifications shown below:

	2007	**2006**
Non-current assets	2,440,457	2,200,182
Current assets	175,537	146,986
Current liabilities	(243,355)	(318,611)
Non-current liabilities	(195,010)	(92,210)
Share of net assets employed in the Portland Aluminium Smelter joint venture	2,177,629	1,936,347

The Group's interests in the net assets employed in the Seram Interest are included in the consolidated balance sheet under the classifications shown below:

	2007	**2006**
Non-current assets	718,420	853,295
Current assets	321,664	203,556
Current liabilities	(32,941)	(49,604)
Non-current liabilities	(59,437)	(100,483)
Share of net assets employed in the Seram Interest	947,706	906,764

The Group's interests in the combined net assets employed in the remaining jointly-controlled assets are included in the consolidated balance sheet under the classifications shown below:

	2007	**2006**
Non-current assets	294,275	68,602
Current assets	130,154	94,123
Current liabilities	(30,916)	(43,599)
Non-current liabilities	(14,625)	(14,696)
Share of net assets employed in the remaining jointly-controlled assets	378,888	104,430

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21. INTEREST IN AN ASSOCIATE

	Group 2007	2006
Share of net assets	1,164,472	—

Particulars of the Group's associate are as follows:

Name	Registered ordinary share capital	Place of incorporation	Percentage of equity interest attributable to the Group	Principal activities
Macarthur Coal #	A$246,343,000	Australia	19.99%	Operation, exploration, development and mining of coal

\# Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Macarthur Coal has a different reporting date to the Group, being 30 June compared to 31 December.

As at 31 December 2006, the Group had an 11.62% equity interest in Macarthur Coal, a public company listed on the ASX, which had been accounted for as an available-for-sale investments of the Group and was carried at fair value with changes recognised directly in equity. On 6 July 2007, the Group completed the acquisition of an additional 8.37% equity interest in Macarthur Coal at a consideration of A$112,923,000 (HK$757,358,000), which was then accounted for as an associate of the Group.

The Group accounted for this step acquisition prospectively from 1 January 2007 by reverting the Group's original cost and the related fair value changes for its investment in Macarthur Coal and applied equity accounting in the previous periods based on the Group's ownership percentage in Macarthur Coal in those periods. The resulting share of post acquisition profits or losses net of any dividends receivable, and any changes in fair value of the underlying investments since the acquisition of the first tranche was adjusted through retained earnings.

Subsequent to the balance sheet date, Macarthur Coal has issued additional shares for the acquisition of assets. The Group's shareholding in Macarthur Coal has been diluted from 19.99% to 17.66%.

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21. INTEREST IN AN ASSOCIATE (continued)

The effects of the above are summarised below:

Effect on the consolidated balance sheet

At 1 January 2007

	Increase/ (decrease) Total
Assets	
Interest in an associate	348,013
Available-for-sale listed investments	(739,349)
	(391,336)
Liabilities/Equity	
Deferred tax liabilities	(141,732)
Exchange fluctuation reserve	(5,045)
Available-for-sale investment revaluation reserve	(320,668)
Retained profits	76,109
	(391,336)

The following table illustrates the summarised financial information of Macarthur Coal extracted from its financial statements for the six months ended 31 December 2007:

	2007	2006
Assets	4,481,412	—
Liabilities	1,680,543	—
Revenues	946,095	—
Profit	88,319	—

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22. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2007	Group 2006
Non-current listed equity investments, at fair value:		
Australia	109,703	770,538
Canada	87,126	75,398
	196,829	845,936
Unlisted equity investments, at fair value	4,377	—
	201,206	845,936
The cost of the above investments were:		
Australia	32,794	296,344
Canada	130,013	130,013
	162,807	426,357

During the year, the gain on fair value of the Group's available-for-sale investments of HK$86,686,000 (2006: loss of HK$10,175,000) and related deferred tax liability of HK$22,487,000 (2006: HK$13,332,000) amounted to HK$64,199,000 were credited directly into equity (2006: HK$23,507,000 debited directly from equity).

The fair values of available-for-sale listed investments are based on quoted market prices.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Current portion

The 2006 balance included an amount of US$200,000,000 (HK$1,560,000,000) which was paid as earnest money for the investment project in Kazakhstan. This amount was capitalised into the cost of investments upon completion of the acquisition of the RNL Group during the current year. Further details of which are set out in note 41(a) to the financial statements.

The 2006 balance also included an amount of HK$86,115,727, being professional fees incurred for financial and legal advice in connection with the Group's potential investment projects. Out of which, HK$77,884,794 were capitalised into the cost of investments upon completion of the related investment projects in the current year. The remaining amounts are intended to be capitalised into the cost of potential investments if the Group proceeds with these investments. Otherwise such professional fees will be expensed off to the consolidated income statement once it is determined that the Group will not proceed with the related investment.

An amount of HK$51,000 (2006: HK$2,066,000) included in the current portion represents an amount due from fellow subsidiaries of the Group. The balances are unsecured, interest-free and have no fixed terms of repayment.

The 2007 balance mainly included an amount of HK$70,095,000 which was paid as deposit for purchase of property, plant and equipment.

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24. INVENTORIES

	Group	
	2007	**2006**
		(restated)
Raw materials	552,496	184,149
Work in progress	89,908	124,512
Finished goods	484,238	491,346
	1,126,642	800,007

25. DUE FROM/(TO) RELATED COMPANIES/THE ULTIMATE HOLDING COMPANY

The amounts due from/(to) related companies and the ultimate holding company of the Group are unsecured, interest-free and repayable on demand. Included in the Group's total amount due from related companies is an amount due from a minority shareholder of the Group of HK$29,217,000 (2006: Nil). The carrying values of the amounts due from/(to) related companies and the ultimate holding company approximate to their fair values.

The maximum outstanding balances during the year due from related companies, the ultimate holding company and a minority shareholder were HK$101,996,000 (2006: HK$51,486,000), HK$34,320,000 (2006: HK$34,320,000) and HK$75,599,000 (2006: Nil), respectively.

26. LOAN RECEIVABLE

The Group's loan receivable arose from the conversion of the Dagang Participating Interest into common shares of Ivanhoe Energy Inc. (the "**Ivanhoe Shares**") and a three-year non-interest-bearing unsecured loan of US$7,386,135 (HK$57,612,000) in 2006.

The amortised cost of the Group's loan receivable approximate to its fair value.

An analysis of the loan receivable as at the balance sheet date, based on the remaining periods to its contractual maturity date, is as follows:

	Group	
	2007	**2006**
Repayable:		
Within three months	4,493	4,235
Three months to one year	13,900	13,092
One year to five years	3,222	21,615
	21,615	38,942
Portion classified as current assets	(18,393)	(17,327)
Portion classified as non-current assets	3,222	21,615

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27. ACCOUNTS RECEIVABLE

	Group 2007	2006 (restated)
Trade receivables	1,588,464	1,238,545
Notes receivable	40,767	18,522
Impairment	(9,565)	(4,986)
	1,619,666	1,252,081

Notes receivables represent bank acceptance notes of the Manganese Group which are issued by major banks in the PRC.

The Group normally offers credit terms of 30 to 60 days to its established customers.

An aged analysis of the accounts receivable as at the balance sheet date, based on the invoice date, is as follows:

	Group 2007	2006 (restated)
Within one month	1,365,118	955,608
One to two months	203,292	255,889
Two to three months	12,115	17,794
Over three months	39,141	22,790
	1,619,666	1,252,081

The movements in provision for impairment of accounts receivable are as follows:

	Group 2007	2006
At 1 January	4,986	3,170
Impairment losses recognised (note 6)	5,126	1,816
Exchange realignment	(547)	—
At 31 December	9,565	4,986

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27. ACCOUNTS RECEIVABLE (continued)

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$9,565,000 with an aggregate carrying amount of HK$9,565,000. The individually impaired accounts receivable relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group	
	2007	**2006**
Neither past due nor impaired	1,609,040	1,221,645
One to three months past due	4,615	15,679
Over three months past due	6,011	14,757
	1,619,666	1,252,081

Receivables that were neither past due nor impaired relate to a large number of diversified customers in respect of whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's total accounts receivable is an amount due from the Group's fellow subsidiary of HK$1,516,000 (2006: HK$235,785,000), which is repayable on similar credit terms to those offered to other customers of the Group.

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	**2006**
Current unlisted equity investments, at fair value:		
Australia	2,430	1,974

The above equity investments at 31 December 2006 and 2007 were classified as held for trading.

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29. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2007	**2006**	**2007**	**2006**
Cash and bank balances	757,871	310,258	4,740	1,955
Time deposits *	1,316,586	540,486	742,374	20,735
	2,074,457	850,744	747,114	22,690

* Time deposits of HK$54,592,000 (2006: HK$75,528,000) and HK$54,357,000 (2006: HK$15,372,000) of the Group and of the Company, respectively, as at 31 December 2007 were placed with CITIC Ka Wah Bank Limited.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

At the balance sheet date, the cash and bank balances of the Group and the Company denominated in Renminbi ("**RMB**") amounted to HK$255,952,000 and HK$2,233,000, respectively (2006: HK$116,755,000 and HK$2,310,000) and the cash and bank balances of the Group denominated in Tenge amounted to HK$18,062,000 (2006: Nil). The RMB and Tenge are not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations and the National Bank of the Republic of Kazakhstan, the Group is permitted to exchange RMB and Tenge for other currencies through banks authorised to conduct foreign exchange business.

30. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	**2006**
Within one month	581,630	455,696
One to two months	15,534	58,416
Two to three months	2,520	5,284
Over three months	14,307	14,392
	613,991	533,788

The accounts payable are non-interest-bearing and are normally settled on 60 days terms.

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31. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in the total balance was an amount of HK$6,565,000 (2006: HK$7,210,000) due to CITIC Group, the ultimate holding company of the Company, which represents an interest expense payable on loans totalling US$39,000,000 (HK$304,179,000) that had been advanced by CITIC Group (note 34(g)).

32. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2007	
	Assets	**Liabilities**
Forward currency contracts and currency options	6,931	—
Forward commodity contracts	—	20,933
Interest rate swaps and options	1,677	—
Derivative financial instruments — embedded derivative	—	168,189
	8,608	189,122
Portion classified as non-current:		
Derivative financial instruments — embedded derivative	—	(86,756)
Current portion	8,608	102,366

The carrying amounts of forward currency and commodity contracts, interest rate swaps and embedded derivatives are the same as their fair values.

The Group is the party to derivative financial instruments in the normal course of business in order to hedge the exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

Accounting policies in relation to derivative financial instruments are set out in note 2.4 to the financial statements.

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32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward currency contracts and currency options — cash flow hedges

The Group's exports business in Australia involves transactions where both the sales revenue and the majority of the related costs of the goods sold are denominated in United States dollars, as well as other currencies. The Group has entered into forward currency contracts and currency options to hedge its net foreign currency exposures in relation to such transactions.

Imports of the Group generally involve transactions where the purchases of imported goods (as well as some of the costs related to such purchases) are denominated in United States dollars, as well as other currencies. However, subsequent sales of such goods are generally denominated in Australian dollars. Therefore, to enable the Group to manage such business operations, including setting the Australian dollar selling prices of the imported goods, forward currency contracts and currency options are entered into to hedge current and anticipated future purchases.

The contracts are timed to mature when major shipments are scheduled to arrive and cover anticipated purchases and sales in the ensuing financial year. Forward currency contracts described above are considered to be cash flow hedges, and are accounted for in accordance with the accounting policy in note 2.4 to the financial statements.

At 31 December, the terms of the outstanding contracts held by the Group were as follows:

	2007		2006	
	Weighted average exchange rate	Contractual amount	Weighted average exchange rate	Contractual amount
Forward contracts:				
(i) Sell A$/Buy US$				
Less than 3 months	0.8862	149,794	0.7681	303,625
(ii) Buy A$/Sell US$				
Less than 3 months	0.8372	124,724	0.7312	68,849
In 3 to 12 months, inclusive	0.8667	10,314	0.7137	58,548
In 1 to 2 years, inclusive	—	—	0.7134	6,413
(iii) Buy Euro/Sell US$				
Less than 3 months	1.4198	4,882	—	—
Currency options:				
(i) Put US$ option sell				
Less than 3 months	—	—	0.7700	40,081
(ii) Variable forward plus options				
Less than 3 months	0.8700	15,471	—	—
In 3 to 12 months, inclusive	0.8700	46,413	—	—

Amounts disclosed above represent currencies sold measured at the contracted rate.

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32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward currency contracts and currency options — cash flow hedges (continued)

The portion of gain or loss on the hedging instruments that is determined to be an effective hedge is recognised directly in equity. When a cash flow occurs, the Group adjusts the initial measurement of the component recognised in the consolidated balance sheet by the related amount in equity.

Forward commodity contracts — cash flow hedges

The Group has also committed to the following contracts in order to protect the Group from adverse movements in aluminium prices.

All commodity contracts are normally settled other than by physical delivery of the underlying commodities and hence are classified as financial instruments. On maturity, the contracted price is compared to the spot price and the differential is applied to the contracted quantity. A net amount is paid or received by the Group.

Aluminium forward contracts are entered into for the purpose of hedging future production, the contracts are considered to be cash flow hedges, and are accounted for in accordance with the accounting policy in note 2.4 to the financial statements.

At 31 December, the terms of the Group's outstanding commodity derivative financial instruments were as follows:

	2007			2006		
	Quantity hedged (MT)	**Average price per tonne** HK$	**Contractual amount** HK$'000	**Quantity hedged** (MT)	**Average price per tonne** HK$	**Contractual amount** HK$'000
Aluminium forward (sold):						
Less than 3 months	3,050	16,903	51,542	5,600	15,733	88,883
In 3 to 12 months, inclusive	5,850	16,786	98,176	15,750	16,988	267,581
In 1 to 2 years, inclusive	2,450	19,188	47,011	6,700	15,444	102,340
In 2 to 5 years, inclusive	—	—	—	450	14,680	6,604

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32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swap contracts and options — cash flow hedges

The Group has entered into interest rate swaps to hedge against unfavourable movements in interest rates payable on floating rate borrowings. The Group is obliged to pay interest at fixed rates and receive interest at floating rates on the notional principal of the swaps, with settlement being on a net basis.

The contracts require settlement of net interest receivable or payable at specified intervals which coincide with the dates on which interest is payable on the underlying debt. Such net receipts or payments are recognised as an adjustment to interest expense at the time the floating rates are set for each interval. The floating rates for A$ denominated swaps are set by reference to Bank Bill Swap reference rate and for US$ denominated swaps are set by reference to London Interbank Offered Rate ("**LIBOR**").

Swap currently in place cover 50% of the syndicate loan principal outstanding in CITIC Australia (Portland) Pty Limited and are timed to expire as each loan repayment falls due. The fixed interest rate is fixed at 3.58% over the whole term of the contract and the variable interest rates are set at six-month LIBOR.

Interest rate options are entered from time to time by the coal mining and other joint venture managers on behalf of the joint venture partners to reduce the impact of changes in interest rates on floating rate long-term basis.

At 31 December, the remaining terms, notional principal amounts and other significant terms of the Group's outstanding interest rate swap contracts and options were as follows:

	2007		2006	
	Weighted average rate %	Notional amount	Weighted average rate %	Notional amount
US$ interest rate swap				
Less than 1 year	3.58	296,400	3.58	23,400
In 2 to 5 years, inclusive	—	—	3.58	296,400

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32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swap contracts and options — cash flow hedges (continued)

The terms of the forward contracts and options have been negotiated to match the terms of the commitments. The cash flow hedges of the expected future sales and the expected future purchases were assessed to be highly effective and a net gain, before deferred tax, of HK$227,061,000 was included in the hedging reserve as follows:

	2007
Total fair value gains included in the hedging reserve	227,061
Transfers from the hedging reserve and recognised in the consolidated income statement	(33,646)
Deferred tax	(57,183)
Net gains on cash flow hedges	136,232

Derivative financial instruments – embedded derivative

The pricing mechanism used in the ESA between the Group and its suppliers include a component that is subject to variability of the aluminium prices. It has identified that an embedded derivative exists and the derivative component has been separated from its host agreement. The embedded derivative is revalued at each balance sheet date with its fair value gain or loss recognised in the consolidated income statement.

33. DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder was unsecured, interest-free and repayable on demand. Its carrying amount approximated to its fair value. The outstanding balance was fully repaid in 2007.

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34. BANK AND OTHER LOANS

	Notes	Group 2007	Group 2006
Bank loans — secured * # (Note)	(a)	1,210,720	878,650
Bank loans — unsecured #	(b)	2,522,840	2,465,035
Unsecured loan from Transport Infrastructure Corridor *	(c)	6,448	6,815
Unsecured loan from Exploration Permit for coal *	(d)	6,125	6,242
Unsecured loans from former minority shareholders ^	(e)	11,862	11,862
Unsecured loans from minority shareholders ^	(f)	139,930	61,930
Unsecured loan from CITIC Group #	(g)	304,179	327,003
Unsecured loans from 广西金孟錳业有限公司 ^	(h)	—	45,025
		4,202,104	3,802,562

	Company 2007	Company 2006
Bank loans — unsecured #	1,170,000	1,513,200

* Fixed rate

\# Floating rate

^ Interest-free

Note: Includes the effects of a related interest rate swap as further detailed in note 32 to the financial statements.

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34. BANK AND OTHER LOANS (continued)

Notes:

(a) The secured bank loans of HK$1,210,720,000 include mainly:

(i) a US$76,000,000 (HK$592,758,000) loan due on 31 December 2008 (extendable in accordance with the terms of the Portland Aluminium Smelter joint venture), which was interest-bearing at LIBOR and is secured by a 22.5% participating interest in Portland Aluminium Smelter joint venture;

(ii) a loan of RMB430,000,000 (HK$447,917,000) with due dates from 20 January 2008 to 31 March 2014, which are interest-bearing at rates ranging from 6.12% to 8.96% per annum and are secured by property, plant and equipment of HK$80,727,000 (2006: HK$62,252,000), prepaid land lease premiums of HK$52,347,000 (2006: HK$1,300,000), mining right of HK$119,518,000 (2006: HK$135,701,000) and a guarantee provided by a minority shareholder; and

(iii) a loan of 2,631,562,500 Tenge (HK$170,045,000) due on 1 July 2011, which is interest-bearing at 11.8% and is secured by property, plant and equipment of KBM in an amount of 4,550,000,000 Tenge (HK$294,008,000).

(b) The unsecured bank loans of HK$2,522,840,000 include mainly a term loan of US$150,000,000 (HK$1,170,000,000), which are interest-bearing at LIBOR plus 0.7%. Subsequent to the balance sheet date on 23 January 2008, the loan was refinanced with new financial covenants to match the latest development of the Company.

The unsecured bank loans also include (1) trade finance facilities of A$129,808,606 (HK$892,563,975) which were interest-bearing at LIBOR and are guaranteed by CITIC Resources Australia Pty Limited; and (2) a bank loan borrowed by KBM of 6,121,000,000 Tenge (HK$395,522,000) which is interest-bearing at 9.5% and due on 12 April 2009.

The loans of RMB60,000,000 (HK$62,500,000) with due dates from 20 January 2008 to 20 November 2008 were interest-bearing at rates ranging from 7.29% to 7.47% per annum.

(c) The loan was obtained from the State Government of Queensland, Australia. The loan is unsecured, interest-bearing at 6.69% per annum and repayable in equal quarterly instalments by 30 September 2012.

(d) The loan was obtained from the manager of the Coppabella and Moorvale coal mines joint venture. The loan is unsecured, interest-bearing at 6% per annum and repayable in equal annual instalments by 11 December 2013.

(e) The loans were obtained from the former minority shareholders (details of which are set out in note 43(a)). The loans are unsecured, interest-free and not repayable within one year.

(f) The unsecured loans from minority shareholders include:

The loan of HK$61,930,000 was obtained from a minority shareholder of CITIC Dameng Holdings Limited, namely, CITIC United Asia Investments Limited (which is an indirect wholly-owned subsidiary of CITIC Group). The loan is unsecured, interest-free and not repayable within one year.

The loan of US$10,000,000 (HK$78,000,000) was obtained from Far Great Investments Limited ("**Far Great**") (a minority shareholder of Tincy Group). The loan is unsecured, interest-free and repayable on 31 May 2008.

(g) The loan of US$39,000,000 (HK$304,179,000) was granted by CITIC Group, the ultimate holding company of the Group. The loan is unsecured, interest-bearing at LIBOR plus 1.5% per annum and repayable in equal annual instalments by 7 September 2012.

(h) The loans in 2006 were obtained from 广西金孟錳业有限公司. The loans were unsecured and interest-free, and were fully repaid in 2007.

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34. BANK AND OTHER LOANS (continued)

	Group 2007	Group 2006
Bank loans repayable:		
Within one year or on demand	2,143,225	1,495,017
In the second year	730,531	833,648
In the third to fifth years, inclusive	783,189	1,015,020
Beyond five years	76,615	—
	3,733,560	3,343,685
Other loans repayable:		
Within one year	2,092	46,796
In the second year	2,217	1,878
In the third to fifth years, inclusive	7,089	6,335
Beyond five years	1,175	3,073
	12,573	58,082
Loans from former minority shareholders:		
Beyond one year	11,862	11,862
Loans from minority shareholders:		
Within one year	78,000	—
Beyond one year	61,930	61,930
	139,930	61,930
Loan from CITIC Group:		
Within one year	15,599	46,209
In the second year	15,599	38,999
In the third to fifth years, inclusive	46,797	116,998
Beyond five years	226,184	124,797
	304,179	327,003
Total bank and other loans	4,202,104	3,802,562
Portion classified as current liabilities	(2,238,916)	(1,588,022)
Non-current portion	1,963,188	2,214,540

	Company 2007	Company 2006
Bank loans repayable:		
Within one year or on demand	234,000	343,200
In the second year	234,000	234,000
In the third to fifth years, inclusive	702,000	936,000
Total bank and other loans	1,170,000	1,513,200
Portion classified as current liabilities	(234,000)	(343,200)
Non-current portion	936,000	1,170,000

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34. BANK AND OTHER LOANS (continued)

The carrying amounts of the Group's and the Company's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's non-current borrowings are as follows:

Group

	Effective interest rate p.a. (%)	Carrying amounts 2007	Carrying amounts 2006	Fair values 2007	Fair values 2006
Unsecured loans from Transport Infrastructure Corridor	7.911	5,234	5,788	6,250	5,923
Unsecured loans from Exploration Permit for coal	7.871	5,247	5,498	5,782	5,506
Unsecured loan from CITIC Group	4.798	288,580	280,794	315,260	289,509
Unsecured bank loans	4.505	936,000	1,170,000	942,443	1,176,820
Secured bank loans	10.058	121,460	592,785	175,707	593,662
Unsecured bank loans	7.779 - 10.000	397,458	6,863	394,295	6,955
Other secured bank loans	7.560 - 7.830	135,417	79,020	134,566	81,091
Unsecured loans from former minority shareholders	7.740	11,862	11,862	11,730	11,557
Unsecured loan from a minority shareholder	7.740	61,930	61,930	61,241	59,755
		1,963,188	2,214,540	2,047,274	2,230,778

Company

	Effective interest rate p.a. (%)	Carrying amounts 2007	Carrying amounts 2006	Fair values 2007	Fair values 2006
Unsecured bank loans	4.505	936,000	1,170,000	942,443	1,176,820

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35. BOND OBLIGATIONS

	Notes	Group 2007	2006
Senior notes, listed in Singapore	(a)	7,635,991	—
Bonds, listed in Kazakhstan	(b)	356,868	—
Total bond obligations		7,992,859	—
Portion classified as current liabilities		(356,868)	—
Non-current portion		7,635,991	—

Notes:

(a) On 17 May 2007, CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company, completed the issuance of US$1,000,000,000 senior notes (the "**Notes**") at the issue price of 99.726%. The Notes bear interest at the rate of 6.75% per annum and the interest is payable semi-annually. The obligations of CR Finance under the Notes are irrevocably and unconditionally guaranteed by the Company and will mature on 15 May 2014.

The Notes shall become immediately due and payable in the case of an event of default, and are subject to redemption on the occurrence of certain events.

As at 31 December 2007, the fair value of the Notes was estimated at US$944,500,000 (HK$7,367,100,000), which was determined based on the closing market price of the Notes on that date.

(b) The bonds are 11,100,000 non-callable coupon bonds in the aggregate amount of 11.1 billion Tenge issued and registered with the Kazakhstan Stock Exchange in December 2003 with a five-year maturity. The bonds bear interest at a rate of 8% per annum during the first six months of their tenor and a floating rate for the rest of their tenor by referring to the inflation index as reported by the Agency of Statistics of the Republic of Kazakhstan. The maximum floating rate is capped at 14%. The interest is payable semi-annually.

As at 31 December 2007, the fair value of the bonds was estimated at HK$369,327,000, which was determined based on the closing market price of the bonds on that date.

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36. PROVISIONS

Group

	Long service and leave payments	Provision for rehabilitation cost	Provision for abandonment cost	Total
At 1 January 2007	56,192	90,301	24,794	171,287
Acquisition of subsidiaries (note 41(a))	—	—	106,055	106,055
Additions	906	13,808	1,556	16,270
Payment	(11,451)	—	—	(11,451)
Increase due to passage of time	—	1,562	—	1,562
Exchange realignment	6,453	8,729	20	15,202
At 31 December 2007	52,100	114,400	132,425	298,925
Portion classified as current liabilities	(51,687)	(626)	—	(52,313)
Non-current portion	413	113,774	132,425	246,612

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37. DEFERRED TAX

The movements in the Group's deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities — 2007

	Accelerated tax depreciation	Fair value adjustments	Total
At 1 January 2007	450,402	69,531	519,933
Opening adjustment (note 21)	(141,732)	—	(141,732)
As restated	308,670	69,531	378,201
Acquisition of subsidiaries (note 41(a) to (c))	8,684,566	—	8,684,566
Deferred tax charged/(credited) to the consolidated income statement during the year (note 10)	(6,422)	2,415	(4,007)
Deferred tax debited to equity during the year	—	79,670	79,670
Exchange realignment	30,043	4,637	34,680
Gross deferred tax liabilities at 31 December 2007	9,016,857	156,253	9,173,110

Deferred tax assets — 2007

	Losses available for offset against future taxable profit
At 1 January 2007	204,005
Acquisition of a subsidiary (note 41(c))	6,589
Deferred tax charged to the consolidated income statement during the year (note 10)	(26,525)
Deferred tax offset against other tax payable	(28,636)
Exchange realignment	1,302
Gross deferred tax assets at 31 December 2007	156,735
Net deferred tax liabilities at 31 December 2007	9,016,375

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37. DEFERRED TAX (continued)

Deferred tax liabilities — 2006

	Accelerated tax depreciation	Fair value adjustments	Total
At 1 January 2006	430,687	40,298	470,985
Acquisition of subsidiaries (note 41(d))	3,465	7,788	11,253
Deferred tax credited to the consolidated income statement during the year (note 10)	(14,363)	(15,458)	(29,821)
Deferred tax debited to equity during the year	—	30,461	30,461
Exchange realignment	30,613	6,442	37,055
Gross deferred tax liabilities at 31 December 2006	450,402	69,531	519,933

Deferred tax assets — 2006

	Losses available for offset against future taxable profit (restated)
At 1 January 2006	11,188
Acquisition of the Seram Interest (note 41(e))	197,251
Deferred tax charged to the consolidated income statement during the year (note 10)	(1,434)
Deferred tax debited to equity during the year	(4,484)
Exchange realignment	1,484
Gross deferred tax assets at 31 December 2006	204,005
Net deferred tax liabilities at 31 December 2006	315,928

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38. SHARE CAPITAL

Shares

	2007	**2006**
Authorised:		
10,000,000,000 (2006: 6,000,000,000) ordinary shares of HK$0.05 each	500,000	300,000
Issued and fully paid:		
5,257,884,381 (2006: 4,318,184,381) ordinary shares of HK$0.05 each	262,894	215,909

During the year, the movements in share capital were as follows:

(a) On 9 February 2007, the Company entered into a placing and subscription agreement with United Star International Inc. ("**USI**") as subscriber, pursuant to which the Company agreed to allot and issue, and USI agreed to subscribe for 570,000,000 new ordinary shares of the Company of HK$0.05 each (the "**USI Subscription Shares**") at a price of HK$2.46 per share. The transaction was completed on 28 February 2007. The total consideration of the USI Subscription Shares, before issuance expenses, amounted to HK$1,402,200,000 and was paid in cash on the completion date. Further details of the transaction are set out in the announcement of the Company dated 9 February 2007.

(b) On 9 February 2007, the Company entered into the subscription agreement with Keentech Group Limited ("**Keentech**"), a major shareholder of the Company, pursuant to which the Company conditionally agreed to allot and issue, and Keentech agreed to subscribe for 130,000,000 new ordinary shares of the Company of HK$0.05 each (the "**Keentech Subscription Shares**") at a price of HK$2.46 per share. The transaction, completed on 19 April 2007, constituted a connected transaction under the Listing Rules. The total consideration of the Keentech Subscription Shares, before issuance expenses, amounted to HK$319,800,000 and was paid in cash on the completion date. Further details of the transaction are set out in the circular of the Company dated 5 March 2007.

(c) On 20 March 2007, an ordinary resolution was passed at the special general meeting of the Company whereby the authorised share capital of the Company of HK$300,000,000 divided into 6,000,000,000 ordinary shares of HK$0.05 each be increased to HK$500,000,000 divided into 10,000,000,000 ordinary shares of HK$0.05 each by the creation of an additional 4,000,000,000 ordinary shares of HK$0.05 each, which such shares shall on their issue rank pari passu in all respects with existing issued shares.

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38. SHARE CAPITAL (continued)

(d) On 15 June 2007, the Company entered into the subscription agreement with Ellington Investments Pte. Ltd. ("**Ellington**"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, pursuant to which Ellington has conditionally agreed to subscribe for, and the Company agreed to issue, 101,000,000 new ordinary shares of the Company of HK$0.05 each (the "**Temasek Subscription Shares**") at a price of HK$4.46 per share. The transaction was completed on 3 July 2007 and the total consideration of the Temasek Subscription Shares, before issuance expenses, of HK$450,460,000 was paid in cash on the completion date.

(e) The subscription rights attaching to 133,700,000 and 5,000,000 share options were exercised at a subscription price of HK$1.08 and HK$1.06 per share, respectively, resulting in the issuance of 138,700,000 ordinary shares of HK$0.05 each for a total cash consideration, before issuance expenses, of HK$149,696,000. The proceeds are used for the Group's normal daily operation.

A summary of transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2006		4,316,884,381	215,844	2,561,962	12,663	2,790,469
Share options exercised	40(b)	1,300,000	65	1,625	(286)	1,404
Equity-settled share options arrangements	40(b)	—	—	—	26,158	26,158
At 31 December 2006 and 1 January 2007		4,318,184,381	215,909	2,563,587	38,535	2,818,031
Share subscription:						
USI Subscription Shares	(a)	570,000,000	28,500	1,373,700	—	1,402,200
Keentech Subscription Shares	(b)	130,000,000	6,500	313,300	—	319,800
Temasek Subscription Shares	(d)	101,000,000	5,050	445,410	—	450,460
Share options exercised	(e)	138,700,000	6,935	182,430	(39,669)	149,696
Equity-settled share options arrangements	40 (b)	—	—	—	20,559	20,559
		5,257,884,381	262,894	4,878,427	19,425	5,160,746
Share issue expenses		—	—	(34,610)	—	(34,610)
At 31 December 2007		5,257,884,381	262,894	4,843,817	19,425	5,126,136

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

39. SHARE OPTION SCHEME

On 30 June 2004, a new share option scheme (the "**New Scheme**") was adopted by the Company to replace the share option scheme which was adopted by the Company on 21 August 1997 (the "**Old Scheme**"). The Old Scheme was terminated on 30 June 2004.

Pursuant to the New Scheme, the Company may grant options to eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated therein. A summary of the New Scheme is as follows:

(a)	Purpose	—	To enable the Company to grant options to Eligible Participants (as defined below) as incentives and rewards for their contributions to the Group.
(b)	Eligible Participants	—	Being employees or executives or officers of the Company or any of its subsidiaries (including their respective executive and non-executive directors) and consultants, business associates and advisers who will provide or have provided services to the Group.
(c)	Total number of shares available for issue under the New Scheme	—	The total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the total number of shares of the Company in issue.
(d)	Maximum entitlement of each Eligible Participant	—	The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue at the date of grant.
(e)	Period during which the shares must be taken up under an option	—	The period during which an option may be exercised is determined by the board of directors of the Company at its absolute discretion, except that no option may be exercised after 10 years from the date of adoption of the New Scheme, subject to early termination of the New Scheme.
(f)	Minimum period for which an option must be held before it can be exercised	—	The minimum period for which an option must be held before it can be exercised is one year.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

39. SHARE OPTION SCHEME (continued)

(g) Basis of determining the exercise price — The exercise price must be at least the highest of (i) the closing price of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share.

(h) Remaining life of the New Scheme — The New Scheme remains in force until 29 June 2014 unless otherwise terminated in accordance with the terms stipulated therein.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2007		**2006**	
	Weighted average exercise price per share	**Number of options**	**Weighted average exercise price per share**	**Number of options**
	HK$	'000	HK$	'000
At 1 January	1.079	175,700	1.079	177,000
Granted during the year	3.072	20,000	—	—
Exercised during the year	1.079	(138,700)	1.080	(1,300)
At 31 December	1.777	57,000	1.079	175,700

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.834 (2006: HK$1.809)

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

39. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2007

Number of options '000	Exercise price per share * HK$	Exercise period
32,000	1.080	02/06/2006 - 01/06/2010
5,000	1.060	28/12/2006 - 27/12/2010
20,000	3.072	07/03/2008 - 06/03/2012
57,000		

2006

Number of options '000	Exercise price per share * HK$	Exercise period
65,700	1.080	02/06/2006 - 01/06/2010
100,000	1.080	02/06/2007 - 01/06/2010
10,000	1.060	28/12/2006 - 27/12/2010
175,700		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

On 7 March 2007, the Company granted share options under the New Scheme to Mr. Kong Dan, the director of the Company, in respect of 20,000,000 shares in the Company at the exercise price of HK$3.072 per share. The closing price of the shares at the date of grant was HK$3.13 per share.

The fair value of the share options granted during the year was HK$15,240,000 (HK$0.762 each) of which the Group recognised a share option expense of HK$11,429,000 during the year ended 31 December 2007. There was no share option granted during the year ended 31 December 2006.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

39. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield (%)	0
Volatility (%)	48.26
Risk-free interest rate (%)	4.001
Expected life of options (year)	2

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 138,700,000 share options exercised during the year resulted in the issuance of 138,700,000 new ordinary shares of the Company of HK$0.05 each and new share capital of HK$6,935,000 and share premium of HK$182,430,000 (before issue expenses), as further detailed in note 38 to the financial statements.

At the balance sheet date, the Company had 57,000,000 share options outstanding under the New Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 57,000,000 additional ordinary shares of the Company, additional share capital of HK$2,850,000 and share premium of HK$98,450,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 57,000,000 share options outstanding under the Scheme, which represented 1.08% of the Company's shares in issue as at that date.

40. RESERVES

(a) Group

Movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 52 and 53 of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the holding company of the Group acquired by the Company pursuant to the Group reorganisation prior to the listing of the Company's shares over the nominal value of the share capital of the Company issued in exchange therefor.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to reserve funds which are restricted as to use.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

40. RESERVES (continued)

(b) Company

	Share premium account	Contributed surplus	Exchange fluctuation reserve	Share option reserve	Accumulated losses	Total
As at 1 January 2006	2,561,962	172,934	—	12,663	(343,506)	2,404,053
Issue of new shares upon exercise of share options (note 38)	1,625	—	—	(286)	—	1,339
Equity-settled share options arrangements (note 38)	—	—	—	26,158	—	26,158
Loss for the year	—	—	—	—	(152,093)	(152,093)
At 31 December 2006 and 1 January 2007	2,563,587	172,934	—	38,535	(495,599)	2,279,457
Exchange realignment	—	—	255	—	—	255
Issue of new shares	2,132,410	—	—	—	—	2,132,410
Share issue expenses	(34,610)	—	—	—	—	(34,610)
Issue of new shares upon exercise of share options (note 38)	182,430	—	—	(39,669)	—	142,761
Equity-settled share options arrangements (note 38)	—	—	—	20,559	—	20,559
Loss for the year	—	—	—	—	(189,467)	(189,467)
At 31 December 2007	4,843,817	172,934	255	19,425	(685,066)	4,351,365

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation detailed in note (a) above, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the laws of Bermuda, the contributed surplus of the Company may be distributed in cash or in specie in certain prescribed circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

41. BUSINESS COMBINATION

(a) On 30 April 2007, the Group conditionally agreed to acquire from CITIC Group the entire issued share capital of RNL, and thereby the Kazakhstan Interests (as defined below), and the benefit of certain indebtedness owing by KEL to CITIC Group (the "**Kazakhstan Transaction**").

Further details of the Kazakhstan Transaction are set out in the circular of the Company dated 12 June 2007 and the announcement of the Company dated 12 December 2007.

The **Kazakhstan Interests** comprise interests in 50% of the issued voting shares of KBM (which represents 47.3% of the total issued shares of KBM) and 50% of the participation rights in each of ATS and TMS. KBM, ATS and TMS operate the oil and oil related businesses and activities in Kazakhstan. KBM is engaged in the development, production and sale of oil and holds the right to explore, develop, produce and sale of oil in the Karazhanbas oilfield until 2020. ATS is engaged in the provision of transportation services and other oilfield related logistics services. TMS is engaged in the provision of oil well drilling, construction and workover services.

The Kazakhstan Transaction, completed on 12 December 2007, constituted a connected and very substantial acquisition under the Listing Rules. The purchase consideration in respect of the Kazakhstan Transaction is US$1,030,610,001 (HK$8,038,448,000). The purchase consideration was settled by a deposit of US$200,000,000 (HK$1,560,000,000) paid by the Group to CITIC Group in 2006 (note 23), cash payment of US$830,610,001 (HK$6,478,448,000) paid by the Group to CITIC Group upon completion of the Kazakhstan Transaction and other directly attributable costs of HK$110,284,000 recorded as prepayments prior to the date of completion of the Kazakhstan Transaction. In addition, certain indebtedness of RNL in an aggregate amount of US$100,000,000 (HK$779,800,000) due to CITIC Group became part of liabilities of the Group. RNL's indebtedness to CITIC Group was settled by the Group immediately after the completion of the Kazakhstan Transaction.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(a) (continued)

The fair values of the identifiable assets and liabilities of the RNL Group as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition	Previous carrying amount
Net assets acquired:			
Property, plant and equipment	13	17,524,854	14,533,560
Other intangible assets	15	4,220	4,220
Inventories		345,030	345,030
Accounts receivable		296,368	296,368
Prepayments, deposits and other receivables		478,060	478,060
Tax recoverable		98,159	98,159
Cash and bank balances		420,276	420,276
Accounts payable		(106,136)	(106,136)
Tax payable		(345,112)	(345,112)
Accrued liabilities and other payables		(128,124)	(128,124)
Bank and other loans		(569,576)	(569,576)
Bond obligations		(356,801)	(356,801)
Provisions	36	(106,055)	(106,055)
Deferred tax liabilities	37	(8,153,612)	(6,625,061)
Minority interests		(473,019)	(394,452)
		8,928,532	7,544,356
Satisfied by:			
Cash		7,258,248	
Deposit paid in 2006	23	1,560,000	
Professional fees paid		110,284	
		8,928,532	

An analysis of the net outflow of cash and cash equivalents in respect of the Kazakhstan Transaction is as follows:

	2007
Cash consideration paid	(7,258,248)
Cash and bank balances acquired	420,276
Net outflow of cash and cash equivalents in respect of the Kazakhstan Transaction	(6,837,972)

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(a) (continued)

Since the completion of the Kazakhstan Transaction, RNL Group has contributed HK$197,160,000 to the Group's revenue and HK$37,120,000 to the consolidated profit attributable to shareholders of the Company for the year ended 31 December 2007.

The following unaudited proforma consolidated financial information reflects the results of the operations of the Group for the year ended 31 December 2007, as if the Kazakhstan Transaction described above had completed on 1 January 2007 and the Notes had been issued on 1 January 2007.

	Proforma financial results of the Group for the year ended 31 December 2007 (unaudited)
Total revenue	12,819,816
Profit before tax	1,380,707
Profit after tax attributable to shareholders of the Company	423,591
Earnings per share	
– Basic	HK 8.46 cents
– Diluted	HK 8.41 cents

The purchase price allocation set out above is still preliminary, pending the finalisation of the valuation of certain property, plant and equipment and intangible assets and the determination of the tax basis of the assets and liabilities acquired.

(b) On 1 May 2007, CITIC Haiyue, an indirect wholly-owned subsidiary of the Company, acquired an option to purchase 90% of the issued shares of Tincy Group from Far Great. Tincy Group holds the right to explore, develop and operate, until 2034, the Hainan-Yuedong Block.

On 28 September 2007, CITIC Haiyue exercised the option by entering into a sale and purchase agreement with Far Great and its shareholders to purchase 90% of the issued shares of Tincy Group for a consideration of US$148,183,648 (HK$1,155,832,000), subject to adjustments as provided for in such agreement. The transaction was completed on 10 October 2007 and the purchase consideration was in the form of cash. As at 31 December 2007, the purchase consideration of US$125,145,813 (HK$976,131,341) and directly attributable cost of HK$41,122,463 were settled by the Group, and the remaining purchase consideration of US$23,037,835 (HK$179,700,659) and other directly attributable cost of HK$5,590,998 were recorded by the Group as other payables as at 31 December 2007.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(b) (continued)

The fair values of the identifiable assets and liabilities of Tincy Group as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition	Previous carrying amount
Net assets acquired:			
Property, plant and equipment	13	1,987,381	151,821
Prepayments, deposits and other receivables		46	46
Cash and bank balances		251	251
Accrued liabilities and other payables		(45,793)	(45,793)
Bank and other loans		(78,000)	(78,000)
Deferred tax liabilities	37	(527,724)	—
Minority interests		(133,616)	(2,833)
		1,202,545	25,492
Satisfied by:			
Cash		1,017,254	
Other payables		185,291	
		1,202,545	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Tincy Group is as follows:

	2007
Cash consideration paid	(1,017,254)
Cash and bank balances acquired	251
Net outflow of cash and cash equivalents in respect of the acquisition of Tincy Group	(1,017,003)

Since its acquisition, Tincy Group has not contributed any revenue to the Group as the principal field within the Hainan-Yuedong Block is still in the appraisal and development stage.

The purchase price allocation set out above is still preliminary, pending the finalisation of the valuation of certain property, plant and equipment and intangible assets and the determination of the tax basis of the assets and liabilities acquired.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(c) On 8 February 2007, the Group acquired an effective 33.6% indirect interest in Guixin Ferroalloy which is engaged in the manufacture and sale of high-carbon chromium alloy in the PRC. The purchase consideration was in the form of cash, with HK$16,667,000 (RMB16,000,000) paid by the Group upon the completion of the acquisition.

The fair values of the identifiable assets and liabilities of Guixin Ferroalloy as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition**	**Previous carrying amount**
Net assets acquired:			
Property, plant and equipment	13	51,747	46,227
Prepaid land lease premiums	14	11,105	3,008
Deferred tax assets	37	6,589	—
Inventories		16,827	16,827
Accounts receivable		2,208	2,208
Prepayments, deposits and other receivables		11,099	11,099
Cash and bank balances		27,561	27,561
Accounts payable		(16,440)	(16,440)
Tax payable		(390)	(390)
Accrued liabilities and other payables		(47,469)	(47,469)
Bank and other loans		(18,750)	(18,750)
Deferred tax liabilities	37	(3,230)	—
Minority interests		(12,257)	(7,164)
		28,600	16,717
Excess over the cost of a business combination recognised in the consolidated income statement	5	(11,933)	
Satisfied by cash		16,667	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Guixin Ferroalloy is as follows:

	2007
Cash consideration paid	(16,667)
Cash and bank balances acquired	27,561
Net inflow of cash and cash equivalents in respect of the acquisition of Guixin Ferroalloy	10,894

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(c) (continued)

Since its acquisition, Guixin Ferroalloy contributed HK$269,343,202 to the Group's revenue and HK$5,433,204 to the consolidated profit for the year ended 31 December 2007.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$277,335,011 and HK$8,509,588, respectively.

(d) On 28 February 2006, the Group acquired a 48% indirect interest (with effective control via a 80% owned subsidiary) in the Manganese Company. The Manganese Company is engaged in the operation of manganese mining and sale of refined manganese products in the PRC. The purchase consideration was in the form of cash, consideration amount of RMB300,000,000 (HK$288,500,000) to the Manganese Company and the cost directly attributable to the acquisition of HK$17,170,000 had been paid in 2005 and recorded as a long-term prepayment.

The fair values of the identifiable assets and liabilities of the Manganese Group as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition**	**Previous carrying amount**
Net assets acquired:			
Property, plant and equipment	13	315,881	315,881
Prepaid land lease premiums	14	60,564	60,564
Other intangible assets	15	139,904	104,013
Cash and bank balances		148,230	148,230
Inventories		16,801	16,801
Accounts receivable		12,624	12,624
Prepayments, deposits and other receivables		6,755	6,755
Accounts payable		(19,188)	(19,188)
Accrued liabilities and other payables		(139,279)	(139,279)
Tax payable		(823)	(823)
Deferred tax liabilities	37	(11,253)	(3,465)
Bank and other loans		(11,114)	(11,114)
Minority interests		(213,432)	(202,191)
		305,670	288,808
Satisfied by deposits paid in 2005		305,670	

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(d) (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the Manganese Group is as follows:

	2006
Cash consideration paid	—
Cash and bank balances acquired	148,230
Net inflow of cash and cash equivalents in respect of the acquisition of the Manganese Group	148,230

Since its acquisition, the Manganese Group contributed HK$538,006,000 to the Group's revenue and HK$65,759,000 to the consolidated profit for the year ended 31 December 2006.

Had the combination taken place on 1 January 2006, the revenue of the Group and the profit of the Group for the year ended 31 December 2006 would have been HK$7,529,736,000 and HK$252,978,000, respectively.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(e) On 22 November 2006, the Group acquired the Seram Interest. The purchase consideration for the acquisition was in the form of cash, with HK$757,723,000 paid at the acquisition date and directly attributable costs of HK$117,229,000 taken up as accrued liabilities and other payables.

The fair values of the identifiable assets and liabilities of the Seram Interest as at the date of acquisition and the carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** (restated)	**Previous carrying amount**
Net assets acquired:			
Oil and gas properties	13	649,279	639,920
Furniture and fixtures	13	2,067	2,067
Deferred tax assets	37	197,251	243,549
Inventories		75,611	75,611
Prepayments, deposits and other receivables		99,415	99,415
Accounts payable		(8,121)	(8,121)
Accrued liabilities and other payables		(26,335)	(26,335)
Tax payable		(8,135)	(8,135)
Provisions		(24,682)	(24,682)
Long-term other payables		(81,398)	(81,398)
		874,952	911,891
Satisfied by:			
Cash		757,723	
Accrued liabilities and other payables		117,229	
		874,952	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the Seram Interest is as follows:

	2006
Cash consideration paid	757,723
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents in respect of the acquisition of the Seram Interest	(757,723)

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007
HK$'000

41. BUSINESS COMBINATION (continued)

(e) (continued)

The purchase price allocation set out above has been determined following the finalisation of the valuation relating to the oil and gas reserves and the determination of the tax basis of the assets and liabilities acquired during the current year. Restatement adjustments to the initial accounting within the twelve months of the acquisition date for this business combination have been recognised in these financial statements . Oil and gas properties and deferred tax assets have been restated to reflect the change retrospectively and the effects of which are summarised below:

Effect on the consolidated balance sheet

At 1 January 2007	**Increase/ (decrease)**
Assets	
Oil and gas properties	(197,251)
Deferred tax assets	197,251
	—

At 31 December 2007	**Increase/ (decrease)**
Assets	
Oil and gas properties	(197,251)
Deferred tax assets	122,451
	(74,800)
Liabilities/Equity	
Other tax payable	(28,636)
Retained earnings	(46,164)
	(74,800)

Effect on the consolidated income statement for the year ended 31 December 2007

Increase in deferred tax expense	46,164
Total decrease in profit	46,164

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) On 6 July 2007, the Group completed the acquisition of an additional 8.37% equity interest in Macarthur Coal, which became an associate of the Group after the acquisition. As a result, the Group's investment in Macarthur Coal, which was previously accounted for as an available-for-sale investment with a carrying amount of HK$739,349,000 was reclassified to interest in an associate upon the completion of the acquisition.

(b) During the year ended 31 December 2006, Mount Gibson Iron Limited ("**Mount Gibson**"), a third party, acquired Aztec Resources Limited, an available-for-sale investment of the Group, through the issuance of new shares of Mount Gibson to a subsidiary of the Group. Such non-cash share swap transaction resulted in a gain on disposal of available-for-sale investments of HK$17,502,000 (note 5).

(c) During the year ended 31 December 2006, the Group has incurred professional fees in connection with the Group's potential investment projects which had been accrued and remained unsettled as at 31 December 2006 in aggregate of HK$50,939,000.

43. LITIGATION

(a) In January 1999, Dongguan Xinlian, a wholly-owned subsidiary of the Company held through Wing Lam, received a writ of summons (the "**Claim**") from China Foreign Trade Development Company (the "**Plaintiff**") claiming US$6,362,000 (HK$49,624,000) and related interest in respect of six re-export contracts purported to have been entered into by Dongguan Xinlian prior to it becoming a Group subsidiary. A judgement (the "**First Judgement**") was issued by the Shenzhen Intermediate People's Court in February 2000 against Dongguan Xinlian for a sum of US$3,448,000 (HK$26,894,000). In response, Dongguan Xinlian filed an appeal against the First Judgement with the People's High Court of Guangdong Province (the "**Guangdong High Court**").

In August 2003, certain members of the Plaintiff's management team were sentenced to imprisonment for creating forged documents, including those presented by them in relation to the Claim. Despite this, the Guangdong High Court issued a judgement (the "**Second Judgement**") in December 2003 against Dongguan Xinlian for US$4,800,000 (HK$37,440,000) with related interest. In January 2004, Dongguan Xinlian filed a further appeal to the State Supreme Court requesting the withdrawal of the Second Judgement and a decision that Dongguan Xinlian was not liable to the Plaintiff in respect of the Second Judgement. In December 2004, the Guangdong High Court overturned the Second Judgement and issued a decision that it would re-hear the case.

In December 2005, the Guangdong High Court issued a judgement whereby the validity of the Second Judgement against Dongguan Xinlian was maintained (the "**Third Judgement**").

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2007

43. LITIGATION (continued)

(a) (continued)

As advised by the Group's legal advisers, there were a number of conflicts and discrepancies with regard to the Second Judgement and the Third Judgement. The Second Judgement and the Third Judgement were not supported by valid evidence. Although the Guangdong High Court acknowledged the criminal liabilities of certain members of the Plaintiff's management team (including forging the contracts connected to the Claim), the Guangdong High Court did not, contrary to normal legal procedures, take these factors into account when it gave the Third Judgement.

In February 2006, Dongguan Xinlian commenced an appeal process to the State Supreme Court against the Third Judgement. In the meantime, the Shenzhen Intermediate People's Court has frozen the assets and machinery of Dongguan Xinlian and the Group has also taken steps to apply for a suspension of the auction of the assets and machinery of Dongguan Xinlian.

In November 2006, the Supreme People's Procuratorate of the PRC confirmed the grounds of the petition and filed the protest with the State Supreme Court for retrial. In February 2007, the State Supreme Court issued a written civil ruling to retry the case. The hearing was set for October 2007 but the Plaintiff did not attend. A new date for the hearing has not been fixed at the date of this annual report.

In March 2007, the Group's legal advisers re-confirmed the conflicts and discrepancies with regard to the Second Judgement and the Third Judgement.

The ex-shareholders of Wing Lam (the "**Ex-shareholders**") have given an undertaking to indemnify the Group against all monetary losses that may arise from the Claim up to HK$11,862,000, being the outstanding other loans from the Ex-shareholders as at 31 December 2007.

In light of the indemnity from the Ex-shareholders and the advice of the Group's legal advisers, the directors believe that the outcome of the Claim will not have a material adverse impact on the financial results of the Group. Accordingly, no provision is considered necessary.

(b) In September 2005, Thomas de Shazo ("**de Shazo**") filed a summons and complaint (the "**Complaint**") in the Southern District of Texas in the United States District Court against CCPL, Ecolo Investments Limited, Aequitas Energy, S.A., Novomundo Trading Ltd., Hashim Djojohadikusumo, Philip Hirschler and Patrick O'Mara. The United States Federal Court dismissed de Shazo's claim in March 2007 and de Shazo appealed in April 2007. De Shazo is claiming an amount of US$200 million and an additional punitive damage. Oral argument in respect of the appeal were heard by the United States Courts of Appeals in March 2008. The opinion and judgement from the court is still pending.

The directors of the Group believe that there are no grounds for such claim to succeed and as such, no provision has been made as at 31 December 2007.

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43. LITIGATION (continued)

(c) During 2005, the taxation authority of Kazakhstan conducted a tax audit on the accounting records of KBM (acquired by the Group on 12 December 2007 and the Group's equity interest is 47.3%) for the three years ended 31 December 2004. In December 2005, as a result of the tax audit, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional taxes in the amount of HK$432,066,000 (6,686,552,000 Tenge) as well as penalties and fines of HK$319,822,000 (4,949,490,000 Tenge) (the "**Tax Claim**"). In July 2006, KBM received a favourable decision from the Astana City court. In September 2006, KBM received a favourable decision from the Collegiums of Judges of Astana City. In December 2007, the General Prosecutor issued a protest against the court decision under this case in favour of the Tax Committee. On 16 January 2008, according to the resolution of the Supervisory Collegium of the Supreme Court, the protest of the General Prosecutor was partially satisfied, and an amount of HK$7,332,000 (113,464,000 Tenge) was accrued by KBM in the current year financial statements. As of 16 January 2008, this case was finally closed.

During 2007, KBM's books and records have been audited by the Kazakhstan tax authorities with regard to the calculation and accrual of withholding tax from the source of payment for the years 2002-2006. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of HK$15,818,000 (244,790,000 Tenge) and penalty of HK$6,335,000 (98,032,000 Tenge).

In 2007, KBM's books have also been audited by the Kazakhstan tax authorities with regards to the calculation and accrual of excess profits tax for the years 2002-2004. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of HK$761,292,000 (11,781,577,000 Tenge), fines of HK$380,646,000 (5,890,789,000 Tenge) and penalty of HK$445,278,000 (6,891,013,000 Tenge).

On 11 March 2008, KBM has appealed against the excess profits tax claims to Astana city court. The outcome of this appeal remains uncertain as of the date of this annual report. However, KBM believes that the case will be ruled in its favour.

KBM believes that it has paid or accrued all taxes that are applicable. Where practice concerning the provision of taxes is unclear, KBM has accrued tax liabilities based on management's best estimate. KBM's policy is to accrue contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2007. Although such amounts are possible and may be material, it is the opinion of the KBM's management that these amounts are either not probable, not reasonably determinable, or both.

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44. CONTINGENT LIABILITY

As at 31 December 2007, the Notes issued by CR Finance, a direct wholly-owned subsidiary of the Company, are irrevocably and unconditionally guaranteed by the Company.

45. OPERATING LEASE ARRANGEMENTS

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2007	**2006**
Within one year	15,829	12,883
In the second to fifth years, inclusive	14,389	16,803
Beyond five years	949	9,848
	31,167	39,534

46. COMMITMENTS

In addition to the operating lease commitments detailed in note 45 above, the Group had the following capital expenditure commitments:

	Group	
	2007	**2006**
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of property, plant and equipment	514,872	—
Authorised, but not contracted for:		
Minimum work programme for the year 2008	855,693	—

In addition, the Group's share of the jointly-controlled assets' own capital commitments, which are not included in the above, is as follows:

	Group	
	2007	**2006**
Contracted, but not provided for		
Capital expenditure in respect of infrastructure and acquisition of property, plant and equipment	200,290	27,445

Save as the aforesaid, at the balance sheet date, neither the Company nor the Group had other significant commitments (2006: Nil).

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47. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to matters disclosed elsewhere in the financial statements, during the year, the Group had the following transactions with its related parties:

(a)

	Notes	Group 2007	2006
Fellow subsidiaries:			
Sale of products	(i)	1,919,389	1,378,446
Related companies:			
Sale of products	(i)	45,676	—
Purchases of goods	(ii)	84,130	—
Minority shareholder:			
Sale of products	(i)	3,294	—

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

(ii) The purchase from the related companies were made according to the published prices and conditions offered by the related companies to their major customers.

(b) Interest income from CITIC Group

During the year ended 31 December 2007, the Group received interest income from CITIC Group on earnest money (note 23) relating to the investment in the RNL Group which amounted to HK$67,600,000. This amount was used to pay the interest incurred by the Group on bank loans to finance the payment of the earnest money to CITIC Group. The net interest income of HK$3,096,000, after netting off the related bank interest expense of HK$64,504,000, was recorded as interest income in the consolidated income statement (note 5).

(c) Warranty income resulting from the conversion of Dagang Participating Interest into Ivanhoe Shares

On 31 October 2006, an acknowledgement from CITIC Group was received by the Group in respect of a warranty settlement agreement dated 10 October 2006 between the Group and CITIC Group, pursuant to which CITIC Group agreed to compensate the Company for HK$34,320,000 in respect of loss of HK$19,412,000 suffered by the Company in respect of the conversion of the Dagang Participating Interest by Richfirst Holdings Limited into Ivanhoe Shares. As a result of a delay in conversion, a loss arose from the reduction in the number of Ivanhoe Shares converted due to the appreciation in the price of Ivanhoe Shares during the delayed conversion period.

As at 31 December 2006, the Group had an outstanding amount due from the ultimate holding company of HK$34,320,000 due to the above (note 25). The outstanding amount was settled in 2007.

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47. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (continued)

(d) During the year, the Group has paid rental charges of HK$2,563,000 (2006: HK$2,814,000) to 99 King Street Property Management Pty. Ltd., a subsidiary of CITIC Group.

(e) Outstanding balances with related parties:

(i) As disclosed in the consolidated balance sheet, the Group had an outstanding balance due to its minority shareholder of HK$38,174,000 in 2006. Details of the advances are included in note 33 to the financial statements.

(ii) Details of the Group's receivables from its fellow subsidiary, related companies and the ultimate holding company of HK$1,516,000 and HK$51,000 (2006: HK$235,785,000 and HK$2,066,000), HK$119,600,000 (2006: HK$51,486,000) and nil (2006: HK$34,320,000), respectively, as at the balance sheet date, are included in notes 27 and 25 to the financial statements.

(iii) Details of the Group's loans from the Company's former minority sharesholders, minority shareholders and the ultimate holding company are included in note 34 to the financial statements.

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	201,206	201,206
Accounts receivables	—	1,619,666	—	1,619,666
Financial assets included in prepayments, deposits and other receivables	—	67,359	—	67,359
Loan receivable	—	21,615	—	21,615
Equity investments at fair value through profit or loss	2,430	—	—	2,430
Derivative financial instruments	8,608	—	—	8,608
Due from related companies	—	119,600	—	119,600
Cash and bank balances	—	2,074,457	—	2,074,457
	11,038	3,902,697	201,206	4,114,941

NOTES TO FINANCIAL STATEMENTS
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48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2007 **Group**

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Due to related companies	—	9,674	9,674
Accounts payable	—	613,991	613,991
Financial liabilities included in accrued liabilities and other payables	—	101,933	101,933
Derivative financial instruments	189,122	—	189,122
Bank and other loans	—	4,202,104	4,202,104
Bond obligations	—	7,992,859	7,992,859
	189,122	12,920,561	13,109,683

2006 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	845,936	845,936
Accounts receivables	—	1,252,081	—	1,252,081
Financial assets included in prepayments, deposits and other receivables	—	12,284	—	12,284
Loan receivable	—	38,942	—	38,942
Equity investments at fair value through profit or loss	1,974	—	—	1,974
Derivative financial instruments	16,380	—	—	16,380
Due from related companies	—	51,486	—	51,486
Due from the ultimate holding company	—	34,320	—	34,320
Cash and bank balances	—	850,744	—	850,744
	18,354	2,239,857	845,936	3,104,147

NOTES TO FINANCIAL STATEMENTS
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48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2006 **Group**

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Accounts payable	—	533,788	533,788
Financial liabilities included in accrued liabilities and other payables	—	14,263	14,263
Derivative financial instruments	327,983	—	327,983
Due to a minority shareholder	—	38,174	38,174
Bank and other loans	—	3,802,562	3,802,562
	327,983	4,388,787	4,716,770

Company

Financial assets

	2007 Loans and receivables	2006 Loans and receivables
Due from subsidiaries	6,009,896	2,822,924
Financial assets included in prepayments, deposits and other receivables	3,119	2,672
Bank balances	747,114	22,690
	6,760,129	2,848,286

Company

Financial liabilities

	2007 Financial liabilities at amortised cost	2006 Financial liabilities at amortised cost
Due to subsidiaries	370,128	1,716
Financial liabilities included in accrued liabilities and other payables	25,192	73
Bank loans, unsecured	1,170,000	1,513,200
	1,565,320	1,514,989

NOTES TO FINANCIAL STATEMENTS
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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans, bond obligations, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

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

It is, and has been throughout the year under review, the Group's policy that trading in financial instruments shall be undertaken only with due care.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest rate costs using a mix of fixed and variable rate debts with respect to the prevailing interest rate environment. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designed to hedge the underlying debt obligations. Long-term notes issued at fixed coupon expose the Group to fair value interest rate risk. At 31 December 2007, after taking into account the effect of the interest rate swaps, 68% (2006: 9%) of the Group's interest-bearing borrowings bore interest at fixed rates.

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table demonstrates the sensitivity to a reasonably determined possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points %	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**	**Increase/ (decrease) in basis points** %	**Increase/ (decrease) in equity**
2007					
US$	(1)	(1,298)	(1,298)	(1)	79
US$	1	1,298	1,298	1	(79)
2006					
US$	(1)	24	24	(1)	(379)
US$	1	(24)	(24)	1	379

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group will assess the respective exposure of each of its operating units and enter into an appropriate amount of forward contracts to hedge that part of the exposure. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is also the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

NOTES TO FINANCIAL STATEMENTS
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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table demonstrates the sensitivity at the balance sheet date to a reasonably determined possible change in the United States dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in US$ rate %	Increase in profit before tax	Increase/ (decrease) in equity
2007			
If US$ weakens against A$	(10)	14,023	(61,348)
If US$ strengthens against A$	10	(11,472)	50,078
2006			
If US$ weakens against A$	(10)	33,724	(26,799)
If US$ strengthens against A$	10	(27,601)	23,009

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, collateral is usually not required. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 27 to the financial statements.

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group generally seeks to keep minimal cash balances and the surplus is used to extinguish debt to reduce financing costs and improve return to shareholders of the Company. 21.3% of the Group's debts would mature in less than one year as at 31 December 2007 (2006: 41.8%) based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the balance sheet date was as follows:

Group

2007	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Due to related companies	9,674	—	—	—	—	9,674
Accounts payable	581,630	15,534	16,827	—	—	613,991
Financial liabilities included in accrued liabilities and other payables	—	101,933	—	—	—	101,933
Derivative financial instruments	—	—	29,981	113,903	45,238	189,122
Bank and other loans	—	—	2,238,916	1,659,214	303,974	4,202,104
Bond obligations	—	—	356,868	—	7,635,991	7,992,859
	591,304	117,467	2,642,592	1,773,117	7,985,203	13,109,683

2006	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Accounts payable	455,696	58,416	19,676	—	—	533,788
Financial liabilities included in accrued liabilities and other payables	—	14,263	—	—	—	14,263
Derivative financial instruments	—	—	157,170	84,299	86,514	327,983
Due to a minority shareholder	38,174	—	—	—	—	38,174
Bank and other loans	—	—	1,588,022	2,086,670	127,870	3,802,562
	493,870	72,679	1,764,868	2,170,969	214,384	4,716,770

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31 DECEMBER 2007
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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date was as follows: (continued)

Company

2007	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Due to subsidiaries	370,128	—	—	—	—	370,128
Financial liabilities included in accrued liabilities and other payables	25,192	—	—	—	—	25,192
Bank loans, unsecured	—	—	234,000	936,000	—	1,170,000
	395,320	—	234,000	936,000	—	1,565,320

2006	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Due to subsidiaries	1,716	—	—	—	—	1,716
Financial liabilities included in accrued liabilities and other payables	73	—	—	—	—	73
Bank loans, unsecured	—	343,200	—	1,170,000	—	1,513,200
	1,789	343,200	—	1,170,000	—	1,514,989

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

NOTES TO FINANCIAL STATEMENTS

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is total debt divided by the total capital. The Group's current objective is to gradually lower the gearing ratio to below 100%. Total debt includes bank and other loans and bond obligations. Capital includes equity attributable to shareholders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2007	**2006**
Bank and other loans	4,202,104	3,802,562
Bond obligations	7,992,859	—
Total debt	12,194,963	3,802,562
Capital	6,071,463	3,225,343
Gearing ratio	200.9%	117.9%

50. COMPARATIVE AMOUNTS

As further explained in notes 21 and 41(e) to the financial statements, certain opening and prior year adjustments have been made. In addition, reclassification adjustment has been made to reduce revenue and cost of sales in 2006 by HK$668,267,000 to reflect the substance of a financing arrangement relating to sale and repurchase of aluminium ingot, and certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 April 2008.

(C) REVIEW OF OPERATIONS AND PROSPECTS OF THE GROUP

The Group has grown considerably since it took its first steps in 2004 to diversify its business operations and activities into energy and natural resources. Currently, the Group has interests in aluminum smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production. Its recent acquisitions of an almost 50% interest in the Karazhanbas oilfield in Kazakhstan and a 90% interest in the contractor's rights in the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the PRC have helped the Group create a meaningful oil platform and enhance its base from which it can continue to develop its energy and natural resources businesses. This, together with its recent US$1,000,000,000 bond debut in the debt markets, has helped raise the Group's profile.

In 2008, one of the Group's principal challenges in the short term is to improve the efficiency and productivity of its existing assets. Moving forward, the Directors see as important steps for the Group, the development of an effective working relationship with its joint venture partners and business associates, the improvement in the efficiency and production at the Karazhanbas oilfield and the commencement of development and commercial production of oil from the Hainan-Yuedong Block.

The acquisition of its interest in the Karazhanbas oilfield enables the Group to become one of the largest PRC controlled listed oil producers active in overseas oil production. Contributions from the Karazhanbas oilfield will improve considerably the Group's annual oil production and oil related generated revenue which is expected to become a substantial profit contributor to the Group. Capital expenditure and operating expenses associated with the Karazhanbas oilfield will, however, increase the Group's overall capital commitments and operating costs although net cash flows of the Group from operations at the Karazhanbas oilfield should still generally improve. For 2008, the Group will be able to include a full year's contribution from the Karazhanbas oilfield. As a result of continuing high oil prices and the commissioning of more wells expected in the year, the Group's interest in the Karazhanbas oilfield is expected to make a significant contribution to the Group's performance in 2008.

The successful acquisition of the Hainan-Yuedong Block interest has further increased the Group's business focus and development in the oil sector. The Group operates the block in co-operation with China National Petroleum Corporation. As the Yuedong oilfield, the principal field within the Hainan-Yuedong Block, is still in the appraisal and development stage, a substantial amount of capital expenditure will be required in respect of this investment with no immediate contribution to the Group's revenue. It will cause a decrease in net cash flows of the Group from operations at the Hainan-Yuedong Block until full production is commenced.

The Group anticipates in 2008 the commencement of additional exploration within the Seram Island Non-Bula Block, Indonesia in which the Group holds a 51% participating interest. In May 2008, the Group announced the discovery of the Lower Nief and Manusela carbonate oil reservoirs at the Nief Utara -A1 drilling well. The Group plans to drill two more drilling wells and two exploration wells in the Seram Island Non-Bula Block in 2008. In addition, the Group is placing greater efforts in maintenance, optimization of well parameter and improvement of surface facility, to maintain production from existing wells at a low declining rate.

The Group has a strong involvement in the operation and management of the Karazhanbas oilfield, the Hainan-Yuedong Block and the Seram Island Non-Bula Block where it is effectively responsible for operations.

The Group is also committed to improving the profitability of the commodities businesses in Australia. The businesses and interests there continue to make significant contributions to the Group's performance and remain an integral part of the Group's overall strategy to be an integrated provider of key energy and natural resources and commodities.

The manganese business also makes a good contribution to the Group's profits and the Group will continue to increase the productivity and capacity of the manganese mines.

The Directors will continue with their endeavours to maximise the Group's performance and return on its investments, to broaden its business portfolio and to enhance shareholder value. The Directors will continue to look at various methods to achieve this including exploring and assessing new investment opportunities, particularly in the oil sector; as demand in Asia, together with strong demand in the Americas, Japan and Europe, continues to drive competition for energy resources. A part of the Group's strategy in this respect is to explore overseas markets and to build up the Group's presence in the energy, natural resources and commodities sectors in the region. In conjunction, there will be an emphasis on improving returns from the Group's existing businesses; in particular, the Group will strive to improve efficiency at, and increase production from, our existing oil interests in Kazakhstan, China and Indonesia. The Directors will also consider other methods to unlock or realise the real worth of the Group's investments including, if appropriate, reviewing the feasibility of separate listings of the Group's viable stand alone investments.

The Directors expect the commodities markets to remain competitive and the financial markets to be volatile in the near term and these factors will present a number of challenges which the Directors believe the Group is well positioned to deal with.

As a whole, the Group is financially sound and well-positioned to implement and support its business strategy. It has a strong cash position and it is able to leverage on the support of its major Shareholders when necessary to develop the Group's businesses.

(D) INDEBTEDNESS

Borrowings

As at 30 April 2008, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Prospectus, the Group had the following outstanding borrowings:

	Notes	30 April 2008 HK$'000
Bank loans:		
Secured	(a)	1,420,381
Unsecured	(b)	2,711,881
		4,132,262
Other loans, unsecured		395,790
Bonds, unsecured	(c)	8,001,165
Total borrowings		12,529,217

Notes:

(a) The secured bank loans include mainly:

(i) a US$76,000,000 (HK$592,800,000) loan due on 31 December 2008 (extendable in accordance with the terms of the Portland Aluminium Smelter joint venture), which is interest-bearing at LIBOR and is secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture;

(ii) loans of RMB606,000,000 (HK$673,327,000) with due dates from 21 June 2008 to 31 March 2015, which are interest-bearing at rates ranging from 6.57% to 8.22% per annum and are secured by CITIC Dameng Mining Industries Limited's property, plant and equipment of HK$171,967,000, prepaid land lease premiums of HK$56,641,000 and inventory of HK$22,222,000 and a guarantee provided by a minority shareholder; and

(iii) a loan of 2,382,719,000 Tenge (HK$154,236,000) due on 1 July 2011, which is interest-bearing at 11.80% per annum and is secured by property, plant and equipment of JSC Karazhanbasmunai ("**KBM**") in an amount of 4,301,900,000 Tenge (HK$278,468,000).

(b) The unsecured bank loans include mainly a term loan of US$150,000,000 (HK$1,170,000,000), which are interest-bearing at LIBOR plus 0.58% per annum.

The unsecured bank loans also include (1) trade finance facilities of A$146,626,912 (HK$1,067,884,000) which are interest-bearing at LIBOR and are guaranteed by CITIC Resources Australia Pty Limited; and (2) a bank loan borrowed by KBM of 6,121,000,000 Tenge (HK$396,220,000) which is interest-bearing at 9.50% per annum and due on 12 April 2009.

The loans of RMB70,000,000 (HK$77,777,000) with due dates from 20 November 2008 to 20 January 2009 are interest-bearing at rates ranging from 7.29% to 7.47% per annum.

(c) The bonds include mainly:

(i) the US$1,000,000,000 (HK$7,800,000,000) 6.75% senior notes due 2014 (the "**Notes**") issued by CITIC Resources Finance (2007) Limited on 17 May 2007, which are fully and unconditionally guaranteed by the Company; and

(ii) the Group's share of the 11,100,000 non-callable coupon bonds due 2008 in the aggregate amount of 11.1 billion Tenge (HK$718,517,000) issued by KBM and registered with the Kazakhstan Stock Exchange in December 2003.

Contingent liabilities

As at 30 April 2008, the Notes are irrevocably and unconditionally guaranteed by the Company.

Disclaimer

Save as aforesaid or as otherwise mentioned herein and the litigation as detailed in the section headed "Litigation" in Appendix III to this Prospectus, and apart from intra-group liabilities, none of the companies in the Group had, at the close of business on 30 April 2008, any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other contingent liabilities.

Save as aforesaid, the Directors have confirmed that there have been no other material changes in the indebtedness and contingent liabilities of the Group since 30 April 2008.

Foreign currency transactions

Foreign currency amounts have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the applicable rate of exchange ruling at the close of business on 30 April 2008.

(E) WORKING CAPITAL

The Directors are of the opinion that after taking into account the existing financing available to the Group, the working capital requirements and the expected cash flows of the Group, the Group will, following the completion of the Rights Issue, have sufficient working capital for its present requirements for the next 12 months from the date of this Prospectus in the absence of unforeseen material circumstances.

(A) UNAUDITED PRO FORMA STATEMENT OF THE ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of the adjusted consolidated net tangible assets of the Group (the "**Unaudited Pro Forma Financial Information**") assuming that completion of the Rights Issue had taken place on 31 December 2007 in accordance with terms of the Rights Issue as detailed in this Prospectus. The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and for illustrative purposes only. Because of its hypothetical nature, it may not give a true picture of the financial position of the Group following the completion of the Rights Issue.

	As at 31 December 2007	**Estimated net proceeds from the Rights Issue**	**Pro forma balance upon completion of the Rights Issue**
			Unaudited
	HK$'000	HK$'000	HK$'000
	(Note 1)	(Note 2)	(Note 3)
Consolidated net tangible assets	5,587,913	2,505,685	8,093,598
Consolidated net tangible assets per Share	HK$1.063		HK$1.339

Notes:

1. The consolidated net tangible assets of the Group as at 31 December 2007 is calculated as follows:

	HK$'000
Audited consolidated net assets of the Group as at 31 December 2007	6,071,463
Less: Intangible assets	(483,550)
Consolidated net tangible assets of the Group as at 31 December 2007	5,587,913

The audited consolidated net assets and intangible assets of the Group are extracted from the audited consolidated financial statements of the Company as set out in its 2007 annual report. The consolidated net tangible assets per Share is calculated based on the consolidated net tangible assets of the Group of approximately HK$5,587,913,000 as at 31 December 2007 and the number of Shares in issue of 5,257,884,381 as at 31 December 2007.

2. The estimated net proceeds of HK$2,505,685,000 from the Rights Issue are based on 788,682,657 Rights Shares to be issued at the Subscription Price of HK$3.20 per Rights Share and after deducting the estimated expenses of approximately HK$18,100,000 which include legal and professional fees, and other related expenses.

3. The unaudited pro forma consolidated net tangible assets per Share is calculated based on the unaudited pro forma consolidated net tangible assets of the Group of approximately HK$8,093,598,000 upon completion of the Rights Issue and the number of Shares in issue of 6,046,567,038 upon completion of the Rights Issue.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report, prepared for the sole purpose of inclusion in this Prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永 會 計 師 事 務 所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

20 June 2008

The Board of Directors
CITIC Resources Holdings Limited
Suites 3001-3006
30/F, One Pacific Place
88 Queensway
Hong Kong

Dear Sirs,

CITIC Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") — Unaudited Pro Forma Statement of the Adjusted Consolidated Net Tangible Assets

We report on the unaudited pro forma statement of the adjusted consolidated net tangible assets of the Group (the "**Unaudited Pro Forma Financial Information**") in connection with the Company's prospectus for the rights issue of 788,682,657 rights shares of the Company (the "**Rights Issue**") for inclusion in Appendix II to the prospectus dated 20 June 2008 (the "**Prospectus**") issued by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the consolidated net tangible assets of the Group as at 31 December 2007. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 140 to the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Report on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Prospectus by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this Prospectus, the omission of which would make any statement herein misleading.

The issue of this Prospectus has been approved by the Directors.

2. FURTHER INFORMATION ABOUT THE COMPANY

The Company was incorporated in Bermuda on 18 July 1997. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong.

Share capital:

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised share capital:

HK$500,000,000 divided into 10,000,000,000 Shares

Share capital issued as fully paid:

HK$262,894,219.05 divided into 5,257,884,381 Shares

Note: All of the existing issued Shares rank pari passu in all respects including as to, amongst other things, dividends, voting and interests in capital.

3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Underwriters	Keentech Group Limited P.O. Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Islands
	Ellington Investments Pte. Ltd. #06-18, Tower 2, 60B Orchard Road The Atrium@ Orchard Singapore
Financial Adviser to the Company	Morgan Stanley Asia Limited 26/F, Three Exchange Square Central Hong Kong
Legal advisers to the Company	*On Hong Kong Law* Jones Day 29/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	On Bermuda Law Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place, Central Hong Kong
Share registrar and transfer office	Tricor Tengis Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	Ernst & Young *Certified Public Accountants* 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong

Principal bankers	China Development Bank 12-15/F, CITIC Tower No.1093 Shennan Road Shenzhen 518031 The People's Republic of China
	CITIC Ka Wah Bank Limited 232 Des Voeux Road Central Hong Kong
	Mizuho Corporate Bank, Ltd. 17th Floor, Two Pacific Place 88 Queensway Hong Kong
Authorised representatives	Ms. Li So Mui Mr. Sun Xinguo
Company secretary	Ms. Li So Mui
Qualified accountant	Mr. Chung Ka Fai, Alan

4. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and 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 SFO) which were 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") and which have been notified to the Company and the Stock Exchange were as follows:

Interests in the Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares held	Interests in underlying Shares pursuant to Share Options	Percentage of the total issued share capital of the Company
Mr. Kong Dan	Directly beneficially owned	—	20,000,000	0.38
Mr. Mi Zengxin	Directly beneficially owned	—	10,000,000	0.19
Mr. Shou Xuancheng	Directly beneficially owned	7,000,000	—	0.13
Mr. Sun Xinguo	Directly beneficially owned	7,500,000	—	0.14
Ms. Li So Mui	Directly beneficially owned	1,000,000	4,000,000	0.10
Mr. Qiu Yiyong	Directly beneficially owned	8,500,000	—	0.16
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.19
Mr. Zhang Jijing	Family	28,000 (1)	—	—
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.19
Mr. Ma Ting Hung	Directly beneficially owned	111,966,000	—	2.13

Note:

(1) The Shares disclosed above are held by the spouse of Mr. Zhang Jijing. Accordingly, Mr. Zhang Jijing is deemed to be interested in the 28,000 Shares.

Long positions in share options of the Company

Name of Director	Number of options directly beneficially owned
Mr. Kong Dan	20,000,000
Mr. Mi Zengxin	10,000,000
Ms. Li So Mui	4,000,000
Mr. Zeng Chen	10,000,000
Mr. Zhang Jijing	10,000,000
	54,000,000

Interests in the ordinary shares and underlying shares of the associated corporations of the Company

Name of Director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Number of shares/ equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Kong Dan	CITIC International Financial Holdings Limited	Associated corporation	Share options	4,800,000	Directly beneficially owned	0.08
Mr. Zeng Chen	CITIC Australia Trading Limited	Subsidiary	Ordinary shares	385,402 [(1)]	Family	0.45

Note:

(1) The shares disclosed above are held by the spouse of Mr. Zeng Chen. Accordingly, Mr. Zeng Chen is deemed to be interested in the 385,402 shares.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date:

(i) none of the Directors or 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 were 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 were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;

(ii) none of the Directors was a director or employee of a company which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO;

(iii) none of the Directors or their respective associates was materially interested in any subsisting contract or arrangement which is significant in relation to the businesses of the Group taken as a whole; and

(iv) none of the Directors or their respective associates had any interest in a business apart from the businesses of the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of Shareholder	Nature of interest	Number of Shares held as long positions	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	2,740,594,381 (1)	52.12
CITIC Projects Management (HK) Limited	Corporate	1,990,180,588 (2)	37.85
Keentech	Corporate	1,990,180,588 (3)	37.85
CITIC Australia Pty Limited	Corporate	750,413,793 (4)	14.27
Temasek Holdings	Corporate	587,450,000 (5)	11.17
Temasek Capital (Private) Limited	Corporate	385,450,000 (6)	7.33
Seletar Investments Pte. Ltd.	Corporate	385,450,000 (7)	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	385,450,000 (8)	7.33

Notes:

(1) The figure represents an attributable interest of CITIC Group through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**") and CITIC Australia Pty Limited ("**CA**").

(2) The figure represents an attributable interest of CITIC Projects through its interest in Keentech. CITIC Projects, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Group.

(3) Keentech, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Projects.

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

(5) The figure represents an attributable interest of Temasek Holdings through its interest in Temasek Capital (Private) Limited ("**Temasek Capital**") and indirect interest in Ellington which holds 202,000,000 Shares representing 3.84% of the total issued share capital of the Company.

(6) The figure represents an attributable interest of Temasek Capital through its interest in Seletar Investments Pte. Ltd. ("**Seletar**"). Temasek Capital, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Holdings.

(7) The figure represents an attributable interest of Seletar through its interest in Baytree Investments (Mauritius) Pte. Ltd. ("**Baytree**"). Seletar, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Capital.

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

(c) Disclosure of substantial shareholding in other members of the Group

Name of shareholder	Name of subsidiary	Percentage of issued share capital
CITIC United Asia Investments Limited [(1)]	CITIC Dameng Holdings Limited	20

Note:

(1) CITIC United Asia Investments Limited, a company incorporated in Hong Kong, is an indirect wholly-owned subsidiary of CITIC Group.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

5. LITIGATION

Save as disclosed below and so far as is known to the Directors, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries:

(a) In January 1999, Dongguan Xinlian Wood Products Company Limited ("**Dongguan Xinlian**"), a wholly-owned subsidiary of the Company held through Wing Lam (International) Timber Limited ("**Wing Lam**"), received a writ of summons (the "**Claim**") from China Foreign Trade Development Company (the "**Plaintiff**") claiming US$6,362,000 (HK$49,624,000) and related interest in respect of six re-export contracts purported to have been entered into by Dongguan Xinlian prior to it becoming a Group subsidiary. A judgment (the "**First Judgment**") was issued by the Shenzhen Intermediate People's Court in February 2000 against Dongguan Xinlian for a sum of US$3,448,000 (HK$26,894,000). In response, Dongguan Xinlian filed an appeal against the First Judgment with the People's High Court of Guangdong Province (the "**Guangdong High Court**").

In August 2003, certain members of the Plaintiff's management team were sentenced to imprisonment for creating forged documents, including those presented by them in relation to the Claim. Despite this, the Guangdong High Court issued a judgment (the "**Second Judgment**") in December 2003 against Dongguan Xinlian for US$4,800,000 (HK$37,440,000) with related interest. In January 2004, Dongguan Xinlian filed a further appeal to the State Supreme Court requesting the withdrawal of the Second Judgment and a decision that Dongguan Xinlian was not liable to the Plaintiff in respect of the Second Judgment. In December 2004, the Guangdong High Court overturned the Second Judgment and issued a decision that it would re-hear the case.

In December 2005, the Guangdong High Court issued a judgment whereby the validity of the Second Judgment against Dongguan Xinlian was maintained (the "**Third Judgment**").

As advised by the Group's legal advisers, there were a number of conflicts and discrepancies with regard to the Second Judgment and the Third Judgment. The Second Judgment and the Third Judgment were not supported by valid evidence. Although the Guangdong High Court acknowledged the criminal liabilities of certain members of the Plaintiff's management team (including forging the contracts connected to the Claim), the Guangdong High Court did not, contrary to normal legal procedures, take these factors into account when it gave the Third Judgment.

In February 2006, Dongguan Xinlian commenced an appeal process to the State Supreme Court against the Third Judgment. In the meantime, the Shenzhen Intermediate People's Court has frozen the assets and machinery of Dongguan Xinlian and the Group has also taken steps to apply for a suspension of the auction of the assets and machinery of Dongguan Xinlian.

In November 2006, the Supreme People's Procuratorate of the PRC confirmed the grounds of the petition and filed the protest with the State Supreme Court for retrial. In February 2007, the State Supreme Court issued a written civil ruling to retry the case. The hearing was set for October 2007 but the Plaintiff did not attend. A new date for the hearing has not been fixed as at the Latest Practicable Date.

In March 2007, the Group's legal advisers re-confirmed the conflicts and discrepancies with regard to the Second Judgment and the Third Judgment.

The ex-shareholders of Wing Lam (the "**Ex-shareholders**") have given an undertaking to indemnify the Group against all monetary losses that may arise from the Claim up to HK$11,862,000, being the outstanding other loans from the Ex-shareholders as at 31 December 2007.

In light of the indemnity from the Ex-shareholders and the advice of the Group's legal advisers, the Directors believe that the outcome of the Claim will not have a material adverse impact on the financial results of the Group.

(b) In September 2005, Thomas de Shazo ("**de Shazo**") filed a summons and complaint in the Southern District of Texas in the United States District Court against CITIC Canada Petroleum Limited ("**CCPL**"), Ecolo Investments Limited, Aequitas Energy, S.A., Novomundo Trading Ltd., Hashim Djojohadikusumo, Philip Hirschler and Patrick O'Mara. De Shazo is claiming an amount of US$200,000,000 (HK$1,560,000,000) and an additional punitive damage. The United States Federal Court dismissed de Shazo's claim in March 2007 and de Shazo appealed in April 2007. Oral argument in respect of the appeal was heard by the United States Court of Appeals in March 2008. The United States Court of Appeals affirmed the dismissal of de Shazo's claim on 29 May 2008. As at the Latest Practicable Date, CCPL has not received notice of the filing of any motion for rehearing by de Shazo.

The Directors believe that there are no grounds for such claim to succeed.

(c) (i) During 2007, the books and records of KBM were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of withholding tax from the source of payment for the years 2002-2006. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of 244,790,000 Tenge (HK$15,846,000) and penalty of 98,032,000 Tenge (HK$6,346,000).

In May 2008, KBM received a revised claim from Courts of Astana city to pay additional tax of 220,952,000 Tenge (HK$14,303,000) and penalty of 98,032,000 Tenge (HK$6,346,000). On 2 June 2008, KBM sent an appeal to the Supreme Court of the Republic of Kazakhstan.

(ii) In 2007, the books of KBM were also audited by the Kazakhstan tax authorities with regard to the calculation and accrual of excess profits tax for the years 2002-2004. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of 11,781,577,000 Tenge (HK$762,637,000), fines of 5,890,789,000 Tenge (HK$381,318,000) and penalty of 6,891,013,000 Tenge (HK$446,064,000).

On 11 March 2008, KBM appealed against the excess profits tax claims to the Courts of Astana city. The outcome of this appeal remains uncertain as of the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this Prospectus and are or may be material:

(i) the sale and purchase agreement dated 11 July 2006 between KUFPEC (Indonesia) Limited and CITIC Seram Energy Limited relating to the sale and purchase of a 51% participating interest in the Seram Island Non-Bula Block production sharing contract;

(ii) the placing and subscription agreement dated 9 February 2007 among United Star International Inc. ("**USI**"), the Company, Citigroup Global Markets Asia Limited and UBS AG in respect of the placing of 570,000,000 Shares by USI and the conditional top-up subscription by USI for 570,000,000 Shares;

(iii) the subscription agreement dated 9 February 2007 between Keentech and the Company in respect of the subscription by Keentech for 130,000,000 Shares;

(iv) the sale and purchase agreement dated 30 April 2007 between CITIC Group and the Company in respect of, amongst other things, the entire issued share capital of Renowned Nation Limited;

(v) sale and purchase agreement dated 30 April 2007 between CITIC Group and the Company in respect of the benefit of certain indebtedness of KBM Energy Limited;

(vi) an option agreement dated 1 May 2007 between Far Great Investments Limited, CITIC Haiyue Energy Limited and certain shareholders of Far Great Investments Limited pursuant to which CITIC Haiyue Energy Limited has the right to acquire 90% of the issued shares of Tincy Group Energy Resources Limited;

(vii) a loan agreement dated 1 May 2007 between CITIC Haiyue Energy Limited, Far Great Investments Limited and Tincy Group Energy Resources Limited;

(viii) an on-loan agreement dated 1 May 2007 between Far Great Investments Limited, Tincy Group Energy Resources Limited and CITIC Haiyue Energy Limited;

(ix) a pledge and further security dated 1 May 2007 between Far Great Investments Limited and CITIC Haiyue Energy Limited;

(x) a debenture dated 1 May 2007 between Far Great Investments Limited, Tincy Group Energy Resources Limited and CITIC Haiyue Energy Limited;

(xi) a charge over account dated 21 May 2007 between Far Great Investments Limited and CITIC Haiyue Energy Limited;

(xii) a charge over account dated 21 May 2007 between Tincy Group Energy Resources Limited and CITIC Haiyue Energy Limited;

(xiii) a guarantee dated 26 May 2007 by Lu Shi Tao in favour of CITIC Haiyue Energy Limited;

(xiv) a purchase agreement dated 14 May 2007 between CITIC Resources Finance (2007) Limited, Bear, Stearns & Co. Inc., Morgan Stanley & Co. International plc and the Company relating to the Notes;

(xv) an escrow agreement dated 17 May 2007 between CITIC Resources Finance (2007) Limited, the Company and Citibank, N.A., London Branch relating to the Notes;

(xvi) an indenture dated 17 May 2007 between CITIC Resources Finance (2007) Limited, the Company and Citibank, N.A., London Branch relating to the Notes;

(xvii) a subscription agreement dated 15 June 2007 between the Company and Ellington in respect of the subscription by Ellington for 101,000,000 Shares;

(xviii) the share purchase agreement dated 2 July 2007 between CITIC Australia Coal Pty Limited and Talbot Group Investments Pty Limited in respect of the acquisition of 8.37% of the total ordinary shares in the share capital of Macarthur Coal Limited in issue on 2 July 2007;

(xix) 加蓬礦業項目合作開發框架協議 (the Gabon mining project cooperative exploration framework agreement) dated 10 September 2007 between中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited), 寧波華州礦業投資有限公司 (Ningbo Huazhou Mining Investments Co., Ltd.) and 寧波礦業投資控股有限公司 (Ningbo Mining Investments Holdings Limited);

(xx) 股份轉讓協議 (the share purchase agreement) dated 23 November 2007 between中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) and Future Idea Investments Limited;

(xxi) 加蓬礦業項目備忘錄 (the memorandum of the Gabon mining project) dated 23 November 2007 between 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited), 寧波華州礦業投資有限公司 (Ningbo Huazhou Mining Investments Co., Ltd.), 寧波礦業投資控股有限公司 (Ningbo Mining Investments Holdings Limited), Future Idea Investments Limited and 華州礦業投資有限公司 (Huazhou Mining Investment Limited);

(xxii) 加蓬礦業項目備忘錄之補充協議 (the supplemental agreement to the memorandum of the Gabon mining project) dated 19 February 2008 between中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) and 寧波華州礦業投資有限公司 (Ningbo Huazhou Mining Investments Co., Ltd.); and

(xxiii) the Underwriting Agreement.

9. EXPERT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinions or advice in this Prospectus:

Name	Qualification
Ernst & Young	Certified Public Accountants

Ernst & Young has confirmed that it has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Ernst & Young has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter, report and/or reference to its name, as the case may be, in the form and context in which they respectively appear.

10. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or Ernst & Young had any interest, direct or indirect, in any asset which has since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(a) The share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(b) The secretary of the Company is Ms. Li So Mui. She holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. Ms. Li has over 30 years' experience in the accounting and banking field.

(c) The qualified accountant of the Company is Mr. Chung Ka Fai, Alan. He is an associate member of the Australian Society of Certified Practising Accountants. Prior to joining the Company, he worked for various multinational companies. Mr. Chung has over 17 years' experience in the accounting field.

(d) All references to times and dates in this Prospectus refer to Hong Kong times and dates.

(e) In the event of any inconsistency, the English language text of this Prospectus shall prevail over the Chinese language text.

12. EXPENSES

The expenses in connection with the Rights Issue, including the financial advisory fee, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK$18.1 million and will be payable by the Group.

13. DOCUMENTS REGISTERED WITH THE REGISTRARS OF COMPANIES

A copy of each of the Rights Issue Documents and the written consent given by Ernst & Young as referred to in this appendix, have been registered with the Registrar of Companies in Hong Kong. A copy of each of the Rights Issue Documents have been delivered to the Registrar of Companies in Bermuda for filing.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of the Company at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong for the period of 14 days from the date of this Prospectus:

(a) the memorandum of association of the Company and the bye-laws of the Company;

(b) the report from Ernst & Young on the unaudited pro forma statement of the adjusted consolidated net tangible assets of the Group as set out in Appendix II to this Prospectus;

(c) the annual reports of the Company for the year ended 31 December 2006 and 31 December 2007 respectively;

(d) the consent letter of Ernst & Young referred to under the section headed "Expert" above;

(e) the material contracts referred to under the section headed "Material Contracts" above;

(f) the circular dated 1 February 2008 regarding the continuing connected transactions relating to CITIC Dameng Mining Industries Limited; and

(g) the circular dated 10 June 2008 regarding the continuing connected transactions with CITIC Metal Company Limited.