EXECUTIVE DIRECTORS

Mr. Kwok Viem, Peter *(Chairman)*
Mr. Ma Ting Hung *(Vice Chairman)*
Ms. Li So Mui
Mr. Mi Zengxin
Mr. Qiu Yiyong
Mr. Sun Xinguo
Mr. Zeng Chen
Mr. Zhang Jijing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Mo Po, Paul
Mr. Fan Ren Da, Anthony
Mr. Tsang Link Carl, Brian

AUDIT COMMITTEE

Mr. Chan Mo Po, Paul
Mr. Fan Ren Da, Anthony
Mr. Tsang Link Carl, Brian

COMPANY SECRETARY

Ms. Li So Mui

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo
Room 2801, 28th Floor
Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3001-3006
30/F, One Pacific Place
88 Queensway
Hong Kong

Telephone : (852) 2899 8200
Facsimile : (852) 2815 9723
E-mail : ir@citicresources.com
Website : www.citicresources.com

SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

Stock Code: 1205

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Mizuho Corporate Bank, Ltd.
National Australia Bank Limited
Rabobank International

(Expressed in HK$'000)

THREE YEARS KEY FINANCIAL DATA

	2004	2003	2002
Turnover	**3,610,791**	24,535	24,003
Net profit/(loss) attributable to shareholders	**49,862**	(52,005)	(15,217)
Total assets	**5,375,208**	1,230,038	1,252,386
Net assets	**2,682,925**	1,170,490	1,222,495

Chairman's **Statement**

Crude oil

On behalf of the board of directors (the "Directors"), I am pleased to present to you the annual results of CITIC Resources Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2004.

OVERVIEW

2004 has been a significant year for the Group.

During 2004, we made a number of major acquisitions that has seen us build the Group's business portfolio into strategically important business environments such as China's key energy resources and commodities.

The diversification of the Group's business also has the added benefit of permitting the Group to end its reliance on the manufacture and sale of plywood and the related products as its principal business which continues to operate in an increasingly competitive market demonstrated by the losses recorded by the Group from such operations in recent years. Set against this, our performance for 2004 driven by the results of our early involvement in the aluminium, import and export of commodities, coal mining and minerals exploration has in comparison being good with the Group recording a net profit for the first time since 2001.

We see the results for 2004 as being encouraging and are looked upon as a promising basis from which the Group can further develop its strategy to be an integrated provider of key energy resources and commodities of which China is a net importer.

RESULTS

The Group recorded a consolidated turnover of HK$3,610.8 million for the year ended 31 December 2004 (2003: HK$24.5 million). Net profit attributable to shareholders was HK$49.9 million (2003: net loss of HK$52.0 million).

As at 31 December 2004, total assets amounted to HK$5,375.2 million (2003: HK$1,230.0 million). Net assets amounted to HK$2,682.9 million (2003: HK$1,170.5 million).

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year.

BUSINESS REVIEW AND OUTLOOK

In 2004, the Group took the first steps in expanding its business focus and diversifying from its previous narrow base in the plywood industry. We made major acquisitions to re-position ourselves as an integrated provider of key energy resources and commodities of which China is a net importer.

Significant in terms of strategic positioning has been the Group's entry into China's petroleum market and related sectors in 2004. Initial entry was marked by the Group's acquisition of a participating interest in the development and production of petroleum at the Dagang Oilfield which is located about 125 miles south-east of Beijing. The acquisition was completed in October 2004 and commercial production is expected to begin in 2006.

In January 2005, the Group took the next big step in establishing its presence in petroleum and petroleum-related sectors in China by acquiring a majority stake in a joint venture with ChevronTexaco Corporation. The joint venture already operates 45 Caltex-branded service stations in Macau and in the Guangdong and Fujian provinces of China. The venture aims to further develop this regional network in southern China and explore development possibilities in the Yangtze river delta. The acquisition was approved by shareholders in March 2005 and, subject to regulatory approval, is expected to close in the first half of 2005.

While the surge in global oil prices over the past year has been timely for such acquisitions, the decisions were based on longer-term considerations and the opportunities which the Directors believe will be generated by the demand in the China market for energy resources in the coming years.

The Directors expect China's rapid industrialisation to continue to generate significant demand for energy and hard commodities. Despite the normal fluctuations of economic cycles, China's growth is likely to remain high in comparison to the steadier but lower rates typical of more mature economies.

Also important to the Group's business development has been its acquisition in the first quarter of 2004 of interests in aluminium smelting, import and export of commodities, coal mining and minerals exploration.

All these acquisitions have helped to extend the Group's business portfolio and contributed to the Group's encouraging performance for 2004. These acquisitions have also introduced world-class expertise to and exposure to profitable global businesses amongst the Group's operations and underline synergies with the Group's parent, CITIC Beijing, which has opened doors to opportunities not easily accessible to less dominant players.

Going forward, the Group's strategy will be to continue to seek investment opportunities both inside and outside China in line with its goal of becoming an integrated provider of key energy resources and commodities of which China is a net importer. Where necessary, the Group will look to partnerships with global industry players.

As the Group moves into the next phase of this new and exciting turn in its history, the Directors look forward to continued improvement in shareholder value in the years ahead.

OUR THANKS

The Directors would like to express their sincere gratitude to staff for their hard work and dedication over the past year, and also to the Company's shareholders, customers, suppliers, bankers and business associates for their continuous support.

I remain optimistic of the Group's prospects and have great confidence that the Group's re-focused business strategy will continue to improve shareholder value. I hope you will continue to support us in our new endeavours.

PUBLICATION OF ANNUAL REPORT

The 2004 Annual Report containing all information required by paragraphs 45(1) to 45(3) to Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (in force prior to 31 March 2004, which remain applicable to results announcement in respect of the accounting periods commencing before 1 July 2004 under the transitional arrangements) will be published on the respective websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

Peter Kwok Viem
Chairman

Hong Kong, 19 April 2005

Management's discussion and **analysis**

Base metals

(Expressed in HK$'000)

FINANCIAL REVIEW

GROUP'S FINANCIAL RESULTS:

Operating results and ratios	Year ended 31 December 2004	2003
Turnover	**3,610,791**	24,535
Gross profit/(loss)	**250,685**	(16,376)
Net profit/(loss) attributable to shareholders	**49,862**	(52,005)
Earnings/(loss) per share	**HK 1.22 cents**	HK (1.58 cents)
Gross profit/(loss) margin *1	**6.9%**	(66.7%)
Stock turnover *2	**9.2 times**	6.8 times

Financial position and ratios	31 December 2004	2003
Cash and bank balances	**1,606,833**	1,100,153
Total assets	**5,375,208**	1,230,038
Bank and other loans	**2,074,324**	32,597
Shareholders' equity	**2,682,925**	1,170,490
Current ratio *3	**2.2 times**	23.8 times
Total borrowings to total capital *4	**43.6%**	2.7%

*1 gross profit/(loss) / turnover x 100%
*2 cost of sales / [(opening inventories + closing inventories) / 2]
*3 current assets / current liabilities
*4 bank and other loans / (shareholders' equity + bank and other loans) x 100%

The Group has recorded a net profit of HK$49.9 million for the year ended 31 December 2004. This financial result is encouraging and principally follows the decision taken by the Directors to adopt a business strategy to diversify the Group's activities and position the Group as an integrated provider of key energy resources and commodities of which the People's Republic of China (the "PRC") is a net importer, involved in upstream operations to mid-stream processing and downstream distribution.

During the course of 2004, the management of the Company was able to take significant steps to implement the Company's business strategy.

In March 2004, the Company completed the acquisition of the entire issued share capital of CITIC Resources Australia Pty Limited from CITIC Australia Pty Limited (a direct wholly-owned subsidiary of CITIC Group) in consideration of the allotment and issue of 750,413,793 new shares in the capital of the Company. Through this acquisition, the Group has acquired interests in aluminium smelting through an indirect interest in the Portland Aluminium Smelter in Australia, import and export of commodities through CITIC Australia Trading Limited (now a 79.69% indirect subsidiary listed on the Australian Stock Exchange ("ASX")), coal mining through indirect interests in the Coppabella and Moorvale coal mines in Australia and a shareholding interest in Macarthur Coal Limited (listed on the ASX), and minerals exploration through a shareholding interest in Aztec Resources Limited (listed on the ASX) (collectively, the "Australian Interests"). As the acquisition was completed on 31 March 2004, the performance of the Australian Interests was consolidated into the Group's financial results as from the second quarter of 2004.

Additionally, in October 2004, the Company completed the acquisition of the entire issued share capital of Richfirst Holdings Limited ("Richfirst") which gives the Group a 40% participating interest in the development and production of petroleum in the Kongnan Block within the Dagang Oilfield in the PRC. Though the acquisition was completed on 12 October 2004, the performance was taken into the Group's financial results as from 18 June 2004 in accordance with the relevant agreements.

Each of the acquisitions described above has helped to extend the Group's business portfolio in line with the Company's business strategy.

The acquisitions by the Group in 2004 have been followed by the Company's recent agreement with Caltex Asia Limited, a wholly-owned subsidiary of ChevronTexaco Corporation, to acquire a majority shareholding in a joint venture to further develop the Caltex-branded service stations in the Guangdong and Fujian provinces of the PRC. This acquisition was approved by shareholders of the Company on 21 March 2005 and, subject to regulatory approval, is expected to complete in the first half of 2005.

As part of the Group's diversification of its business portfolio, the Group has ceased to rely on the manufacture and sale of plywood and the related products as its principal business. Given the increasingly difficult operating environment in the timber industry through ever more competitive pricing and practices, the Directors believe that the Group's focus away from the plywood sector is in the interests of the Company.

The acquisitions by the Group in 2004 have helped to improve the earnings potential of the Group significantly and this is reflected in the Group's performance for the financial year ended 31 December 2004.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2004, the Group had a cash balance of HK$1,606.8 million.

The Group had outstanding borrowings of HK$2,074.3 million, which comprised secured bank loans of HK$748.2 million, unsecured bank loans of HK$907.5 million and unsecured other loans of HK$418.6 million. The secured bank loans were secured by the interest in the Portland Aluminium Smelter joint venture, interest in the Coppabella and Moorvale coal mines joint venture and the Group's corporate guarantees.

Of the total outstanding borrowings, HK$987.5 million was repayable within one year. The total borrowings to total capital of the Group was 43.6%.

In February 2004, the Company completed a placing and subscription of 270,000,000 new shares for a total cash consideration, before expenses, of about HK$391.5 million. The net proceeds from the issue of the new shares have enhanced the Group's ability to make investments and acquisitions.

In March 2004, the Company issued 750,413,793 new shares in satisfaction of the payment of the consideration of US$139.5 million (about HK$1,088.1 million) for the acquisition of the Australian Interests. The cash position of the Group was therefore not affected by the acquisition. Those companies holding the Australian Interests have been predominantly self sustaining in terms of cashflow requirements.

In October 2004, the Company paid US$21.2 million (about HK$165.4 million) to acquire the entire issued share capital of Richfirst and the benefit of a shareholder's loan advanced by CITIC Group to Richfirst. A term loan facility will be arranged to part fund the budgeted expenditure required for the development of the oilfield.

The Group has exposure to fluctuations in exchange rates, interest rates and commodity prices. Currently, those companies holding the Australian Interests are adopting a hedging policy to cope with the fluctuations. So far, the hedging policy has proved effective.

The Directors are of the opinion that after taking into the account, the existing available borrowing facilities and the internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2004, the Group had around 120 full time employees, including the management and administrative staff and production workers. Most are employed in the PRC and Australia while the remainder are employed in Hong Kong.

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

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. It operates a defined contribution retirement benefits scheme (the "RB Scheme") under the superannuation legislation of the Australian government for those employees in Australia who are eligible to participate.

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

DIRECTORS

Mr. Kwok Viem, Peter	*Chairman*
Mr. Ma Ting Hung	*Vice Chairman*
Ms. Li So Mui	*Executive Director*
Mr. Mi Zengxin	*Executive Director*
Mr. Qiu Yiyong	*Executive Director*
Mr. Sun Xinguo	*Executive Director*
Mr. Zeng Chen	*Executive Director*
Mr. Zhang Jijing	*Executive Director*
Mr. Chan Mo Po, Paul	*Independent Non-executive Director*
Mr. Fan Ren Da, Anthony	*Independent Non-executive Director*
Mr. Tsang Link Carl, Brian	*Independent Non-executive Director*

DIRECTORS – BIOGRAPHIES

Mr. Kwok Viem, Peter, aged 56, is the Chairman of the Company. He has been an Executive Director of the Company since 2000. He is responsible for the strategic planning and corporate development of the Group. He received a Master of Philosophy Degree in Management Studies from the University of Hong Kong and a Doctoral Degree in Finance from the University of California at Berkeley. Mr. Kwok has over 29 years' experience in the banking and finance industry and has held senior management positions with various financial institutions. In February 1998, he became a member of the Chinese People's Political Consultative Conference.

Mr. Ma Ting Hung, aged 41, is the Vice Chairman and Chief Executive of the Company. He has been an Executive Director of the Company since 2000. He is responsible for the business development and financial management of the Group. He holds a Bachelor of Arts Degree majoring in Economics from the University of Southern California. He is an independent non-executive director of a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ma has over 17 years' experience in the banking and finance industry.

Ms. Li So Mui, aged 50, joined in 2000 as an Executive Director and the Company Secretary of the Company. She is responsible for the financial management and general administration of the Group. She holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants ("ACCA"), the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of International Accountants. Ms. Li has over 27 years' experience in the accounting and banking field.

Mr. Mi Zengxin, aged 54, joined in 2004 as an Executive Director of the Company. He is responsible for the strategic planning and corporate development of the Group. He holds a Master's Degree in Science from Beijing University of Science and Technology. He is an executive director and the vice president of CITIC Group ("CITIC Group"), the chairman of Asia Satellite Telecommunications Holdings Limited (a company listed on the Stock Exchange), CITIC USA Holdings Limited, CITIC Australia Pty Limited ("CITIC Australia") and a director of CITIC United Asia Investments Limited. He also holds executive management positions in several other subsidiaries of CITIC Group. Mr. Mi has over 21 years' experience in multi-national business, corporate management and various industries.

Mr. Qiu Yiyong, aged 48, joined in 2002 as an Executive Director of the Company. He is responsible for the corporate development of the Group. He holds a Bachelor of Economics Degree from Xiamen University and is a qualified senior statistician in the PRC. He is the managing director of CITIC United Asia Investments Limited and a director of Keentech Group Limited, both wholly-owned subsidiaries of CITIC Group. He also holds directorships in several other subsidiaries of CITIC Group. Before joining CITIC Group, he was a director of two companies listed on the Stock Exchange. Mr. Qiu has over 23 years' experience in investment management.

Mr. Sun Xinguo, aged 54, joined in 2002 as an Executive Director of the Company. He is responsible for the corporate development of the Group. He holds a Bachelor of Arts Degree from Fudan University and graduated from the Advanced Management Program (AMP167) of Harvard Business School in 2004. He is a director of CITIC Group, the president and CEO of Citifor Inc. and the managing director of CITIC Forests (NZ) Limited. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Sun has over 29 years' experience in timber investment, marketing and operation, import and export, securities investment and corporate finance.

Mr. Zeng Chen, aged 41, joined in 2004 as an Executive Director of the Company. He is responsible for the management and operations of the Group. He holds a Master's Degree in International Finance from Shanghai University of Finance and Economics. He is the managing director of CITIC Australia and CITIC Resources Australia Pty Limited and the chairman of CITIC Australia Trading Limited ("CATL"), a company listed on the Australian Stock Exchange. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Zeng has over 16 years' experience in business operations and development, asset restructuring and the aluminium industry.

Mr. Zhang Jijing, aged 49, joined in 2002 as an Executive Director of the Company. He is responsible for the corporate development of the Group. He holds a Bachelor of Engineering Degree from Hefei Polytechnic University and a Master's Degree in Economics from the Graduate School of Chinese Academy of Social Sciences in Beijing. He is a director of CITIC Group, the deputy chairman of CITIC Australia and a non-executive director of CATL. Mr. Zhang has over 19 years' experience in corporate management, industrial investment, business finance and the aluminium industry.

Mr. Chan Mo Po, Paul, aged 50, joined in 2004 as an Independent Non-executive Director of the Company. He holds a Master's Degree in Business Administration from Chinese University of Hong Kong and is a fellow member of ACCA, HKICPA, the Society of Chinese Accountants and Auditors, the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong and the Hong Kong Institute of Company Secretaries and a member of the Macau Society of Certified Practising Accountants. He is also the vice president of the HKICPA. He is the managing partner of Paul Chan & Partners, Certified Public Accountants (Practising) and an independent non-executive director of five other companies listed on the Stock Exchange. Mr. Chan has over 27 years' experience in accounting and finance.

Mr. Fan Ren Da, Anthony, aged 44, joined in 2000 as an Independent Non-executive Director of the Company. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of two other companies listed respectively on the Stock Exchange and the Singapore Exchange Securities Trading Limited.

Mr. Tsang Link Carl, Brian, aged 41, joined in 2000 as an Independent Non-executive Director of the Company. He is a practicing solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li. He holds a LLB Degree from the King's College, London. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. Mr. Tsang is a non-executive director of two other companies listed on the Stock Exchange.

SENIOR MANAGEMENT – BIOGRAPHIES

Mr. Chung Ka Fai, Alan, aged 38, joined in 1996 as a Chief Accountant of the Company. He is an associate member of the Australian Society of Certified Practising Accountants. Mr. Chung has over 14 years' experience in the accounting field and previously worked for a number of multinational companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Other than Mr. Chan Mo Po, Paul who was appointed as an Independent Non-executive Director of the Company on 1 December 2004, each of the existing Independent Non-executive Directors has pursuant to Rule 3.15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") submitted a confirmation of his independence concerning the factors set out in Rule 3.13 of the Listing Rules.

Mr. Tsang Link Carl, Brian, is a partner of Iu, Lai and Li, a firm of solicitors in Hong Kong (the "Firm"). In giving his declaration of independence as required by Rule 3.15 of the Listing Rules, Mr. Tsang disclosed that another partner (the "Relevant Partner") of the Firm had, on an informal basis, on a single occasion and at the time unknown to him, discussed general queries raised by a business associate (the "Business Associate") of another director of the Company concerning one of their private investments. The Business Associate is known personally by the Relevant Partner and the assistance provided was not treated, nor was it intended to be treated, as formal advice by the Relevant Partner. No retainer was entered into, no invoice has been rendered and no payment has been received by the Firm in respect of the assistance described. The Company has been advised that no further assistance has been sought by the Business Associate from the Relevant Partner or any other member of the Firm in respect of the private investment referred to. Further, the Firm does not provide and has not within the period of one year immediately prior to the date of Mr. Tsang's confirmation provided any services to the Company or any person connected to the Company save as described above. The Company does not consider that the assistance provided by the Relevant Partner to the Business Associate as described above would or will affect Mr. Tsang's ability to continue to act as an Independent Non-executive Director of the Company.

The Company considers each of the Independent Non-executive Directors of the Company to be independent.

(Expressed in HK$'000)

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activity of its principal subsidiaries are set out in notes 1 and 16 to the financial statements.

Segment information

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2004 is set out in note 4 to the financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 88.

The directors do not recommend the payment of any dividend in respect of the year.

Summary financial information

A summary of the results and of the assets, liabilities and minority interests of the Group, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

Results

	Year ended 31 December				
	2004	2003	2002	2001	2000
Turnover	**3,610,791**	24,535	24,003	52,753	58,451
Profit/(loss) before tax	**116,919**	(52,005)	(15,217)	(10,244)	23,888
Tax	**(64,426)**	–	–	–	17,183
Profit/(loss) before minority interests	**52,493**	(52,005)	(15,217)	(10,244)	41,071
Minority interests	**(2,631)**	–	–	–	153
Net profit/(loss) attributable to shareholders	**49,862**	(52,005)	(15,217)	(10,244)	41,224

(Expressed in HK$'000)

Summary financial information (continued)

Assets, liabilities and minority interests

	31 December				
	2004	2003	2002	2001	2000
Non-current assets	**2,376,204**	94,770	120,541	114,703	125,812
Current assets	**2,999,004**	1,135,268	1,131,845	1,166,501	34,703
Total assets	**5,375,208**	1,230,038	1,252,386	1,281,204	160,515
Current liabilities	**1,369,385**	47,686	18,029	1,029,894	32,662
Non-current liabilities	**1,303,205**	11,862	11,862	11,699	23,462
Total liabilities	**2,672,590**	59,548	29,891	1,041,593	56,124
Minority interests	**19,693**	–	–	–	–
	2,682,925	1,170,490	1,222,495	239,611	104,391

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

Share capital

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2004, the Company had no reserves available for distribution. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution or the payment of dividends to shareholders provided that the Company is able to pay off its debts as and when they fall due. The Company's share premium account, with a balance of HK$2,561,962,000 as at 31 December 2004, may be distributed in the form of fully paid bonus shares.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$672,000 (2003: HK$193,000).

Major customers and major suppliers

In the year under review, sales to the Group's five largest customers accounted for 33.5% of the total sales for the year and sales to the largest customer included therein amounted to 9.5%. Purchases from the Group's five largest suppliers accounted for 46.1% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13.3%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest at any time during the year in the Group's five largest customers or suppliers.

Directors

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors:

Mr. Kwok Viem, Peter	
Mr. Ma Ting Hung	
Ms. Li So Mui	
Mr. Mi Zengxin	(appointed on 1 April 2004)
Mr. Qiu Yiyong	
Mr. Sun Xinguo	
Mr. Tian Yuchuan	(resigned on 1 April 2004)
Mr. Zeng Chen	(appointed on 1 April 2004)
Mr. Zhang Jijing	

Independent non-executive directors:

Mr. Chan Mo Po, Paul	(appointed on 1 December 2004)
Mr. Fan Ren Da, Anthony	
Mr. Tsang Link Carl, Brian	

The independent non-executive directors are not appointed for a specific term and all of the directors, without limitation to executive directors, are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's bye-laws.

In accordance with bye-law 86(2) of the Company's bye-laws, Mr. Chan Mo Po, Paul will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Directors (continued)

In accordance with bye-law 87(1) and (2) of the Company's bye-laws, Mr. Kwok Viem, Peter, Mr. Qiu Yiyong and Mr. Zhang Jijing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

During the year, no director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in ordinary shares of the Company

Name of director	Nature of interest	Number of ordinary shares of HK$0.05 each held	Percentage of the total issued share capital of the Company
Mr. Kwok Viem, Peter (Note)	Corporate	612,000,000	14.18
Mr. Ma Ting Hung (Note)	Corporate	612,000,000	14.18
Mr. Zhang Jijing	Family	28,000	–

Note: The shares disclosed above are held by United Star International Inc., a company incorporated in the British Virgin Islands, which is beneficially owned as to 50% by Mr. Kwok Viem, Peter and 50% by Mr. Ma Ting Hung. Accordingly, each of them is deemed to be interested in the 612,000,000 shares.

Long positions in 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	Capacity and nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Zeng Chen	CITIC Australia Trading Limited	Subsidiary	Ordinary shares	166,666 (Note (2))	Directly beneficially owned	0.20
			Share option (Note (1))	166,666 (Note (3))	Directly beneficially owned	N/A
				166,668 (Note (4))	Directly beneficially owned	N/A
Mr. Zhang Jijing	CITIC Australia Trading Limited	Subsidiary	Ordinary shares	291,440 (Note (2))	Directly beneficially owned	0.35
			Share option (Note (1))	200,000 (Note (3))	Directly beneficially owned	N/A
				200,000 (Note (4))	Directly beneficially owned	N/A

Notes:

(1) On 14 June 2002, Mr. Zeng Chen and Mr. Zhang Jijing were granted options to subscribe for 500,000 ordinary shares and 600,000 ordinary shares of A$1.00 each respectively, at an exercise price of A$0.20 per share, in CITIC Australia Trading Limited ("CATL"). The options were granted free of consideration. The exercise period will end on 18 June 2007.

(2) During the year, aggregate of 166,666 and 200,000 share options were executed by Mr. Zeng Chen and Mr. Zhang Jijing, further details of which are set out in note 16 to the financial statements.

(3) On 14 May 2004, the strike price for the second tranche of the options was set at A$0.30 per option. On the same day, the closing price of CATL's shares on the Australian Stock Exchange was A$0.42 per share.

(4) On 14 May 2004, the strike price for the third tranche of the options was set at A$0.35 per option. On the same day, the closing price of CATL's shares on the Australian Stock Exchange was A$0.42 per share.

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

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures (continued)

Save as disclosed above, as at 31 December 2004, none of the directors and 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 the SFO) which was 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 was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

Apart from the share option scheme disclosed in note 28 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2004, 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 of the Company 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	Notes	Number of ordinary shares of HK$0.05 each held	Percentage of the total issued share capital of the Company
CITIC Group	1	2,610,594,381	60.47
CITIC Projects Management (HK) Limited	2	1,860,180,588	43.09
Keentech Group Limited	2	1,860,180,588	43.09
CITIC Australia Pty Limited	3	750,413,793	17.38
United Star International Inc.	4	612,000,000	14.18
Mr. Kwok Viem, Peter	4	612,000,000	14.18
Mr. Ma Ting Hung	4	612,000,000	14.18

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares (continued)

Notes:

(1) This figure represents an attributable interest in CITIC Group ("CITIC Group") through its interest in CITIC Projects Management (HK) Limited and CITIC Australia Pty Limited ("CA"). CITIC Group is a company incorporated in the People's Republic of China.

(2) Keentech Group Limited ("Keentech"), a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Projects Management (HK) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of CITIC Group.

(3) CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Group.

(4) The figure represents an attributable interest of each of Mr. Kwok Viem, Peter, and Mr. Ma Ting Hung respectively as the beneficial owner of 50% of United Star International Inc. These interests are also included as corporate interests of Mr. Kwok Viem, Peter and Mr. Ma Ting Hung, as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.

Save as disclosed herein, so far as is known to the directors, as at 31 December 2004, no person had an interest or a short position in the shares or the underlying shares of the Company 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.

Purchase, redemption or sale of listed securities of the Company

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

Related party transactions and connected transactions

Details of related party transactions and connected transactions of the Company and of the Group are set out in note 35 to the financial statements.

In the opinion of the independent non-executive directors of the Company, the Group's rental arrangements with 99 King Street Property Management Pty Limited have been entered into:

(i) in the ordinary and usual course of its business;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

Related party transactions and connected transactions (continued)

(iii) in accordance with the relevant agreements governing such ongoing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed such transactions and confirmed in writing to the board of directors of the Company stating that such connected transactions:

(i) have received the approval of the board of directors of the Company;

(ii) have been entered into in accordance with the relevant agreements governing the transactions; and

(iii) have not exceeded the amounts set out in the description of the ongoing connected transactions set out in note 35.

Post balance sheet event

Details of the significant post balance sheet event of the Group are set out in note 36 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board
Peter Kwok Viem
Chairman

Hong Kong, 19 April 2005

ERNST & YOUNG
安永會計師事務所

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

We have audited the financial statements on pages 26 to 88 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our 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 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 19 April 2005

Consolidated profit and loss account

Year ended 31 December 2004
(Expressed in HK$'000)

	Notes	2004	2003
TURNOVER	5	**3,610,791**	24,535
Cost of sales		**(3,360,106)**	(40,911)
Gross profit/(loss)		**250,685**	(16,376)
Other revenue and gains	5	**49,689**	14,080
Selling and distribution costs		**(12,047)**	(462)
Administrative expenses		**(80,970)**	(18,199)
Other operating expenses		**(40,269)**	(30,877)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	**167,088**	(51,834)
Finance costs	9	**(50,169)**	(171)
PROFIT/(LOSS) BEFORE TAX		**116,919**	(52,005)
Tax	10	**(64,426)**	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**52,493**	(52,005)
Minority interests		**(2,631)**	–
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	11	**49,862**	(52,005)
EARNINGS/(LOSS) PER SHARE	12		
Basic		**HK 1.22 cents**	HK (1.58 cents)
Diluted		**N/A**	N/A

31 December 2004
(Expressed in HK$'000)

	Notes	2004	2003
NON-CURRENT ASSETS			
Fixed assets	13	**1,467,572**	91,532
Other assets	14	**671,676**	–
Goodwill	15	**24,682**	–
Long term investments	18	**189,748**	–
Deferred tax assets	19	**14,984**	–
Prepayments and other receivables	20	**7,542**	3,238
		2,376,204	94,770
CURRENT ASSETS			
Inventories	21	**724,500**	8,898
Accounts receivable	22	**337,530**	3,846
Prepayments, deposits and other receivables	20	**265,349**	1,972
Short term investments	18	**2,821**	–
Other assets	14	**61,971**	–
Pledged bank deposits	23	**–**	20,399
Cash and bank balances	23	**1,606,833**	1,100,153
		2,999,004	1,135,268
CURRENT LIABILITIES			
Accounts payable	24	**223,563**	3,407
Tax payable		**52,905**	–
Accrued liabilities and other payables	25	**76,710**	23,544
Provisions	26	**28,668**	–
Bank and other loans	27	**987,539**	20,735
		1,369,385	47,686
NET CURRENT ASSETS		**1,629,619**	1,087,582
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,005,823**	1,182,352

Consolidated balance sheet

31 December 2004
(Expressed in HK$'000)

	Notes	**2004**	2003
NON-CURRENT LIABILITIES			
Provisions	26	**49,321**	–
Bank and other loans	27	**1,086,785**	11,862
Deferred tax liabilities	19	**116,782**	–
Deferred income and other payables		**50,317**	–
		1,303,205	11,862
MINORITY INTERESTS		**19,693**	–
		2,682,925	1,170,490
CAPITAL AND RESERVES			
Issued capital	28	**215,844**	164,824
Reserves	29(a)	**2,467,081**	1,005,666
		2,682,925	1,170,490

Peter Kwok Viem
Director

Ma Ting Hung
Director

Year ended 31 December 2004
(Expressed in HK$'000)

		Reserves (note 29(a))						
	Issued share capital (note 28)	Share premium account	Contributed surplus	Exchange fluctuation reserve	Capital reserve	Accumulated losses	Sub-total	Total
At 1 January 2003	164,824	1,200,879	65,527	860	4,104	(213,699)	1,057,671	1,222,495
Net loss for the year	–	–	–	–	–	(52,005)	(52,005)	(52,005)
At 31 December 2003 and 1 January 2004	164,824	1,200,879	65,527	860	4,104	(265,704)	1,005,666	1,170,490
Translation differences arising on consolidation	–	–	–	50,470	–	–	50,470	50,470
Net gains not recognised in the profit and loss account	–	–	–	50,470	–	–	50,470	50,470
New issue of shares	51,020	1,383,554	–	–	–	–	1,383,554	1,434,574
Share issue expenses	–	(22,471)	–	–	–	–	(22,471)	(22,471)
Net profit for the year	–	–	–	–	–	49,862	49,862	49,862
At 31 December 2004	**215,844**	**2,561,962**	**65,527**	**51,330**	**4,104**	**(215,842)**	**2,467,081**	**2,682,925**

Consolidated cash flow statement

Year ended 31 December 2004
(Expressed in HK$'000)

	Notes	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**116,919**	(52,005)
Adjustments for:			
Finance costs	9	**50,169**	171
Interest income	5	**(25,743)**	(13,273)
Dividend income from listed investments	5	**(4,405)**	–
Depreciation	6	**56,642**	12,971
Amortisation	6	**51,076**	–
Loss on disposal/write-off of fixed assets	6	**5,166**	713
Provision for impairment of fixed assets	6	**–**	4,502
Additional provision for long service payments	6	**1,853**	–
Professional fees incurred in relation to aborted investment projects	6	**–**	25,662
Operating profit/(loss) before working capital changes		**251,677**	(21,259)
Increase in inventories		**(472,297)**	(5,833)
Increase in prepayments, deposits and other receivables		**(211,292)**	(3,707)
Decrease/(increase) in accounts receivable		**145,561**	(2,503)
Increase in accounts payable		**10,078**	2,340
Increase/(decrease) in accrued liabilities and other payables		**(28,976)**	6,582
Increase in deferred income and other payables		**50,317**	–
Cash used in operations		**(254,932)**	(24,380)
Hong Kong profits tax paid		**–**	–
Australian income tax paid		**(10,958)**	–
Net cash outflow from operating activities		**(265,890)**	(24,380)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**25,882**	12,220
Dividend received from listed investments		**4,405**	–
Proceeds from disposal of a long term investment		**–**	2,500
Purchases of fixed assets	13	**(70,953)**	2,114
Proceeds from disposal of fixed assets		**1,196**	355
Purchases of long term investments		**(8,510)**	–
Purchases of short term investments		**(89)**	–
Acquisition of subsidiaries	30(a)	**120,492**	–
Decrease/(increase) in pledged bank deposits		**20,399**	(20,399)
Payments of legal and professional fees incurred in relation to potential investment projects		**(2,474)**	(16,318)
Net cash inflow/(outflow) from investing activities		**90,348**	(19,528)

Year ended 31 December 2004
(Expressed in HK$'000)

	Notes	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	28	**391,682**	–
Shares issuance expenses	29	**(22,471)**	–
Dividends paid to minority shareholders		**(3,202)**	–
New bank and other loans		**531,921**	20,735
Repayment of bank and other loans		**(180,272)**	–
Interest paid		**(46,461)**	(171)
Net cash inflow from financing activities		**671,197**	20,564
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**495,655**	(23,344)
Cash and cash equivalents at beginning of year		**1,100,153**	1,123,498
Effect of foreign exchange rate changes, net		**11,025**	(1)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,606,833**	1,100,153
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**212,958**	1,647
Non-pledged time deposits with original maturity of less than three months when acquired	23	**1,393,875**	1,098,506
		1,606,833	1,100,153

Balance sheet

31 December 2004
(Expressed in HK$'000)

	Notes	2004	2003
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**1,381,247**	71,892
Prepayments	20	**–**	3,238
		1,381,247	75,130
CURRENT ASSETS			
Prepayments, deposits and other receivables		**1,604**	1,060
Bank balances	23	**1,208,071**	1,098,529
		1,209,675	1,099,589
CURRENT LIABILITIES			
Accrued liabilities and other payables		**766**	3,065
Bank loans	27	**–**	7,000
		766	10,065
NET CURRENT ASSETS		**1,208,909**	1,089,524
		2,590,156	1,164,654
CAPITAL AND RESERVES			
Issued capital	28	**215,844**	164,824
Reserves	29(b)	**2,374,312**	999,830
		2,590,156	1,164,654

Peter Kwok Viem
Director

Ma Ting Hung
Director

1. CORPORATE INFORMATION

The head office and principal place of business of the Company during the year was located at Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. Subsequent to the balance sheet date, the head office and principal place of business of the Company was moved to Suites 3001-3006, 30th Floor, One Pacific Place, 88 Queensway, Hong Kong with effect from 1 February 2005.

The principal activity of the Company is investment holding.

Following the completion of the acquisition of CITIC Resources Australia Pty Ltd ("CRA") and its subsidiaries (collectively the "CRA Group") and Richfirst Holdings Limited, the Group is principally engaged in the following businesses:

- the operation of the Portland Aluminium Smelter which sources alumina and produces aluminium ingots in Australia;
- the import of various commodity products such as fertilisers, iron ore, aluminium ingots and alumina and export 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;
- the operation of coal mining and the sale of coal;
- the sale of crude oil and petroleum drilled from the Dagang Oilfield; and
- the manufacture and sale of plywood.

In the opinion of the directors, the ultimate holding company of the Company is CITIC Group, a company incorporated in the People's Republic of China (the "PRC").

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice 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 the periodic remeasurement of short term investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company 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 profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture

A joint venture is a company 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 company'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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture (continued)
A joint venture is treated as:

(i) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

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

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

(iv) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

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 profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets
An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however 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 an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation
Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Plant and machinery, which include furnace, water system, potroom and ingot mill, and buildings and structures used in the Portland Aluminium Smelter, are estimated to have a useful life up to 2030.

Other fixed assets are estimated to have the following estimated useful lives:

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

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)
Freehold land is not depreciated.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Oil and gas properties
For oil and gas properties, the successful efforts 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 betterments 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 potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon successful completion of further exploratory work remain capitalised, and are reviewed periodically for impairment.

Productive oil and gas properties and other tangible and intangible costs of the producing properties are amortised using the unit-of-production method on a property-by-property basis under which the ratio of produced oil and gas to the estimated remaining proved developed reserves is used to determine the depreciation, depletion and amortisation provision. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital works
Capital works represent exploration and development expenditure in relation to current areas of interest, which includes costs of coal mining tenements, are carried forward to the extent that:

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

(ii) 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 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.

Goodwill
Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable or amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

Prior to the adoption of SSAP 30 "Business Combinations" in 2001, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group adopted the transitional provision of SSAP 30 that permitted negative goodwill on acquisitions which occurred prior to 1 January 2001 to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Investments

Long term investments are investments in listed equity securities, intended to be held for a continuing strategic or long term purpose, and are stated at cost less any impairment losses, on an individual investment basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)
When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of such securities are credited or charged to the profit and loss account in the period in which they arise.

Hedging transactions
Financial instruments protect the Group from fluctuations in exchange rates, interest rates and commodity prices by establishing the rate at which the corresponding asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is offset by a corresponding movement in the value of the financial instruments. The fee incurred in establishing each agreement is amortised over the contract period.

Financial instruments not held for hedging purposes are marked to market at the balance sheet date and any unrealised gains or losses on re-translation are recognised in the profit and loss account for the period.

Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial period in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the consolidated balance sheet over the lives of the hedges.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedging transactions (continued)
If the hedging transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains and losses are recognised as revenue or expense immediately. If the hedging transaction is terminated prior to its maturity date and the hedge transaction is still expected to occur as designated, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedging transaction.

In circumstances where hedging transaction is terminated prior to maturity because the hedging transaction is no longer expected to occur as designated, any previously deferred gains and losses are recognised in the consolidated balance sheet on the date of termination.

If a hedging transaction relating to a commitment for the purchase or sale of goods or services is designated as hedge of another specific commitment and the original transaction is still expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are recognised in the consolidated balance sheet at the date of the redesignation.

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 profit and loss account on the straight-line basis over the lease terms.

Inventories
Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items.

Except for export goods held for re-sale which are stated at cost 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.

3. 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 profit and loss account.

Provision has been made in the consolidated balance sheet for the potential cost of disposing of smelter spent potlinings.

Provisions for rehabilitation costs are made based on the present values of the future costs expected to be incurred.

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

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 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

- in respect of taxable temporary differences associated with interests in subsidiaries and interests in joint ventures, except 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets 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 assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative 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

- in respect of deductible temporary differences associated with interests in subsidiaries, and interests in joint ventures, 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 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.

Employee benefits
Retirement benefits scheme
The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits scheme (continued)

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their respective payroll costs to the central pension scheme. The contributions are charged to the profit and loss account 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 profit and loss account 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' contributions as an employer vest fully with the employees when contributed to the RB Scheme.

Share option schemes

The Company and one of its subsidiaries, CITIC Australia Trading Limited ("CATL"), operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge for their cost is recorded in the profit and loss account or balance sheet. Upon the exercise of share options, the resulting shares issued are recorded by the Company and CATL as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account. Options which are cancelled prior to their exercise date or which lapse are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet of the Company and the Group.

Long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance or the superannuation legislation of the Australian government in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances as specified in the respective regulations.

A provision is recognised in respect of the probable future long service payment expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

3. 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 which 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.

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 a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;

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

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

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits which have a short maturity of generally within three months when acquired.

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

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

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 other business segments. Summary details of the business segments are as follows:

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

(b) the import and export of commodities segment represents the import of various commodity products such as fertilisers, iron ore, aluminium ingots and alumina and the export 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;

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

(d) the crude oil segment comprises the operation of the Dagang Oilfield and the sale of crude oil; and

(e) the others segment comprises the supply of plywood mainly for use in the manufacture of furniture and fixtures and for refurbishment and other operating activities of the Group.

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4. SEGMENT INFORMATION (continued)

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.

No analyses for business and geographical segments for the year ended 31 December 2003 were presented as over 90% of the Group's revenue, assets and liabilities were derived from the manufacture and sale of plywood conducted in the PRC during that year.

(a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the year ended 31 December 2004.

Group

	Aluminium smelter	Import and export of commodities	Coal	Crude oil	Others	Consolidated
Segment revenue:						
Sales to external customers	857,072	2,590,321	127,552	24,448	11,398	3,610,791
Other revenue	10,262	8,646	4,406	–	85	23,399
	867,334	2,598,967	131,958	24,448	11,483	3,634,190
Segment results	146,534	29,786	24,486	7,706	(31,291)	177,221
Interest income and unallocated gains						26,290
Unallocated expenses						(36,423)
Profit from operating activities						167,088
Finance costs	(21,090)	(15,519)	(1,749)	–	(310)	(38,668)
Unallocated finance costs						(11,501)
Profit before tax						116,919
Tax						(64,426)
Profit before minority interests						52,493
Minority interests						(2,631)
Net profit attributable to shareholders						49,862

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Aluminium smelter	Import and export of commodities	Coal	Crude oil	Others	Consolidated
Segment assets	2,288,680	1,153,275	322,725	191,989	82,455	4,039,124
Unallocated assets						1,336,084
Total assets						5,375,208
Segment liabilities	1,068,463	1,056,621	95,111	1,039	26,193	2,247,427
Unallocated liabilities						425,163
Total liabilities						2,672,590
Other segment information:						
Depreciation and amortisation	78,790	5,328	6,976	3,848	11,353	106,295
Unallocated amounts						1,423
						107,718
Other non-cash expenses	2,878	1,552	1,945	–	1,815	8,190
Unallocated amounts						1,308
						9,498
Capital expenditure	1,113,125	3,955	74,650	189,612	–	1,381,342
Unallocated amounts						4,578
						1,385,920

(Expressed in HK$'000)

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments for the year ended 31 December 2004.

Group

	Hong Kong	Mainland China	Australia	Europe	North America	Other Asian countries	Consolidated
Segment revenue:							
Sales to external customers	–	1,822,097	847,253	677,217	109,226	154,998	3,610,791
Other segment information:							
Segment assets	1,242,304	461,499	3,538,311	91,860	7,359	33,875	5,375,208
Capital expenditure	1,856	189,612	1,194,452	–	–	–	1,385,920

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5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold during the year, after allowances for returns, trade discounts and royalties, and excludes intra-group transactions.

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

	2004	2003
Turnover		
Sale of goods		
Aluminium smelter	857,072	–
Import and export of commodities	2,590,321	–
Coal	127,552	–
Crude oil	24,448	–
Others	11,398	24,535
	3,610,791	24,535
Other revenue and gains		
Interest income	25,743	13,273
Handling service fee	8,653	–
Dividend income from listed investments	4,405	–
Gains/(losses) on trading of forward contracts, net:		
Realised	(6,168)	–
Unrealised	14,565	–
Sale of scraps	1,944	249
Others	547	558
	49,689	14,080
Total revenue and gains	3,660,480	38,615

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6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2004	2003
Cost of inventories sold *	3,360,106	40,911
Depreciation	56,642	12,971
Amortisation of the ESA	46,720	–
Amortisation of goodwill	4,356	–
Minimum lease payments under operating leases on land and buildings	5,060	3,010
Auditors' remuneration	2,728	430
Staff costs (including directors' remuneration – note 7):		
Wages and salaries	29,886	9,198
Pension scheme contributions	114	106
Provision for long service payments	2,479	–
	32,479	9,304
Loss on disposal/write-off of fixed assets **	5,166	713
Provision for impairment of fixed assets **	–	4,502
Additional provision for long service payments	1,853	–
Exchange losses/(gains), net **	26,825	(93)
Professional fees incurred in relation to aborted investment projects (Note) **	–	25,662
Provision for inventories	425	–

* Cost of inventories sold for the year ended 31 December 2004 included an amount of HK$98,931,000 (2003: HK$12,225,000), 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" on the face of the consolidated profit and loss account.

Note: The amount included professional fees incurred for financial and legal advice obtained for the Group's proposed acquisition of certain assets in New Zealand which was aborted during that year.

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7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the 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:

	2004	2003
Fees:		
Executive directors	–	–
Independent non-executive directors	250	240
	250	240
Other emoluments of executive directors:		
Salaries, housing allowances, other allowances and benefits in kind	4,946	3,960
Bonuses	1,980	–
Pension scheme contributions	36	36
	6,962	3,996
	7,212	4,236

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil – HK$1,000,000	7	6
HK$1,000,001 – HK$1,500,000	2	2
HK$1,500,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$2,500,000	1	–
	11	9

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration during the year.

(Expressed in HK$'000)

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included two (2003: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2003: one) non-directors, highest paid employees for the year are as follows:

	2004	2003
Salaries, housing allowance, other allowances and benefits in kind	2,014	538
Bonuses	3,207	–
Pension scheme contributions	96	6
	5,317	544

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2004	2003
Nil – HK$1,000,000	–	1
HK$1,500,001 – HK$2,000,000	3	–
	3	1

9. FINANCE COSTS

	2004	2003
Interest expense on bank and other loans repayable:		
Within one year	19,363	171
In the second to fifth years, inclusive	626	–
Beyond five years	29,822	–
	49,811	171
Other finance charges	358	–
	50,169	171

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10. TAX

Group

	2004	2003
Current:		
Hong Kong	–	–
Elsewhere	49,032	–
	49,032	–
Deferred – note 19	15,394	–
Total tax charge for the year	64,426	–

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2003: Nil). The statutory tax rate of Hong Kong profits tax is 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

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% for the year ended 31 December 2004 on the estimated assessable profits arising in Australia during the year.

For the year ended 31 December 2004, the tax rate applicable to the subsidiaries established and operating in the PRC is 33%. However, no provision for tax has been made for the year as the subsidiaries did not generate any assessable profits arising in the PRC during the year.

(Expressed in HK$'000)

10. TAX (continued)

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

Group – 2004

	Australia	Mainland China	Hong Kong	Consolidated
Profit/(loss) before tax	136,356	(17,235)	(2,202)	116,919
Tax charge/(credit) at the statutory rate	40,907	(5,688)	(385)	34,834
Income not subject to tax	(1,471)	(2,557)	(3,332)	(7,360)
Expenses not deductible for tax	24,990	–	1,098	26,088
Increase in unutilised tax losses carry forward	–	8,245	2,619	10,864
Tax charge at the Group's effective rate	64,426	–	–	64,426

Group – 2003

	Mainland China	Hong Kong	Consolidated
Loss before tax	(26,886)	(25,119)	(52,005)
Tax credit at the statutory rate	(8,872)	(4,396)	(13,268)
Income not subject to tax	–	(2,736)	(2,736)
Expenses not deductible for tax	1,485	6,693	8,178
Adjustments to opening unutilised tax losses resulting from increase in tax rates	–	(450)	(450)
Increase in unutilised tax losses carry forward	7,387	889	8,276
Tax at the Group's effective rate	–	–	–

The Group has unrecognised deferred tax assets from tax losses arising in Hong Kong and the PRC of HK$48,661,000 (2003: HK$37,797,000) 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.

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11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK$13,399,000 (2003: net loss of HK$57,841,000) (note 29(b)).

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the consolidated net profit attributable to shareholders of the Company for the year of HK$49,862,000 (2003: loss of HK$52,005,000) and the weighted average of 4,098,421,973 (2003: 3,296,470,588) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2003 and 2004 have not been presented because no dilutive events existed during the years.

13. FIXED ASSETS

Group

	Oil and gas properties*	Freehold land	Leasehold improvements	Motor vehicles, plant, machinery, tools and equipment	Furniture and fixtures	Building and structures	Capital works	Total
Cost:								
At beginning of year	–	–	3,367	115,682	900	–	–	119,949
Acquisition of subsidiaries	128,955	4,751	–	853,471	–	271,477	56,313	1,314,967
Additions	60,657	–	17	4,956	170	4,472	681	70,953
Disposals/write-off	–	–	(1,079)	(4,496)	(1,067)	(1,227)	(699)	(8,568)
Exchange realignment	–	213	–	39,347	–	12,160	1,404	53,124
At 31 December 2004	189,612	4,964	2,305	1,008,960	3	286,882	57,699	1,550,425
Accumulated depreciation:								
At beginning of year	–	–	786	26,880	751	–	–	28,417
Provided during the year	3,848	–	498	39,568	138	9,278	3,312	56,642
Disposals/write-off	–	–	(911)	(406)	(889)	–	–	(2,206)
At 31 December 2004	3,848	–	373	66,042	–	9,278	3,312	82,853
Net book value:								
At 31 December 2004	185,764	4,964	1,932	942,918	3	277,604	54,387	1,467,572
At 31 December 2003	–	–	2,581	88,802	149	–	–	91,532

* The purchase price allocation is preliminary and subject to the finalisation of tax basis of purchased assets.

(Expressed in HK$'000)

13. FIXED ASSETS (continued)

During the year ended 31 December 2003, the directors of the Company considered that certain machinery, tools and equipment were impaired in view of the Group's historical operating results. Based on a valuation report issued by an independent firm of professionally qualified valuers using the fair market value basis, an impairment provision of HK$4,502,000 was made during that year.

14. OTHER ASSETS

Group

Cost:	
At beginning of year	–
Acquisition of subsidiaries (note 30(a))	746,504
Exchange realignment	33,863
At 31 December 2004	780,367
Accumulated amortisation:	
At beginning of year	–
Amortisation provided during the year	46,720
At 31 December 2004	46,720
Net book value:	
At 31 December 2004	733,647
At 31 December 2003	–
Non-current portion	671,676
Current portion	61,971
	733,647

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15. GOODWILL AND NEGATIVE GOODWILL

Goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries during the year, are as follows:

Group

Cost:	
At beginning of the year	–
Acquisition of subsidiaries (note 30(a))	25,863
Exchange realignment	3,175
At 31 December 2004	29,038
Accumulated amortisation:	
At beginning of the year	–
Amortisation provided during the year	4,356
At 31 December 2004	4,356
Net book value:	
At 31 December 2004	24,682
At 31 December 2003	–

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill of HK$4,104,000 in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain credited to the capital reserve.

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16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
Unlisted shares, at cost	**173,133**	173,133
Due from subsidiaries	**1,664,329**	357,567
Due to subsidiaries	**(1,715)**	(4,308)
	1,835,747	526,392
Provision for impairment	**(454,500)**	(454,500)
	1,381,247	71,892

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued shares/ 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 Virgin Islands/ Hong Kong	US$1	100	Investment holding
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

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued shares/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Dongguan Xinlian Wood Products Company Limited (note (a))	PRC	HK$60,000,000	100	Manufacture and sale of plywood
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	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
CITIC Resources Australia Pty Limited *#	State of Victoria, Australia	A$193,805,449	100	Investment holding
CITIC Portland Holdings Pty Limited *#	State of Victoria, Australia	A$1	100	Investment holding
CITIC Australia (Portland) Pty Limited *#	State of Victoria, Australia	A$45,675,117	100	Investment holding
CITIC Portland Surety Pty Limited *#	State of Victoria, Australia	A$1	100	Investment holding

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued shares/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
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 Australia Trading Limited (note (c)) *#	State of Victoria, Australia	A$6,863,442	79.69	Investment holding
CATL Sub-Holding Pty Limited *#	State of Victoria, Australia	A$2	79.69	Investment holding
CITIC Australia Commodity Trading Pty Limited *#	State of Victoria, Australia	A$500,002	79.69	Import and export of commodities and manufactured goods
CITIC Tyres & Wheels Pty Limited *#	Northern Territory, Australia	A$100	79.69	Import of tyres and alloy wheels
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	Investment holding
CITIC Australia Moorvale Pty Limited *#	State of Victoria, Australia	A$2	100	Investment holding

16. INTERESTS IN SUBSIDIARIES (continued)

* Acquired or established during the year.

\# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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.

Notes:

(a) Dongguan Xinlian Wood Products Company Limited ("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 of 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").

CATL operates a pre-IPO share option scheme for its directors and other employees (the "Pre-Scheme"). The purpose of the Pre-Scheme is to provide an incentive for employees to remain in their employment for the long term. CATL had granted share options under the Pre-Scheme to its directors and other employees to subscribe for a total of 4,700,000 shares in CATL at subscription prices that range from A$0.20 to A$0.35 per share. No consideration is payable by participants on the grant of the options.

16. INTERESTS IN SUBSIDIARIES (continued)

Notes: (continued)

The following share options were outstanding under the Pre-Scheme during the period from 31 March 2004 (effective date of the acquisition of CRA) to 31 December 2004:

Participants	At 31 March 2004	Grant/ (exercised) during the period	At 31 December 2004	Exercise period of share options	Exercise price per share A$
	Number of share options				
Directors of the Company:					
Mr. Zeng Chen	166,666	(166,666)	–	19 June 2003 to 18 June 2007	0.20
	166,666	–	166,666	19 June 2004 to 18 June 2007	0.30
	166,668	–	166,668	19 June 2005 to 18 June 2007	0.35
	500,000	(166,666)	333,334		
Mr. Zhang Jijing	200,000	(200,000)	–	19 June 2003 to 18 June 2007	0.20
	200,000	–	200,000	19 June 2004 to 18 June 2007	0.30
	200,000	–	200,000	19 June 2005 to 18 June 2007	0.35
	600,000	(200,000)	400,000		
Directors of CATL:	599,999	(599,999)	–	19 June 2003 to 18 June 2007	0.20
	599,999	(100,000)	499,999	19 June 2004 to 18 June 2007	0.30
	600,002	–	600,002	19 June 2005 to 18 June 2007	0.35
	1,800,000	(699,999)	1,100,001		
Other employees:	550,000	(199,335)	350,665	19 June 2003 to 18 June 2007	0.20
	599,998	–	599,998	19 June 2004 to 18 June 2007	0.25
	600,004	–	600,004	19 June 2004 to 18 June 2007	0.30
	–	140,000	140,000	19 June 2004 to 18 June 2007	0.30
	–	140,000	140,000	19 June 2005 to 18 June 2007	0.35
	1,750,002	80,665	1,830,667		
	4,650,002	(986,000)	3,664,002		

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17. INTERESTS IN JOINTLY-CONTROLLED ASSETS

At 31 December 2004, the Group had entered into joint venture operations of which the Group holds interests as follows:

(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 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;

(d) 25% participating interest in the Bowen Basin Coal Exploration joint venture, the principal activity of which is the exploration of coal;

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

(f) 40% participating interest in the contractor's rights and obligations in a 30-year petroleum development and production sharing contract for the development and production of petroleum in the Kongnan Block within the Dagang Oilfield in the PRC.

The jointly controlled entities in (c) to (e) have different reporting dates to the Group, being 30 June compared to 31 December. The jointly controlled entities in (a) to (e) are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms. The financial statements of these jointly controlled entities up to 31 December 2004 have been used for the purpose of preparation of these consolidated financial statements of the Group.

The Group's interest in net assets employed in the Portland Aluminium Smelter Joint Venture, which account for over 10% of the Group's total assets, is included in the consolidated balance sheet under the classification shown below:

	2004
Non-current assets	2,263,579
Current assets	128,572
Current liabilities	(98,714)
Non-current liabilities	(40,771)
Share of assets employed in joint ventures	2,252,666

(Expressed in HK$'000)

17. INTERESTS IN JOINTLY-CONTROLLED ASSETS (continued)

The Group's interest in the combined assets employed in the other jointly controlled entities are included in the consolidated balance sheet under the classification shown below:

	2004
Non-current assets	**254,616**
Current assets	**40,303**
Current liabilities	**(37,302)**
Non-current liabilities	**(9,230)**
Share of assets employed in joint ventures	**248,387**

18. INVESTMENTS

	Group	
	2004	2003
Non-current listed equity investments, at cost:		
Australia	**189,748**	–
Current unlisted equity investments, at fair value:		
Australia	**2,821**	–
Market value of listed equity investments at 31 December	**480,759**	–

(Expressed in HK$'000)

19. DEFERRED TAX

Movements in deferred tax liabilities and assets of the Group during the year are as follows:

Deferred tax liabilities – accelerated tax depreciation

At beginning of the year	–
Acquisition of subsidiaries (note 30(a))	92,485
Deferred tax charged to the profit and loss account during the year (note 10)	20,155
Exchange realignment	4,145
Gross deferred tax liabilities at 31 December 2004	116,782

Deferred tax assets – losses available for offset against future taxable profits

At beginning of the year	–
Acquisition of subsidiaries (note 30(a))	9,784
Deferred tax credited to the profit and loss account during the year (note 10)	4,761
Exchange realignment	439
Gross deferred tax assets at 31 December 2004	14,984
Net deferred tax liabilities at 31 December 2004	101,798
Net deferred tax liabilities at 31 December 2003	–

(Expressed in HK$'000)

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The non-current balance include an amount of HK$2,474,000 (2003: HK$3,238,000), being the prepayments of professional fees incurred for financial and legal advice in connection with the Group's potential investment projects. These amounts were intended to be capitalised in the cost of the potential investments. The balance at 31 December 2004 relates to the potential investment projects in CSCIL (as defined in note 36), further details of which are set out in note 36 to the financial statements.

An amount of HK$1,489,000 (2003: Nil) included in the current portion represents amounts due from fellow subsidiaries of the Group. The balance due is unsecured, interest-free and have no fixed terms of repayment.

The current balance also include an amount of HK$234,000,000 (2003: Nil), being the advance payments for purchase of aluminium ingots. During the year, the Group entered into an advance purchase agreement with an aluminium smelter (one of its alumina suppliers with long business relationship) with respect to the purchase of over 20,000 tonnes of aluminium ingot, for delivery commencing in March 2005. As security, the Group holds bank guarantees of an equivalent amount in United States dollars issued by the Bank of China. The majority of this balance is funded by a special purpose bank facility of US$25,000,000 (equivalent to HK$195,000,000) (note 27(a)).

21. INVENTORIES

	Group	
	2004	2003
Raw materials	**74,801**	3,288
Work in progress	**38,976**	3,451
Finished goods	**610,723**	2,159
	724,500	8,898

The inventories carried at net realisable value included in the above balance amounted to HK$40,898,000 (2003: HK$2,159,000) as at the balance sheet date.

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22. ACCOUNTS RECEIVABLE

The Group normally offers credit terms of 30 to 60 days to its established customers. 100% provision is made for outstanding debts aged over 365 days.

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

	Group	
	2004	2003
Within one month	**200,629**	2,600
One to two months	**130,951**	556
Two to three months	**5,019**	384
Over three months	**931**	306
	337,530	3,846

23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
Cash and bank balances	**212,958**	1,647	**4,772**	23
Time deposits *	**1,393,875**	1,118,905	**1,203,299**	1,098,506
	1,606,833	1,120,552	**1,208,071**	1,098,529
Less: Pledged for bank loans **	**–**	20,399	**–**	–
	1,606,833	1,100,153	**1,208,071**	1,098,529

* An amount of approximately HK$721,805,000 (2003: HK$529,664,000) of the time deposits of the Company and the Group at 31 December 2004 was placed in CITIC Ka Wah Bank Limited.

At 31 December 2003, an amount of HK$1,000,000,000 was designated for funding the Group's potential investment projects.

** At 31 December 2003, the Group pledged its bank deposits of HK$20,399,000 to secure bank loans of HK$13,735,000 granted to the Group. During the year ended 31 December 2004, the Group repaid the bank loans and the pledge was released accordingly.

(Expressed in HK$'000)

24. ACCOUNTS PAYABLE

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

	Group	
	2004	2003
Within one month	**147,972**	2,436
One to two months	**45,190**	808
Two to three months	**14,489**	163
Over three months	**15,912**	–
	223,563	3,407

25. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in the total balance was an amount of HK$4,352,000 (2003: Nil) due to the CITIC Group, the ultimate holding company of the Company, which represents interest expense payable on loans totalling US$50,000,000 that had been advanced by CITIC Group (note 27(c)).

26. PROVISIONS

Group

	Long service payments	**Provision for rehabilitation**	**Total**
At beginning of the year	–	–	–
Arising from acquisition of subsidiaries	34,795	38,075	72,870
Additional provisions	1,853	–	1,853
Exchange realignment	1,560	1,706	3,266
At 31 December 2004	38,208	39,781	77,989
Portion classified as current liabilities	(27,726)	(942)	(28,668)
Non-current portion	10,482	38,839	49,321

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26. PROVISIONS (continued)

The Group provides for the probable long service leave and holiday pay expected to be made to employees under the superannuation legislation of the Australian government, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Provision for rehabilitation represented 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 Austrialian 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.

27. BANK AND OTHER LOANS

		Group		Company	
	Notes	**2004**	2003	**2004**	2003
Bank loans:	(a)				
Secured		**748,235**	13,735	–	–
Unsecured		**907,505**	7,000	–	7,000
		1,655,740	20,735	–	7,000
Other loans, unsecured	(b)	**28,584**	11,862	–	–
Loans from the CITIC Group, unsecured	(c)	**390,000**	–	–	–
		2,074,324	32,597	–	7,000

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27. BANK AND OTHER LOANS (continued)

	Group		Company	
	2004	2003	**2004**	2003
Bank loans repayable:				
Within one year or on demand	**954,304**	20,735	–	7,000
In the second year	**46,800**	–	–	–
In the third to fifth years, inclusive	**155,436**	–	–	–
Beyond five years	**499,200**	–	–	–
	1,655,740	20,735	–	7,000
Other loans repayable:				
Within one year	**2,035**	–	–	–
In the second year	**2,035**	–	–	–
In the third to fifth years, inclusive	**6,106**	–	–	–
Beyond five years	**6,546**	–	–	–
	16,722	–	–	–
Loans from former minority shareholders, beyond one year	**11,862**	11,862	–	–
	11,862	11,862	–	–
Loans from the CITIC Group:				
Within one year	**31,200**	–	–	–
In the third to fifth years, inclusive	**358,800**	–	–	–
	390,000	–	–	–
Total bank and other loans	**2,074,324**	32,597	–	7,000
Portion classified as current liabilities	**(987,539)**	(20,735)	–	(7,000)
Non-current portion	**1,086,785**	11,862	–	–

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27. BANK AND OTHER LOANS (continued)

Notes:

(a) The secured bank loans were secured by:

(i) a 22.5% participating interest in Portland Aluminium Smelter Joint Venture with respect to a loan amount of US$94,000,000 (equivalent to HK$733,000,000) due by 31 December 2008.

(ii) a 7% participating interest in Coppabella and Moorvale coal mines joint venture with respect to a loan amount of US$2,000,000 (equivalent to HK$15,000,000) due by 15 November 2008.

All the unsecured bank loans of HK$907,505,000 (2003: Nil), which represent trade finance facilities, are guaranteed by CRA.

Included in the above trade finance facilities and usage amounts is a special purpose advance payment facility of US$25,000,000 (equivalent to HK$195,000,000) specifically to finance the aluminium ingot advance purchase agreement outlined in note 20. This facility ceases upon completion of the advance purchase agreement.

The 2003's secured bank loans were fully repaid in December 2004 and bore interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus 0.5% per annum. The bank loans were secured by the Group's pledged bank deposits of HK$20,399,000 and corporate guarantees of Wing Lam, an indirect wholly-owned subsidiary of the Company. The 2003's unsecured bank loans were fully repaid in March 2004 and bore interest at the HIBOR plus 1.5% per annum.

(b) An analysis of other loans is as follows:

		Group	
	Notes	**2004**	2003
Loans for Transport Infrastructure Corridor	(i)	**9,230**	–
Loans for Exploration Permit for Coal	(ii)	**7,492**	–
Loans from the former shareholder	(iii)	**11,862**	11,862
		28,584	11,862

(i) The loans were obtained from the State Government of Queensland, Australia. The loans are unsecured, interest bearing at 6.69% per annum and repayable in equal quarterly instalments by 30 September 2012.

(ii) The loans were obtained from the manager of Coppabella and Moorvale coal mines joint venture. The loans are unsecured, interest bearing at 6% per annum and repayable in equal annual instalments by 11 December 2013.

(iii) The loans were from the ex-shareholders of Wing Lam (the "Ex-Shareholders") (details are set out in note 31(a) below). The loans are unsecured, interest-free and not repayable within one year.

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27. BANK AND OTHER LOANS (continued)

Notes: (continued)

(c) Details of the balance are as follows:

Loan amount: US$46,000,000 (equivalent to HK$358,800,000)
Maturity: September 2007
Interest rate: LIBOR + 1.5% per annum

Loan amount: US$4,000,000 (equivalent to HK$31,200,000)
Maturity: August 2005
Interest rate: LIBOR + 1.5% per annum

28. SHARE CAPITAL

Shares

	Number of ordinary shares	
Authorised:		
Ordinary shares of HK$0.05 each	6,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each as at 1 January 2003 and 2004	3,296,470,588	164,824
Issue of shares	1,020,413,793	51,020
Ordinary shares of HK$0.05 each as at 31 December 2004	4,316,884,381	215,844

On 2 February 2004, the Company entered into a placing agreement with United Star International Inc. ("USI"), a substantial shareholder of the Company, and a placing agent, under which a placement of 270,000,000 of the Company's then existing ordinary shares with par value of HK$0.05 each held by USI was made to not less than six independent investors procured by the placing agent at a price of HK$1.45 per share. In addition, 270,000,000 new ordinary shares of HK$0.05 each in the Company were subscribed by USI at HK$1.45 per share for a total cash consideration, before expenses, of HK$391,500,000. The Company intends to apply such net proceeds to finance future investments and asset acquisitions with a particular focus on businesses involving natural resources. Details of the placing and the subscription are set out in the announcement of the Company dated 2 February 2004.

On 31 March 2004, the Company allotted and issued 750,413,793 new ordinary shares of HK$0.05 each to satisfy the consideration for the acquisition of the entire issued share capitals of CRA and CITIC Portland Surety Pty Limited from CITIC Australia Pty Limited ("CA").

28. SHARE CAPITAL (continued)

Share option schemes
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. During the year, no share option was granted, exercised, lapsed or cancelled under the Old Scheme. No share option was outstanding under the Old Scheme as at the balance sheet date.

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 contribution 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.

28. SHARE CAPITAL (continued)

Share option schemes (continued)

(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.
(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 as stated in the Stock Exchange's daily quotation sheet on the date of the 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.

During the year ended 31 December 2004 and up to the date of this report, no share option was granted, exercised, lapsed or cancelled under the New Scheme. No share option was outstanding under the New Scheme at the balance sheet date.

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29. 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 page 29 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.

(b) Company

	Share premium account	Contributed surplus	Accumulated losses	Total
At 1 January 2003	1,200,879	172,934	(316,142)	1,057,671
Net loss for the year	–	–	(57,841)	(57,841)
At 31 December 2003 and 1 January 2004	1,200,879	172,934	(373,983)	999,830
New issue of shares	1,383,554	–	–	1,383,554
Share issuance expenses	(22,471)	–	–	(22,471)
Net profit for the year	–	–	13,399	13,399
At 31 December 2004	2,561,962	172,934	(360,584)	2,374,312

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.

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30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	Notes	2004	2003
Net assets acquired:			
Fixed assets	13	1,314,967	–
Other assets	14	746,504	–
Investments in securities		175,814	–
Deferred tax assets	19	9,784	–
Cash and bank balances		285,852	–
Inventories		232,518	–
Accounts receivable		457,998	–
Prepayments, deposits and other receivables		48,972	–
Accounts payable		(200,764)	–
Accrued liabilities and other payables		(75,177)	–
Tax payable		(14,173)	–
Provisions	26	(72,870)	–
Deferred tax liabilities	19	(92,485)	–
Bank and other loans		(1,615,148)	–
Minority interests		(19,221)	–
		1,182,571	–
Goodwill arising on acquisitions	15	25,863	–
		1,208,434	–
Satisfied by:			
Cash		165,360	–
Shares issued		1,043,074	–
		1,208,434	–

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

	2004	2003
Cash consideration paid	(165,360)	–
Cash and bank balances acquired	285,852	–
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	120,492	–

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Acquisitions of subsidiaries (continued)

Since the acquisitions, the acquired subsidiaries contributed HK$3,599,392,000 to the Group's turnover and HK$79,678,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2004.

(b) Major non-cash transaction

The purchase consideration for the acquisition of the CRA Group during the year was satisfied by the allotment and issue of 750,413,793 new ordinary shares of HK$0.05 each in the Company's share capital.

31. LITIGATION

(a) In January 1999, Dongguan Xinlian, a Group subsidiary held through Wing Lam, received a writ of summons (the "Claim") from China Foreign Trade Development Company (the "Plaintiff") claiming for HK$49,624,000 and related interest in respect of various re-export contracts entered into by Dongguan Xinlian prior to it becoming a Group subsidiary. A judgement was issued in February 2000 which charged Dongguan Xinlian liable to settle a sum of approximately HK$26,894,000. In response, Dongguan Xinlian filed an appeal against this judgement.

In August 2003, certain members of the Plaintiff management team were sentenced to imprisonment for creating forged documents, including those presented by them in relation to the Claim. Despite this, the People's High Court of Guangdong Province issued a new judgement (the "New Judgement") in December 2003 holding Dongguan Xinlian liable to US$4,800,000 (equivalent to HK$37,440,000) with related interest. In January 2004, Dongguan Xinlian filed another appeal to the State Supreme Court, requesting the withdrawal of the New Judgement and a decision that it is not liable to the Plaintiff in respect of the New Judgement. In December 2004, the People's High Court of Guangdong Province issued a decision that it will re-hear the case. It is not expected that the hearing will be concluded within the next 12 months.

As advised by the Group's legal advisers, there were a number of conflicts and discrepancies with regard to the New Judgement. The New Judgement is not supported by valid evidence and it is in breach of normal legal proceeding, and therefore the New Judgement should be withdrawn.

Furthermore, 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 2004.

31. LITIGATION (continued)

Taking into account the advice from the Group's legal advisers and the indemnity, the directors of the Company believe that the outcome of the Claim will not have a material adverse impact on the financial results of the Group, and accordingly, no provision is considered necessary.

(b) On 19 December 2003, Australian Premium Coals Pty Limited, the manager of the Coppabella and Moorvale coal mines joint venture (the "Joint Venture"), lodged a notice of dispute with a contractor under the terms of the mining contract on behalf of the Joint Venture participants. The claim included recovery of loss and damages for higher production costs and demurrage as a result of the lack of coal delivered to Australian Premium Coals Pty Limited.

On 9 June 2004, the contractor lodged a notice of dispute under the terms of the mining contract. The claim included the increased costs of mining due to delay in access to particular mining areas and adverse mining conditions relating to the June 2004 financial year of Joint Venture. On 28 June 2004, the contractor referred the dispute to arbitration.

In the initial proceedings of the arbitration held on 9 to 10 December 2004, the arbitrator heard submissions on a preliminary point as to whether the items listed in the notice of dispute are disputes as defined in the Commercial Arbitration Act and have been correctly submitted in accordance with the mining contract. As at the date of the issue of these financial statements, the arbitrator has not yet ruled on the preliminary point, nor has the contractor issued a detailed statement of claim.

On a separate matter, on 14 January 2005:

- The contractor issued another claim against Australian Premium Coals Pty Limited under the contract for the increased costs of working for the June 2005 financial year; and

- The contractor issued a notice of referral to Arbitration of Disputes in relation to the Rise and Fall provisions of the contract.

The directors of the Company dispute the above claims. As the arbitrations either have not commenced (14 January 2005 claim) or completed (9 June 2004 notice of dispute), the directors are not in a position to make a reliable estimate of the outcome of the above claims.

(Expressed in HK$'000)

32. HEDGING TRANSACTIONS

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

Accounting policies in relation to derivative financial instruments are set out in accordance with the accounting policy in note 3 to the financial statements.

(i) Foreign currency
The Group enters into forward exchange contracts and currency options to buy and sell foreign currencies in the future at pre-determined rates to hedge future sales revenue, purchases and other commitments. Such instruments extend, in some cases, up to five years.

Details of outstanding amounts to be paid or received (HK$ equivalents) and contractual exchange rates of the Group's outstanding contracts at 31 December 2004 are as follows:

	Weighted average exchange rate	Contractual amount
Forward contracts:		
(i) Sell A$/Buy US$		
Less than 3 months	0.7431	155,873
In 1 to 2 years, inclusive	0.7351	20,914
(ii) Buy A$/Sell US$		
Less than 3 months	0.6565	63,472
In 3 to 12 months, inclusive	0.6879	82,132
In 1 to 2 years, inclusive	0.6800	3,038

(Expressed in HK$'000)

32. HEDGING TRANSACTIONS (continued)

(i) Foreign currency (continued)

	Weighted average exchange rate	Contractual amount
Currency options:		
(i) Put US$ option sell		
Less than 3 months	0.7129	9,187
In 3 to 12 months, inclusive	0.7234	46,647
In 1 to 2 years, inclusive	0.7704	7,492
(ii) Call A$ option buy		
Less than 3 months	0.7310	17,937
In 3 to 12 months, inclusive	0.7330	72,896
In 1 to 2 years, inclusive	0.7704	7,492
(iii) Put A$ option buy		
Less than 3 months	0.7500	8,750
In 3 to 12 months, inclusive	0.7500	26,249

As these contracts are hedging future sales, purchases and other commitments, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided that the underlying transaction is still expected to occur as originally designated.

The following gains and losses have been deferred at 31 December 2004:

Group

Unrealised gains	**18,727**
Unrealised losses	**(4,162)**
Net gains	**14,565**

31 December 2004
(Expressed in HK$'000)

32. HEDGING TRANSACTIONS (continued)

(ii) Commodities

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

At 31 December 2004, the Australian dollar values of the Group's outstanding commodity derivative financial instruments are:

	Quantity hedged (MT)	Average price per tonne (HK$)	Contractual amount
Aluminium forward (sold)			
Less than 3 months	9,950	12,987	129,241
In 3 to 12 months, inclusive	17,200	12,722	218,810
In 1 to 2 years, inclusive	10,600	12,043	127,649
In 2 to 5 years, inclusive	6,800	11,443	77,818
Aluminium options – put option sold			
Less than 3 months	3,000	10,608	31,821
In 3 to 12 months, inclusive	9,000	10,608	95,469

All commodity contracts are normally settled other than by physical delivery of the underlying commodity and hence are classified as financial instruments. On maturity, the contracted price is compared to the spot price and 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. Unrealised gains and losses are therefore not recognised in the balance sheet.

32. HEDGING TRANSACTIONS (continued)

(iii) Interest rate contracts

(a) Interest rate swap contracts

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 swap, 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 ("BBSW") and for US$ denominated swaps are set by reference to LIBOR.

Swaps currently in place cover 50% of the syndicated 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 floating interest rates are set at 6-month LIBOR.

CITIC Australia Coppabella Pty Limited and CITIC Australia Moorvale Pty Limited have swap contracts covering part of its respective term loan. The fixed interest rate is fixed at 2.71% and the floating interest rates are set at 3-month LIBOR.

31 December 2004
(Expressed in HK$'000)

32. HEDGING TRANSACTIONS (continued)

(iii) Interest rate contracts (continued)

(a) Interest rate swap contracts (continued)

At 31 December 2004, the remaining terms, notional principal amounts and other significant terms of the Group's outstanding interest rate swaps are:

	Weighted average rate (%)	Notional amount
US$ interest rate swaps		
Within 1 year	3.58	23,400
In the fifth year	3.57	346,476

(b) Interest rate options

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 2004, the Group's outstanding interest rate options are:

	Rate (%)		
	Floor	Cap	Notional amount
US$ interest rate collar options			
Less than 3 months	1.96	3.20	6,825
In 3 to 12 months, inclusive	1.96	3.20	6,146
In 1 to 2 years, inclusive	1.96	3.20	9,282
In 2 to 5 years, inclusive	1.96	3.20	2,184

(Expressed in HK$'000)

33. OPERATING LEASE ARRANGEMENTS

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2004	2003
Within one year	**8,021**	2,950
In the second to fifth years, inclusive	**13,969**	9,081
Beyond five years	**–**	7,964
	21,990	19,995

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital expenditure commitments:

	Group	
	2004	2003
Contracted, but not provided for:		
Infrastructure, plant and equipment, share of the jointly-controlled entities	**12,371**	–
Office decoration	**810**	–
	13,181	–

Save as aforesaid, at the balance sheet date, neither the Company nor the Group had other significant commitments (2003: Nil).

35. 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) On 19 January 2004, the Group entered into conditional sale and purchase agreements (as amended by a supplemental agreement dated 30 January 2004) with CA, the CITIC Group and CITIC Portland Holdings Pty Limited, pursuant to which the Company agreed to purchase the entire equity interests in CRA and CITIC Portland Surety Pty Limited ("CPS") from CA for a consideration of issue of 750,413,793 new ordinary shares of the Company. The consideration was determined on an arm's length basis between the Company and CA with reference to the financial performance and the value of the major assets of the CRA Group. The major assets of CRA and CPS are as follows:

- a 22.5% participating interest in Portland Aluminium Smelter Joint Venture, which is an unincorporated co-operative joint venture that owns and operates the Portland Aluminium Smelter in the State of Victoria, Australia;
- a 79.69% equity interest in CATL, a company incorporated in the State of Victoria, Australia and listed on the ASX, which is engaged in import and export of commodities;
- a 7% participating interest in the Coppabella and Moorvale coal mines joint venture, which is a unified unincorporated co-operative joint venture that owns and operates the Coppabella and Moorvale coal mines joint venture in the State of Queensland, Australia;
- a 13.33% equity interest in Macarthur Coal Limited, a company listed on the ASX and which is engaged in coal mining business; and
- a 5.01% equity interest in Aztec Resources Limited, a company listed on the ASX and which is engaged in minerals exploration.

CA is an Australian company wholly-owned by the CITIC Group, and an associate of Keentech, a substantial shareholder of the Company.

The transaction constituted a related party transaction and a major and connected transaction of the Group under the Listing Rules. The transaction was approved by independent shareholders of the Company on 22 March 2004 and was completed on 31 March 2004 by the issue of 750,413,793 new shares of the Company as settlement. The consideration of HK$1,043,075,000 was determined by reference to the then market price of shares of the Company on the Stock Exchange as stated in the Stock Exchange. Further details of the transactions are set out in the circular of the Company dated 6 March 2004.

35. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (continued)

(b) On 31 March 2004, CRA entered into two lease agreements with 99 King Street Property Management Pty Limited ("KSPM", a wholly-owned subsidiary of CA) with respect to certain office and car parking lease arrangements. Pursuant to these agreements, CRA took possession of leased office premises and cark parking spaces (the "Leased Premises") and assumed the obligations stipulated in the related tenancy agreements (the "Leases") entered by CA. Subject to renewal, the Leases expire on 30 September 2006. The related operating lease commitment has been included in note 33.

(c) On 12 October 2004, Starbest Venture Limited, a wholly-owned subsidiary of the Company, completed the acquisition of the entire issued share capital of Richfirst, the wholly-owned subsidiary of the CITIC Group, and assumed the benefit of a shareholder's loan of US$20,000,000 (equivalent to HK$156,000,000) advanced by the CITIC Group to Richfirst for an aggregate consideration of US$21,200,000 (equivalent to HK$165,360,000). The aggregate purchase price has been determined on an arm's length basis between the Group and CITIC Group with reference to the investment cost of CITIC Group and the value of the shareholder's loan. Richfirst holds a 40% interest in the contractor's rights and obligations (the "Participating Interest") in a 30-year petroleum development and production sharing contract (the "Petroleum Contract") which was entered into between Pan-China Resources Limited ("Pan-China") and China National Petroleum Corporation in 1997 (as amended) for the development and production of petroleum in the Kongnan Block within the Dagang Oilfield in the PRC.

Pursuant to a farmout agreement dated 18 January 2004 between Richfirst, Pan-China, Sunwing Energy Limited ("Sunwing") and Ivanhoe Energy Inc. ("Ivanhoe"), Richfirst has an option to convert the Participating Interest into shares of Sunwing (at any time prior to the first anniversary of completion of the initial public offering of Sunwing) or shares of Ivanhoe (at any time within 18 months following completion of Richfirst's acquisition of the Participating Interest). If Richfirst elects such conversion, the Participating Interest will be automatically re-assigned to Pan-China.

The acquisition constituted a related party transaction and a very substantial acquisition and connected transaction pursuant to the Listing Rules. Further details of the Participating Interest and the transaction are set out in the circular of the Company dated 11 August 2004.

36. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group had the following transactions:

On 8 January 2005, the Group entered into a conditional agreement with Caltex (Asia) Limited, Star Concept Holdings Limited and Caltex South China Investments Limited ("CSCIL") pursuant to which the Company conditionally agreed to subscribe 5,050,000 new ordinary shares of HK$1 each in the share capital of CSCIL (representing 50.5% of the enlarged issued share capital of CSCIL) for a cash consideration of US$45,000,000 (equivalent to HK$351,000,000), subject to certain adjustments. CSCIL will become a subsidiary of the Group upon completion of the transaction which is scheduled within six months from the date of the agreement.

The transaction constitutes a very substantial acquisition under the Listing Rules and was approved by shareholders of the Company in the extraordinary general meeting on 21 March 2005. Further details of the transaction are set out in the circular of the Company dated 4 March 2005.

Up to the date of approval of these financial statements, the transaction has not yet been completed. Goodwill arising from the acquisition has not been estimated as the financial information of CSCIL ultimately used for the calculation of goodwill was not readily determinable.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 April 2005.