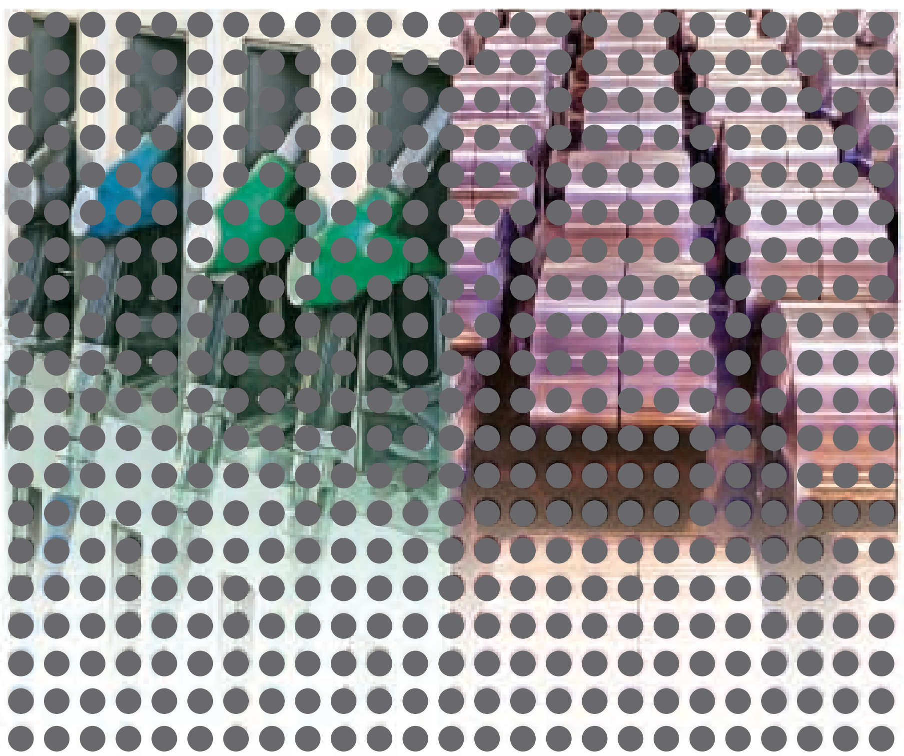
Interim Report 2005



CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Kwok Peter Viem *(Chairman)*
Mr. Ma Ting Hung *(Vice Chairman)*
Mr. Shou Xuancheng *(Vice Chairman)*
Mr. Sun Xinguo
(President and Chief Executive Officer)
Ms. Li So Mui
Mr. Mi Zengxin
Mr. Qiu Yiyong
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

QUALIFIED ACCOUNTANT
Mr. Chung Ka Fai, Alan

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PRINCIPAL BANKERS
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Mizuho Corporate Bank, Ltd.
National Australia Bank Limited
Rabobank International

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FINANCIAL RESULTS

The board of directors (the "Directors") of CITIC Resources Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005 (the "Period").

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2005	2004
	Notes	**Unaudited**	Restated
TURNOVER		**3,067,250**	1,135,871
Cost of sales		**(2,824,989)**	(1,067,154)
Gross profit		**242,261**	68,717
Other income and gains	5	**51,363**	9,664
Selling and distribution costs		**(20,919)**	(7,179)
Administrative expenses		**(49,488)**	(19,329)
Other expenses		**(17,286)**	(9,330)
Finance costs	6	**(47,993)**	(12,927)
PROFIT BEFORE TAX	7	**157,938**	29,616
Tax	8	**(57,894)**	(25,289)
PROFIT FOR THE PERIOD		**100,044**	4,327
ATTRIBUTABLE TO:			
Shareholders of the Company		**93,451**	3,433
Minority interests		**6,593**	894
		100,044	4,327
EARNINGS PER SHARE	9		
Basic		**HK2.16 cents**	HK0.09 cent
Diluted		**N/A**	N/A
DIVIDEND PER SHARE	10	**NIL**	NIL

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CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2005 Unaudited	31 December 2004 Restated
NON-CURRENT ASSETS			
Fixed assets		**1,482,765**	1,467,572
Other assets		**631,533**	671,676
Goodwill		**24,682**	24,682
Investments in securities	11	**874,952**	189,748
Deferred tax assets		**35,868**	23,679
Prepayments and other receivables		**12,066**	7,542
		3,061,866	2,384,899
CURRENT ASSETS			
Inventories		**685,883**	724,500
Trade receivables	12	**989,454**	337,530
Prepayments, deposits and other receivables		**35,481**	265,349
Investments in securities	11	**2,826**	2,821
Other assets		**159,715**	61,971
Cash and cash equivalents		**1,698,863**	1,606,833
		3,572,222	2,999,004
CURRENT LIABILITIES			
Trade payables	13	**202,543**	223,563
Tax payable		**38,042**	52,905
Other payables and accruals		**194,049**	65,225
Financial derivatives liabilities		**9,748**	11,485
Provisions		**41,396**	28,668
Bank and other loans	14	**1,397,446**	987,539
		1,883,224	1,369,385
NET CURRENT ASSETS		**1,688,998**	1,629,619
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,750,864**	4,014,518
NON-CURRENT LIABILITIES			
Provisions		**26,663**	49,321
Bank and other loans	14	**1,048,552**	1,086,785
Deferred tax liabilities		**590,607**	365,033
Other payables and deferred income		**58,460**	50,317
		1,724,282	1,551,456
NET ASSETS		**3,026,582**	2,463,062
CAPITAL AND RESERVES			
Equity attributable to shareholders of the Company			
Issued capital	15	**215,844**	215,844
Reserves		**2,784,452**	2,227,525
		3,000,296	2,443,369
Minority interests		**26,286**	19,693
		3,026,582	2,463,062

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Reserves								
	Issued share capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Asset revaluation reserve	Capital reserve	Accumulated losses	Sub-total	Minority interests	Total
At 31 December 2003 (Audited) 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	–	–	–	(82,665)	–	–	–	(82,665)	–	(82,665)
Net gains not recognised in income statement	–	–	–	(82,665)	–	–	–	(82,665)	–	(82,665)
New issue of shares	51,020	1,383,554	–	–	–	–	–	1,383,554	–	1,434,574
Share issue expenses	–	(22,471)	–	–	–	–	–	(22,471)	–	(22,471)
Profit for the period	–	–	–	–	–	–	3,433	3,433	–	3,433
Reserves for dividend in subsidiaries	–	–	–	–	–	–	(2,833)	(2,833)	–	(2,833)
At 30 June 2004 (Unaudited)										
As previously reported as equity	215,844	2,561,962	65,527	(81,805)	–	4,104	(265,104)	2,284,684	–	2,500,528
As previously reported separately as minority interests	–	–	–	–	–	–	–	–	18,654	18,654
As restated	215,844	2,561,962	65,527	(81,805)	–	4,104	(265,104)	2,284,684	18,654	2,519,182
At 31 December 2004 (Audited) and 1 January 2005										
As previously reported as equity	**215,844**	**2,561,962**	**65,527**	**51,330**	**–**	**4,104**	**(215,842)**	**2,467,081**	**–**	**2,682,925**
As previously reported separately as minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,693**	**19,693**
Prior period adjustments:										
Tax effect on asset revaluation	**–**	**–**	**–**	**–**	**–**	**–**	**8,695**	**8,695**	**–**	**8,695**
Fair value adjustment on the underlying assets and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**(248,251)**	**(248,251)**	**–**	**(248,251)**
As restated, before opening adjustments	**215,844**	**2,561,962**	**65,527**	**51,330**	**–**	**4,104**	**(455,398)**	**2,227,525**	**19,693**	**2,463,062**
Opening adjustments:										
Available-for-sale investments:										
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**291,087**	**291,087**	**–**	**291,087**
Tax effect	**–**	**–**	**–**	**–**	**–**	**–**	**(87,327)**	**(87,327)**	**–**	**(87,327)**
Elimination of negative goodwill against accumulated losses	**–**	**–**	**–**	**–**	**–**	**(4,104)**	**4,104**	**–**	**–**	**–**
As restated, after opening adjustments	**215,844**	**2,561,962**	**65,527**	**51,330**	**–**	**–**	**(247,534)**	**2,431,285**	**19,693**	**2,666,822**
Tax effect on asset revaluation	**–**	**–**	**–**	**–**	**2,611**	**–**	**–**	**2,611**	**–**	**2,611**
Translation differences arising on consolidation	**–**	**–**	**–**	**(15,196)**	**–**	**–**	**–**	**(15,196)**	**–**	**(15,196)**
Available-for-sale investments:										
Fair value adjustment	**–**	**–**	**–**	**–**	**394,117**	**–**	**–**	**394,117**	**–**	**394,117**
Tax effect	**–**	**–**	**–**	**–**	**(118,235)**	**–**	**–**	**(118,235)**	**–**	**(118,235)**
Profit for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**93,451**	**93,451**	**6,593**	**100,044**
Reserves for dividend in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(3,581)**	**(3,581)**	**–**	**(3,581)**
At 30 June 2005 (Unaudited)	**215,844**	**2,561,962**	**65,527**	**36,134**	**278,493**	**–**	**(157,664)**	**2,784,452**	**26,286**	**3,026,582**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
Net cash inflow/(outflow) from operating activities	**(213,251)**	206,208
Net cash inflow/(outflow) from investing activities	**(66,501)**	205,966
Net cash inflow from financing activities	**371,782**	256,777
Net increase in cash and cash equivalents	**92,030**	668,951
Cash and cash equivalents at beginning of period	**1,606,833**	1,100,153
Cash and cash equivalents at end of period	**1,698,863**	1,769,104
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**238,090**	248,697
Non-pledged time deposits with original maturity of less than three months when acquired	**1,460,773**	1,520,407
	1,698,863	1,769,104

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

2. ACCOUNTING POLICIES (cont'd)

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38, 40, HK (SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKASs and HKFRSs is summarised as follows:

(a) HKAS 32 and HKAS 39 – Financial Instruments

In the Period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

(i) Equity securities

In prior periods, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets (the "loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

2. ACCOUNTING POLICIES (cont'd)

(a) HKAS 32 and HKAS 39 – Financial Instruments (cont'd)

(i) Equity securities (cont'd)

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the income statement.

The effects of the above changes are summarised in note 3 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Derivative financial instruments – foreign currency contracts

The Group uses foreign currency contracts to hedge its risks associated with foreign currency fluctuations. In prior periods, these contracts were not designated as hedges and were recognised on a cash basis. Upon the adoption of HKAS 39, such existing contracts entered into before HKAS 39 is initially applied are not retrospectively designated as hedges. Foreign currency contracts entered into subsequent to the adoption of HKAS 39 are designated as hedges. In accordance with HKAS 39, foreign currency contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Such derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. Hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The Group's hedges of the foreign currency risk relating to the exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction, which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

When accounting for cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

2. ACCOUNTING POLICIES (cont'd)

(b) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (the "equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

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

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

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

The effects of adopting HKFRS 2 on the Group's share options granted to employees during the Period are summarised in note 3 to the condensed consolidated financial statements. HKFRS 2 has no effect on comparative amounts reported previously.

2. ACCOUNTING POLICIES (cont'd)

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

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

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 3 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

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3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively.

Effect of new policies on opening balance of total equity at 1 January 2005

Increase/(decrease)	Notes	Capital reserve	Accumulated losses	Total
HKAS 39				
Available-for-sale investments:	2(a)(i)			
Fair value adjustment		–	291,087	291,087
Tax effect		–	(87,327)	(87,327)
Tax effect on asset revaluation		–	8,695	8,695
HKFRS 3 and HKAS 36	2(c)			
Fair value adjustments on the underlying assets and liabilities		–	(248,251)	(248,251)
Elimination of negative goodwill against accumulated losses		(4,104)	4,104	–
Total effect at 1 January 2005		(4,104)	(31,692)	(35,796)

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with shareholders of the Company for the six months ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39 and HKFRS 3, the amounts shown for the six months ended 30 June 2004 may not be comparable to the amounts shown for the Period.

(a) Effect of new policies on profit after tax for the six months ended 30 June 2005 and 2004

		Six months ended 30 June	
		2005	2004
Increase/(decrease)	Note	**Shareholders of the Company**	Shareholders of the Company
HKFRS 2			
Employee share option scheme	2(b)	**(18)**	–
Total effect for the period		**(18)**	–
Effect on loss per share:			
Basic		**Nil**	N/A
Diluted		**N/A**	N/A

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3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (cont'd)

(b) Effect of new policies on income or expenses recognised directly in equity and capital transactions with shareholders of the Company for the six months ended 30 June 2005 and 2004

		Six months ended 30 June	
		2005	2004
Increase/(decrease)	Notes	**Shareholders of the Company**	Shareholders of the Company
HKAS 39			
Available-for-sale investments:	2(a)(i)		
Fair value adjustment		**394,117**	–
Tax effect		**(118,235)**	–
Tax effect on asset revaluation		**2,611**	–
HKFRS 2			
Employee share option scheme	2(b)	**18**	–
Total effect for the period		**278,511**	–

4. SEGMENT INFORMATION

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.

Business segments

The following table presents revenue and results for the Group's business segments for the six months ended 30 June 2005 and 2004.

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

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4. SEGMENT INFORMATION (cont'd)

Six months ended 30 June 2004	Aluminium smelting	Import and export of commodities	Coal mining	Crude oil	Others	Consolidated
Segment revenue:						
Sales to external customers	265,250	828,298	35,680	–	6,643	1,135,871
Other revenue	682	2,203	172	–	–	3,057
	265,932	830,501	35,852	–	6,643	1,138,928
Segment results	62,995	9,282	4,960	–	(13,997)	63,240
Interest income and unallocated gains						6,607
Unallocated expenses						(27,304)
Finance costs	(6,135)	(2,992)	(489)	–	–	(9,616)
Unallocated finance costs						(3,311)
Tax						(25,289)
Profit for the period						4,327

5. OTHER INCOME AND GAINS

	2005	2004
Interest income	**32,762**	8,857
Dividend income from listed investments	**8,002**	–
Handling service fee	**365**	73
Gains/(losses) on trading of forward contracts, net		
Realised	**11,018**	(2,704)
Unrealised	**(1,317)**	3,384
Sale of scraps	**477**	54
Others	**56**	–
	51,363	9,664

6. FINANCE COSTS

	2005	2004
Interest expenses on bank and other loans wholly repayable:		
Within five years	**42,717**	10,977
Beyond five years	**4,282**	1,671
	46,999	12,648
Other finance charges	**994**	279
	47,993	12,927

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7. PROFIT BEFORE TAX

Profit before tax was determined after charging/(crediting) the following:

	2005	2004
Depreciation	34,723	16,839
Amortisation of other assets	30,375	13,702
Amortisation of goodwill	–	2,832
Loss on disposal/write-off of fixed assets	140	3,105
Exchange losses/(gains), net	9,554	(3,985)

8. TAX

	2005	2004
Current:		
Hong Kong	–	–
Elsewhere	46,313	9,430
	46,313	9,430
Deferred	11,581	15,859
Total tax charge for the Period	57,894	25,289

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (June 2004: Nil). The statutory tax rate of Hong Kong profits tax is 17.5% (June 2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period.

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

Provision for Australian income tax has been made at the statutory rate of 30% (June 2004: 30%) for the Period on the estimated assessable profits arising in Australia during the Period.

For the Period, the tax rate applicable to the subsidiaries established and operating in the People's Republic of China (the "PRC") is 33% (June 2004: 33%). However, no provision for tax has been made for the Period as the subsidiaries did not generate any assessable profits arising in the PRC during the Period.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Period is based on the consolidated profit attributable to shareholders of the Company of HK$93,451,000 (June 2004: HK$3,433,000) and the weighted average of 4,316,884,381 (June 2004: 3,877,588,879) ordinary shares in issue during the Period.

Diluted earnings per share amounts for the six months ended 30 June 2005 and 2004 have not been presented because no dilutive events existed during these periods.

10. DIVIDEND

The Directors resolved not to pay an interim dividend for the Period (June 2004: Nil).

HK$'000

11. INVESTMENTS IN SECURITIES

	30 June 2005 Unaudited	31 December 2004 Restated
Available-for-sale investments:		
Non-current listed equity investments, at market value:		
Australia	**874,952**	480,835
Non-current listed equity investments, at cost:		
Australia	**–**	189,748
Trading investments:		
Current unlisted equity investments, at fair value:		
Australia	**2,826**	2,821

Available-for-sale investments consist of investments in listed securities, and therefore have no fixed maturity date or coupon rate.

Gains on fair values of listed equity investments of HK$394,117,000 were recognised in the asset revaluation reserve during the Period.

12. TRADE RECEIVABLES

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 trade receivables as at the balance sheet date, based on the invoice date, net of provision for impairment, is as follows:

	30 June 2005 Unaudited	31 December 2004 Audited
Within one month	**745,644**	200,629
One to two months	**237,836**	130,951
Two to three months	**3,771**	5,019
Over three months	**2,203**	931
	989,454	337,530

13. TRADE PAYABLES

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

	30 June 2005 Unaudited	31 December 2004 Audited
Within one month	**199,548**	147,972
One to two months	**491**	45,190
Two to three months	**1,065**	14,489
Over three months	**1,439**	15,912
	202,543	223,563

HK$'000

14. BANK AND OTHER LOANS

	Notes	30 June 2005 Unaudited	31 December 2004 Audited
Bank loans:	(a)		
Secured		**720,215**	748,235
Unsecured		**1,307,954**	907,505
		2,028,169	1,655,740
Other loans, unsecured	(b)	**27,829**	28,584
Loans from CITIC Group, unsecured	(c)	**390,000**	390,000
		2,445,998	2,074,324
Bank loans repayable:			
Within one year or on demand		**1,363,356**	954,304
In the second year		**46,800**	46,800
In the third to fifth years, inclusive		**118,813**	155,436
Beyond five years		**499,200**	499,200
		2,028,169	1,655,740
Other loans repayable:			
Within one year		**2,890**	2,035
In the second year		**3,052**	2,035
In the third to fifth years, inclusive		**5,089**	6,106
Beyond five years		**4,936**	6,546
		15,967	16,722
Loans from former minority shareholders:			
Beyond one year		**11,862**	11,862
		11,862	11,862
Loans from CITIC Group:			
Within one year		**31,200**	31,200
In the third to fifth years, inclusive		**358,800**	358,800
		390,000	390,000
Total bank and other loans		**2,445,998**	2,074,324
Portion classified as current liabilities		**(1,397,446)**	(987,539)
Non-current portion		**1,048,552**	1,086,785

HK$'000

14. BANK AND OTHER LOANS (cont'd)

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$91,000,000 (HK$709,800,000) 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$1,335,300 (HK$10,415,000) due by 15 November 2008.

All the unsecured bank loans of HK$1,307,954,000, which represent trade finance facilities, are guaranteed by CITIC Resources Australia Pty Limited ("CRA").

Included in the above trade finance facilities and usage amounts is a special purpose advance payment facility of US$20,000,000 (HK$156,000,000) specifically to finance the aluminium ingot advance purchase agreement. This facility ceases upon completion of the advance purchase agreement.

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

	Notes	**30 June 2005 Unaudited**	31 December 2004 Audited
Loans for Transport Infrastructure Corridor	(i)	**8,618**	9,230
Loans for Exploration Permit for Coal	(ii)	**7,349**	7,492
Loans from the former minority shareholders	(iii)	**11,862**	11,862
		27,829	28,584

(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 installments 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 (the "Ex-shareholders") of Wing Lam (International) Timber Limited ("Wing Lam"). The loans are unsecured, interest-free and not repayable within one year.

(c) Details of the balance are as follows:

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

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

15. SHARE CAPITAL

	Number of ordinary shares		Share Capital	
	30 June 2005	31 December 2004	**30 June 2005**	31 December 2004
	Unaudited	Audited	**Unaudited**	Audited
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.05 each	**6,000,000,000**	6,000,000,000	**300,000**	300,000
Issued and fully paid:				
Ordinary shares of HK$0.05 each at the beginning of the Period/year	**4,316,884,381**	3,296,470,588	**215,844**	164,824
Issue of shares during the Period/year	**–**	1,020,413,793	**–**	51,020
Ordinary shares of HK$0.05 each at the end of the Period/year	**4,316,884,381**	4,316,884,381	**215,844**	215,844

16. LITIGATION

(a) In January 1999, Dongguan Xinlian Wood Products Company Limited ("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 judgment was issued in February 2000 against Dongguan Xinlian for a sum of about HK$26,894,000. In response, Dongguan Xinlian filed an appeal against this judgment.

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. However, the People's High Court of Guangdong Province issued a new judgment (the "New Judgment") in December 2003 against Dongguan Xinlian for US$4,800,000 (HK$37,440,000) with related interest. In January 2004, Dongguan Xinlian filed another appeal to the State Supreme Court, requesting the withdrawal of the New Judgment and a decision that it is not liable to the Plaintiff in respect of the New Judgment. 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 Judgment. The New Judgment is not supported by valid evidence and it is in breach of normal legal proceeding, and therefore the New Judgment 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 30 June 2005.

Taking into account the advice from the Group's legal advisers and the indemnity, the Directors 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.

16. LITIGATION (cont'd)

(b) The Company has a 7% participating interest in the unified unincorporated co-operative Coppabella and Moorvale coal mines joint venture, the manager of which is Macarthur Coal (C&M Management) Pty Limited (the "Manager"). Roche Mining Pty Limited ("Roche") is contracted to mine coal at the Coppabella mine for a five year term which commenced on 1 July 2003.

In December 2003, the Manager lodged a notice of dispute against Roche under the terms of the mining contract on behalf of the participants of Coppabella and Moorvale coal mines joint venture following shortfalls in coal production.

Subsequently, the Manager received a series of claims from Roche as follows.

(i) In June 2004, the Manager received a number of claims, however no value was assigned to the claims. Roche referred the dispute to arbitration. Some of the claims were withdrawn or struck out by the arbitrator. The remaining claims are now in arbitration. Roche has since assigned a value of A$78 million (HK$457.7 million) plus interest to the claims for alleged losses incurred in the first year of the mining contract and for anticipated losses for the balance of the five year contract.

(ii) In July 2005, a second series of claims were lodged with an estimated aggregate quantum of the claims at A$29 million (HK$170.2 million). These claims are being processed in accordance with the dispute procedure under the mining contract. The Coppabella and Moorvale coal mines joint venture is currently examining the claims and has identified instances of duplication with the first series of claims. The second series of claims have been referred to the legal counsel.

Roche is yet to provide full details of the claims. The legal counsel is presently of the view that Roche is unlikely to succeed with the total amount of its claims. The Directors understand that the Coppabella and Moorvale coal mines joint venture will vigorously defend its position in arbitration.

Given the status of the relevant proceedings, the Directors are not in a position to make a reliable estimate of the outcome of the above claims.

17. DERIVATIVE FINANCIAL INSTRUMENTS

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.

(a) 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.

(b) Commodities

The Group enters into aluminium forward contracts and options to protect the Group from adverse movements in aluminium prices.

HK$'000

17. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

(c) Interest rate contracts

(i) 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.

(ii) 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.

18. COMMITMENTS

(a) Operating lease arrangements

At 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 June 2005 Unaudited	31 December 2004 Audited
Within one year	6,258	8,021
In the second to fifth years, inclusive	15,270	13,969
Beyond five years	1,141	–
	22,669	21,990

(b) Capital expenditure commitments

At 30 June 2005, the Group had the following capital expenditure commitments:

	30 June 2005 Unaudited	31 December 2004 Audited
Contracted, but not provided for:		
Infrastructure, plant and equipment, share of the jointly-controlled entities	422,743	12,371
Office decoration	2,178	810
	424,921	13,181

Save as aforesaid, at the balance sheet date, the Group had no other significant commitments (31 December 2004: Nil).

Business Review & Outlook

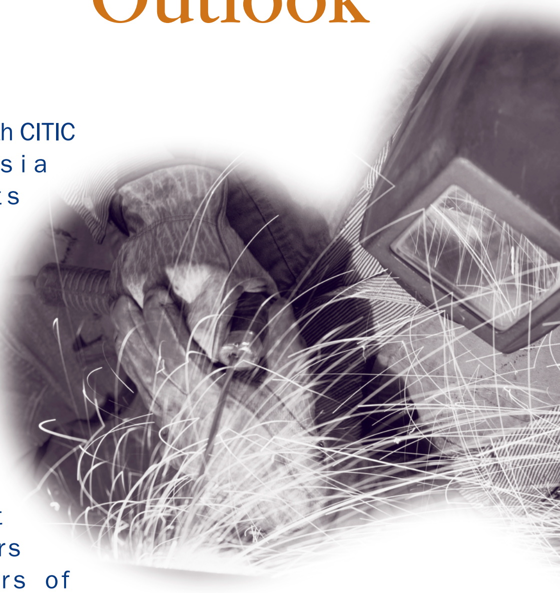
The Group strategy to diversify its business portfolio continues to develop. As an integrated provider of key energy resources and commodities, the Group now has interests in petroleum, aluminium, coal, manganese and other commodities.

The Group has continued to look to build on its significant developments of 2004 which have provided an encouraging base to develop its strategy as an integrated provider of key energy resources and commodities. The Directors have continued to explore opportunities to extend the Group's investment portfolio particularly in the petroleum (and petroleum related) and mineral sectors.

In January 2005, the Group agreed to form a joint venture with Chevron Corporation ("Chevron") to develop a regional network of Caltex-branded service stations in Southern China and to explore development opportunities in the Yangtse River Delta by subscribing for a 50.5% interest in a Chevron owned subsidiary. With the PRC's entry into the World Trade Organisation and the anticipated liberalisation of the PRC's domestic markets added to an increasingly knowledgeable consumer, significant opportunities and demand for quality petrol products can be expected to follow. Relevant regulatory approvals remain outstanding and the time limit for obtaining these was extended to 7 October 2005 by agreement with Chevron. Completion of the regulatory approvals is now expected to take place in the final quarter of 2005.

In May 2005, the Group entered into a memorandum of understanding with existing shareholders of Thai Petrochemical Industry Public Company Limited ("TPI") to acquire control of TPI. The acquisition would have been a significant addition to the Group's investment portfolio. Although the Company was unable ultimately to realize such acquisition, it nevertheless demonstrates the potential and ambition of the Group to invest in and develop its key energy resources and commodities portfolio.

Following negotiations during the first half of 2005, the Group agreed in August 2005 with Guangxi Dameng Manganese Industrial Co., Ltd. ("Guangxi Dameng") to establish CITIC Dameng Mining Industries Limited (the "JV") as (together with CITIC United Asia Investments Limited) a 60% owned joint venture to manage and operate the largest manganese mines in the PRC and one of the largest manufacturers and suppliers of manganese products in the world. This investment by the Group in the JV is expected to lead to an increase in the core investment value of the Group and assist in increasing the profitability of the Group.



The businesses in Australia comprising aluminium smelting, import and export of commodities and coal mining continue to perform well. CITIC Australia Trading Limited, the Group's 78.1% owned subsidiary listed on the Australian Stock Exchange recorded consolidated net profit after tax of A$5.51 million (HK$32.8 million) for the Period, a 25% increase over that of the first half of 2004 and revenue rose 15% to A$390 million (HK$2,323.2 million) during the Period.

The Group has also enhanced its personnel by bringing aboard petroleum industry expertise. In particular, Mr. Shou Xuancheng has joined the board in September 2005 as an executive director and Vice Chairman. He brings to the Group considerable experience in the oil and gas industry having previously occupied a number of high-level positions in the China National Petroleum Corporation group of companies.

Looking forward, the Group will continue to seek key energy resources and commodities investment opportunities both inside and outside the PRC and where appropriate to partner with industry leaders and market practitioners with relevant track records to achieve these aims. The Directors look forward to continued improvement in shareholder value.

HK$'000

FINANCIAL REVIEW

GROUP'S FINANCIAL RESULTS:

Operating results and ratios		
	Six months ended 30 June	
	2005	2004
	Unaudited	Restated
Turnover	**3,067,250**	1,135,871
Gross profit	**242,261**	68,717
Profit attributable to shareholders of the Company	**93,451**	3,433
Earnings per share	**HK 2.16 cents**	HK 0.09 cent
Gross profit margin *1	**7.9%**	6.0%
Stock turnover *2	**4.0 times**	6.8 times
Financial position and ratios		
	30 June 2005	31 December 2004
	Unaudited	Restated
Cash and cash equivalents	**1,698,863**	1,606,833
Total assets	**6,634,088**	5,383,903
Bank and other loans	**2,445,998**	2,074,324
Equity attributable to shareholders of the Company	**3,000,296**	2,443,369
Current ratio *3	**1.9 times**	2.2 times
Gearing ratio *4	**44.9%**	45.9%

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

The Group has recorded a consolidated turnover of HK$3,067.3 million and profit attributable to shareholders of the Company of HK$93.5 million for the Period. The strong increase in both turnover and profit for the Period as compared with the corresponding period in 2004 was attributable to the acquisitions by the Group in 2004 which have made significant earnings contribution to the Group. The Group has been able to incorporate six months' contribution from the Australian interests rather than just the second quarter for the corresponding period in 2004 (due to the completion of the acquisition of the Australian interests at the end of the first quarter of 2004).

In respect of the Australian interests, the following is a comparison of the results between the Period and the corresponding period in 2004.

1. Exchange rate: The A$: HK$ has appreciated by 11%.

2. Aluminium smelting: Revenues rose 11%, which were driven by an increase in aluminium prices during the Period. However, net profit has remained almost the same as a result of higher production costs and currency exchange losses.

FINANCIAL REVIEW (cont'd)

3. Import and export of commodities: Revenues and net profit rose 15% and 25% respectively. The increase in revenues reflects higher sales volume in all aspects of export commodity products, especially iron ore exports which experienced a 64% increase in sales volume compared to 2004. Alumina remains the highest revenue generator. Although prices were almost the same during both periods, they are still considered relatively high when compared with historical levels. Imports of steel products and batteries also performed well as the stronger Australian dollar during the Period has made the import of products more competitive in the Australian market.

4. Coal mining: Revenues and net profit surged 66% and 220% respectively. Coal prices went up significantly compared to 2004 on the back of robust steel industry this year. Selling prices and sales volume rose 43% and 16% respectively but production costs were also up 23%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 30 June 2005, the Group had a cash balance of HK$1,698.9 million.

The Group had outstanding borrowings of HK$2,446.0 million, which comprised secured bank loans of HK$720.2 million, unsecured bank loans of HK$1,308.0 million and unsecured other loans of HK$417.8 million. The secured bank loans were secured by the interest in the Portland Aluminium Smelter joint venture and interest in the Coppabella and Moorvale coal mines joint venture.

Of the total outstanding borrowings, HK$1,397.4 million was repayable within one year. The gearing ratio of the Group was 44.9%.

The Group has exposure to fluctuations in exchange rates, interest rates and commodity prices. Currently, the Group adopts a specific hedging policy to cope with the fluctuations and is proved to be effective.

The capital contribution of around HK$600 million in respect of the two acquisitions in 2005 will be paid by the Group from its internal resources.

The Directors are of the opinion that after taking into account the existing available borrowing facilities and the internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements and there will be no adverse change to its financial position.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2005, the Group had around 120 full time employees, including the management and administrative staff and production workers. Most of the employees are employed in the PRC and Australia while the remainder are employed in Hong Kong.

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

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

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO 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 and underlying shares of the Company

Name of director	Nature of interest	Number of ordinary shares of HK$0.05 each held	Interests in underlying shares pursuant to share options*	Percentage of the total issued share capital of the Company
Mr. Kwok Peter Viem	Corporate	572,966,000 (Note)	50,000,000	14.43
Mr. Ma Ting Hung	Corporate	572,966,000 (Note)	50,000,000	14.43
Mr. Sun Xinguo	Directly beneficially owned	–	5,000,000	0.12
Ms. Li So Mui	Directly beneficially owned	–	5,000,000	0.12
Mr. Mi Zengxin	Directly beneficially owned	–	10,000,000	0.23
Mr. Qiu Yiyong	Directly beneficially owned	–	10,000,000	0.23
Mr. Zeng Chen	Directly beneficially owned	–	5,000,000	0.12
Mr. Zhang Jijing	Family	28,000	10,000,000	0.23

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 Peter Viem and 50% by Mr. Ma Ting Hung. Accordingly, each of them is deemed to be interested in the 572,966,000 shares.

* subject to shareholders' approval as described under the section "Share option scheme" below

Long positions in ordinary shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Number of shares/equity derivatives held	Nature of interest	Exercise period of share option	Exercise price per share A$	Percentage of the total issued share capital of the associated corporation
Mr. Zeng Chen	CITIC Australia Trading Limited	Subsidiary	Ordinary shares	166,666	Family	N/A	N/A	0.20
			Share option	166,666	Directly beneficially owned	19 June 2004 to 18 June 2007	0.30	N/A
				166,668	Directly beneficially owned	19 June 2005 to 18 June 2007	0.35	N/A
Mr. Zhang Jijing	CITIC Australia Trading Limited	Subsidiary	Share option	200,000	Directly beneficially owned	19 June 2005 to 18 June 2007	0.35	N/A

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (cont'd)

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.

Save as disclosed above, as at 30 June 2005, none of the directors had registered an interest or a short position in the shares and underlying shares of the Company or any of its associated corporations which was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests in shares and underlying shares" above and the heading "Share option scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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.

On 30 June 2004, a new share option scheme (the "Scheme") was adopted by the Company. Pursuant to the Scheme, the Company may grant options to eligible participants to subscribe for shares in the Company. Eligible participants include 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. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years until 29 June 2014.

On 2 June 2005, the Company has granted share options under the Scheme to its directors, certain consultants and employees to subscribe for a total of 167,000,000 shares in the Company at the exercise price of HK$1.08 per share. Of these, 45,683,116 shares to each of Mr. Kwok Peter Viem and Mr. Ma Ting Hung were granted subject to approval by shareholders of the Company in the special general meeting held on 26 July 2005 (the "SGM") in accordance with the Listing Rules and the Rules of the Scheme. Furthermore, all share options were granted on the basis that certain terms attached thereto required the approval of shareholders of the Company in the SGM as they constituted a change to the terms of the Scheme. The closing price of the shares immediately before the date of grant was HK$1.07 per share.

Regarding the value of these share options, the directors do not consider it appropriate to disclose a theoretical value because a number of factors crucial for determining the significant assumptions required to derive the fair value using the Black-Scholes option pricing model are subjective and uncertain. Such a valuation may not necessarily provide a reliable single measure of fair value of these share options and could be misleading.

SHARE OPTION SCHEME (cont'd)

At 30 June 2005, the following share options were outstanding under the Scheme:

Participants	Number of share options At 1 January 2005	 Grant/(exercised) during the Period	 At 30 June 2005	Exercise period of share options
Directors of the Company:				
Mr. Kwok Peter Viem	–	50,000,000	**50,000,000**	2 June 2007 to 1 June 2010
Mr. Ma Ting Hung	–	50,000,000	**50,000,000**	2 June 2007 to 1 June 2010
Mr. Sun Xinguo	–	5,000,000	**5,000,000**	2 June 2006 to 1 June 2010
Ms. Li So Mui	–	5,000,000	**5,000,000**	2 June 2006 to 1 June 2010
Mr. Mi Zengxin	–	10,000,000	**10,000,000**	2 June 2006 to 1 June 2010
Mr. Qiu Yiyong	–	10,000,000	**10,000,000**	2 June 2006 to 1 June 2010
Mr. Zeng Chen	–	5,000,000	**5,000,000**	2 June 2006 to 1 June 2010
Mr. Zhang Jijing	–	10,000,000	**10,000,000**	2 June 2006 to 1 June 2010
	–	145,000,000	**145,000,000**	
Consultants:	–	15,000,000	**15,000,000**	2 June 2006 to 1 June 2010
Employees:	–	7,000,000	**7,000,000**	2 June 2006 to 1 June 2010
	–	167,000,000	**167,000,000**	

SHARE OPTION SCHEME (cont'd)

CATL, in which the Group holds an indirect interest of 78.1%, is a company listed on the Australian Stock Exchange. It 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.

At 30 June 2005, the following share options were outstanding under the Pre-Scheme:

	Number of share options				
Participants	**At 1 January 2005**	**Grant/(exercised) during the Period**	**At 30 June 2005**	**Exercise period of share options**	**Exercise price per share A$**
Directors of the Company:					
Mr. Zeng Chen	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
	333,334	–	**333,334**		
Mr. Zhang Jijing	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
	400,000	(200,000)	**200,000**		
Directors of CATL:	499,999	(133,333)	**366,666**	19 June 2004 to 18 June 2007	0.30
	600,002	–	**600,002**	19 June 2005 to 18 June 2007	0.35
	1,100,001	(133,333)	**966,668**		
Other employees:	350,665	(133,333)	**217,332**	19 June 2003 to 18 June 2007	0.20
	599,998	(133,333)	**466,665**	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
	1,830,667	(266,666)	**1,564,001**		
	3,664,002	(599,999)	**3,064,003**		

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 30 June 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Long positions in ordinary shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares of HK$0.05 each held	Interests in underlying shares pursuant to share options *	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	2,610,594,381 (1)	–	60.47
CITIC Projects Management (HK) Limited	Corporate	1,860,180,588 (2)	–	43.09
Keentech Group Limited	Corporate	1,860,180,588 (2)	–	43.09
CITIC Australia Pty Limited	Corporate	750,413,793 (3)	–	17.38
United Star International Inc.	Corporate	572,966,000 (4)	–	13.27
Mr. Kwok Peter Viem	Corporate	572,966,000 (4)	50,000,000 (5)	14.43
Mr. Ma Ting Hung	Corporate	572,966,000 (4)	50,000,000 (5)	14.43

Notes:

(1) The figure represents an attributable interest of 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 PRC.

(2) Keentech Group Limited, 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 Peter Viem 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 Peter Viem and Mr. Ma Ting Hung, as disclosed under the heading "Directors' interests in shares and underlying shares" above.

(5) The share options granted to Mr. Kwok Peter Viem and Mr. Ma Ting Hung are personal interests of them respectively.

* subject to shareholders' approval as described under the section "Share option scheme" above

Save as disclosed above, so far as is known to the directors, as at 30 June 2005, no person had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Period, the Group had the following transactions with its related parties:

(a) On 31 March 2004, CRA entered into two lease agreements with 99 King Street Property Management Pty Limited ("KSPM", a wholly-owned subsidiary of CA) with respect to certain office and car parking lease arrangements. Pursuant to these arrangements, CRA took possession of leased office premises and car parking spaces (the "Lease Premises") and assumed the obligations stipulated in the related tenancy agreements (the "Leases") entered by CA. Subject to renewal, the Leases will expire on 30 September 2006. The related operating lease arrangement has been included in note 18.

(b) There was management fee income of HK$365,000 received from CA in respect of the provision of office space and equipment to CA and other overheads.

(c) There were two loans totaling US$50 million (HK$390 million) from CITIC Group to CRA under normal commercial terms. The details are set out in note 14(c).

POST BALANCE SHEET EVENT

On 2 August 2005, the Group, through CITIC Dameng Investments Limited ("CITIC Dameng"), entered into a joint venture contract with Guangxi Dameng to jointly establish the JV to undertake the business of manganese mining and processing. The JV shall be owned as to 40% by Guangxi Dameng and as to 60% by CITIC Dameng. CITIC Dameng is ultimately owned as to 80% by the Company and as to 20% by CITIC United Asia Investments Limited, a wholly-owned subsidiary of CITIC Group.

Guangxi Dameng shall contribute assets as its capital contribution to the JV in the amount of RMB200 million (HK$192.3 million). CITIC Dameng shall pay its capital contribution to the JV in cash in foreign currency equivalent to RMB300 million (HK$288.5 million).

This acquisition is expected to complete early 2006. Further details of the transaction are set out in the circular of the Company dated 24 August 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code") as its own code on corporate governance practices. During the Period, the Company has met with the code provisions of the Code with the following deviations.

Under the code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules 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.

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

PUBLICATION OF INTERIM REPORT

This Interim Report 2005 containing all information required by Appendix 16 to the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the board
Kwok Peter Viem
Chairman

Hong Kong, 21 September 2005