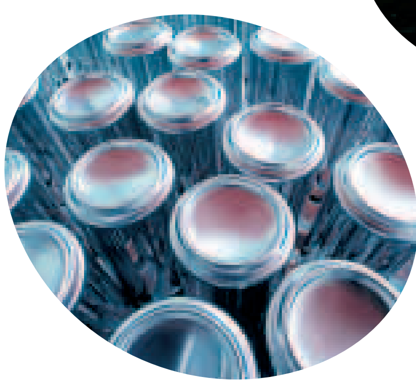
CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)



Interim Report 2006

Stock Code: 1205

Contents

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. Fan Ren Da, Anthony
Mr. Ngai Man
Mr. Tsang Link Carl, Brian

AUDIT COMMITTEE

Mr. Tsang Link Carl, Brian *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Ngai Man

NOMINATION COMMITTEE

Mr. Ngai Man *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Tsang Link Carl, Brian
Mr. Kwok Peter Viem
Mr. Zhang Jijing

REMUNERATION COMMITTEE

Mr. Fan Ren Da, Anthony *(Chairman)*
Mr. Ngai Man
Mr. Tsang Link Carl, Brian
Mr. Ma Ting Hung
Mr. Sun Xinguo

COMPANY SECRETARY

Ms. Li So Mui

QUALIFIED ACCOUNTANT

Mr. Chung Ka Fai, Alan

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Facsimile : (852) 2815 9723
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Website : www.citicresources.com

SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

Stock Code: 1205

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

SOLICITORS

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

PRINCIPAL BANKERS

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

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Financial Results

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

Condensed Consolidated Income Statement

		Six months ended 30 June	
	Notes	**2006**	2005
REVENUE		**3,097,992**	3,067,250
Cost of sales		**(2,795,951)**	(2,824,989)
Gross profit		**302,041**	242,261
Other income and gains, net	5	**86,543**	51,363
Selling and distribution costs		**(25,383)**	(20,919)
Administrative expenses		**(81,828)**	(49,488)
Other operating expenses, net		**(15,652)**	(17,286)
Finance costs	6	**(62,260)**	(47,993)
PROFIT BEFORE TAX	7	**203,461**	157,938
Tax	8	**(51,458)**	(57,894)
PROFIT FOR THE PERIOD		**152,003**	100,044
ATTRIBUTABLE TO:			
Shareholders of the Company		**121,236**	93,451
Minority interests		**30,767**	6,593
		152,003	100,044
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	9		
Basic		**HK 2.81 cents**	HK 2.16 cents
Diluted		**HK 2.78 cents**	N/A
DIVIDEND PER SHARE	10	**NIL**	NIL

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Condensed Consolidated Balance Sheet

	Notes	30 June 2006 Unaudited	31 December 2005 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**1,667,106**	1,170,614
Other assets		**551,395**	573,878
Goodwill		**325,586**	341,512
Available-for-sale equity investments	11	**722,295**	657,035
Deferred tax assets		**4,010**	11,188
Prepayments, deposits and other receivables		**65,602**	326,486
Total non-current assets		**3,335,994**	3,080,713
CURRENT ASSETS			
Inventories		**963,362**	656,138
Accounts receivable	12	**853,327**	395,749
Prepayments, deposits and other receivables		**174,764**	29,185
Equity investments at fair value through profit or loss	13	**1,854**	1,830
Derivative financial instruments	15	**16,157**	12,356
Other assets		**87,892**	58,365
Cash and bank balances		**1,779,188**	1,519,595
		3,876,544	2,673,218
Assets of a disposal group classified as held for sale	17	**–**	266,096
Total current assets		**3,876,544**	2,939,314
CURRENT LIABILITIES			
Accounts payable	14	**283,139**	186,288
Tax payable		**94,651**	71,709
Accrued liabilities and other payables		**419,345**	51,153
Due to a minority equity holder	18	**252,898**	–
Derivative financial instruments	15	**272,942**	203,541
Bank and other loans	16	**1,010,630**	858,393
Provisions		**31,910**	33,229
		2,365,515	1,404,313
Liabilities of a disposal group classified as held for sale	17	**–**	33,072
Total current liabilities		**2,365,515**	1,437,385
NET CURRENT ASSETS		**1,511,029**	1,501,929
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,847,023**	4,582,642

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Condensed Consolidated Balance Sheet

	Notes	30 June 2006 Unaudited	31 December 2005 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,847,023**	4,582,642
NON-CURRENT LIABILITIES			
Bank and other loans	16	**1,021,786**	1,047,223
Deferred tax liabilities		**426,066**	470,985
Derivative financial instruments	15	**18,956**	11,016
Provisions		**89,783**	86,011
Total non-current liabilities		**1,556,591**	1,615,235
Net assets		**3,290,432**	2,967,407
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	19	**215,844**	215,844
Reserves		**2,825,782**	2,725,929
		3,041,626	2,941,773
Minority interests		**248,806**	25,634
Total equity		**3,290,432**	2,967,407

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Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company											
	Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale revaluation reserve	Hedging reserve	Capital reserve	Share option reserve	(Accumulated losses)/ retained earnings	Sub-total	Minority interests	Total equity
At 31 December 2004 as previously reported	215,844	2,561,962	65,527	51,330	–	–	4,104	–	(215,842)	2,682,925	19,693	2,702,618
Prior year adjustment	–	–	–	(995)	–	–	–	–	(45,090)	(46,085)	–	(46,085)
At 31 December 2004 (Restated)	215,844	2,561,962	65,527	50,335	–	–	4,104	–	(260,932)	2,636,840	19,693	2,656,533
Opening adjustments	–	–	–	–	203,741	(30,205)	(4,104)	–	(6,626)	162,806	–	162,806
At 1 January 2005 (Restated)	215,844	2,561,962	65,527	50,335	203,741	(30,205)	–	–	(267,558)	2,799,646	19,693	2,819,339
Translation differences arising on consolidation	–	–	–	(15,196)	–	–	–	–	–	(15,196)	–	(15,196)
Change in fair value of available-for-sale investments	–	–	–	–	278,493	–	–	–	–	278,493	–	278,493
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	35,139	482,234	(30,205)	–	–	(177,688)	3,152,813	26,286	3,179,099

	Attributable to shareholders of the Company											
	Issued capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Available-for-sale revaluation reserve	Hedging reserve	Capital reserve	Share option reserve	(Accumulated losses)/ retained earnings	Sub-total	Minority interests	Total equity
At 31 December 2005 (Audited) and 1 January 2006	**215,844**	**2,561,962**	**65,527**	**(6,840)**	**290,786**	**(152,331)**	**-**	**12,680**	**(45,855)**	**2,941,773**	**25,634**	**2,967,407**
Acquisition of interests in subsidiaries by minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**198,052**	**198,052**
Dividend paid to minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,647)**	**(5,647)**
Translation differences arising on consolidation	**-**	**-**	**-**	**6,951**	**-**	**-**	**-**	**-**	**-**	**6,951**	**-**	**6,951**
Net gains on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**13,012**	**-**	**-**	**-**	**13,012**	**-**	**13,012**
Change in fair value of available-for-sale investments	**-**	**-**	**-**	**-**	**(57,496)**	**-**	**-**	**-**	**-**	**(57,496)**	**-**	**(57,496)**
Equity-settled share option arrangements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,150**	**-**	**16,150**	**-**	**16,150**
Profit for the Period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**121,236**	**121,236**	**30,767**	**152,003**
At 30 June 2006 (Unaudited)	**215,844**	**2,561,962**	**65,527**	**111**	**233,290**	**(139,319)**	**-**	**28,830**	**75,381**	**3,041,626**	**248,806**	**3,290,432**

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Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2006	2005
Net cash inflow/(outflow) from operating activities	**153,729**	(213,251)
Net cash inflow/(outflow) from investing activities	**32,676**	(66,501)
Net cash inflow from financing activities	**75,946**	371,782
NET INCREASE IN CASH AND CASH EQUIVALENTS	**262,351**	92,030
Cash and cash equivalents at beginning of Period	**1,519,595**	1,606,833
Effect of foreign exchange rate changes, net	**(2,758)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,779,188**	1,698,863
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**202,112**	238,090
Non-pledged time deposits with original maturity of less than three months when acquired	**1,577,076**	1,460,773
	1,779,188	1,698,863

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's financial statements as at 31 December 2005.

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

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

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

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

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

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

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

HKAS 1 Amendment	Capital Disclosures (effective for accounting period beginning on or after 1 January 2007)
HKFRS 7	Financial Instruments: Disclosures (effective for accounting period beginning on or after 1 January 2007)
HK(IFRIC)-Int 8	Scope of HKFRS 2 (effective for accounting period beginning on or after 1 May 2006)
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives (effective for accounting period beginning on or after 1 June 2006)

HKAS 1 Amendment will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments.

The Group expects that the adoption of the above pronouncements will not have significant impact on the Group's results and financial position.

4. SEGMENT INFORMATION

Segment information is presented by way of business segment.

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

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

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

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

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

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

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

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4. SEGMENT INFORMATION (cont'd)

Business segments

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

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

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

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5. OTHER INCOME AND GAINS, NET

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

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

6. FINANCE COSTS

	2006	2005
Interest expenses on bank and other loans repayable:		
Within one year	**29,143**	25,298
In the second to fifth years, inclusive	**5,080**	17,419
Beyond five years	**21,749**	4,282
	55,972	46,999
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time	**2,676**	–
Others	**3,612**	994
	62,260	47,993

7. PROFIT BEFORE TAX

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

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

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

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8. TAX

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

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

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

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

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

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

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

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

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

10. DIVIDEND

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

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11. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 June 2006 Unaudited	31 December 2005 Audited
Non-current listed equity investments, at fair value:		
America and Canada	**136,833**	–
Australia	**585,462**	657,035
	722,295	657,035
Non-current listed equity investments, at cost:		
Australia	**261,932**	258,552

During the Period, the change in fair value of the Group's available-for-sale equity investments before deferred tax recognised directly in equity amounted to HK$71,573,000 (31 December 2005: HK$124,350,000).

The fair values of listed equity investments are based on quoted market prices.

12. ACCOUNTS RECEIVABLE

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

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

	30 June 2006 Unaudited	31 December 2005 Audited
Within one month	**514,344**	313,181
One to two months	**134,715**	76,950
Two to three months	**107,444**	4,630
Over three months	**96,824**	988
	853,327	395,749

Included in the Group's total accounts receivable is an amount due from the Group's fellow subsidiary of HK$154,946,000 (31 December 2005: HK$18,313,000), which is repayable on similar credit terms to those offered to other customers of the Group.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2006 Unaudited	31 December 2005 Audited
Current unlisted equity investments, at fair value:		
Australia	**1,854**	1,830

The above equity investments at 30 June 2006 and 31 December 2005 were classified as held for trading.

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14. ACCOUNTS PAYABLE

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

	30 June 2006 Unaudited	31 December 2005 Audited
Within one month	**113,929**	170,572
One to two months	**137,921**	14,762
Two to three months	**5,033**	172
Over three months	**26,256**	782
	283,139	186,288

The accounts payable are non-interest bearing and are normally settled on 60-120 day terms.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2006 Unaudited	
	Assets	**Liabilities**
Forward currency contracts and currency options	**5,387**	**–**
Forward commodity contracts	**–**	**163,520**
Interest rate swaps and options	**10,770**	**–**
Derivative financial instruments	**–**	**128,378**
	16,157	**291,898**
Portion classified as non-current:		
Derivative financial instruments	**–**	**(18,956)**
Current portion	**16,157**	**272,942**

	31 December 2005 Audited	
	Assets	**Liabilities**
Forward currency contracts and currency options	1,974	4,630
Forward commodity contracts	–	141,721
Interest rate swaps and options	10,382	–
Derivative financial instruments	–	68,206
	12,356	214,557
Portion classified as non-current:		
Derivative financial instruments	–	(11,016)
Current portion	12,356	203,541

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

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

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16. BANK AND OTHER LOANS

	Notes	30 June 2006 Unaudited	31 December 2005 Audited
Bank loans-unsecured #	(a)	**912,174**	772,594
Bank loans-secured #	(a)	**673,572**	686,405
Unsecured loans from Transport Infrastructure Corridor *	(b)	**7,504**	7,850
Unsecured loans from Exploration Permit for coal *	(c)	**6,574**	6,775
Unsecured loans from former minority shareholders	(d)	**11,862**	11,862
Unsecured loans from minority shareholders	(e)	**61,930**	61,330
Unsecured loan from CITIC Group #	(f)	**358,800**	358,800
		2,032,416	1,905,616

* Fixed rate
\# Floating rate

Notes:

(a) The unsecured bank loans, which represent trade finance facilities, were interest bearing at LIBOR and are guaranteed by CITIC Resources Australia Pty Limited ("CRA").

The secured bank loans of US$88,000,000 (HK$662,995,000) due by 31 December 2008 (extendable in accordance with the terms of the Portland Aluminum Smelter joint venture) were interest bearing at LIBOR and secured by a 22.5% participating interest in the Portland Aluminium Smelter joint venture.

The secured bank loans of RMB11,000,000 (HK$10,577,000) were interest bearing and secured by the fixed assets of Guangxi Start Manganese Material Co., Ltd.

(b) 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 quarterly instalments by 30 September 2012.

(c) 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 annual instalments by 11 December 2013.

(d) The loans were from the Ex-shareholders (details of which are set out in note 20(a)). The loans are unsecured, interest-free and not repayable within one year.

(e) The loans were from a minority shareholder of CITIC Dameng Holdings Limited, namely, CITIC United Asia Investments Limited (which is an indirect wholly-owned subsidiary of CITIC Group). The loans are unsecured, interest-free and not repayable within one year.

(f) The loan of US$46,000,000 (HK$358,800,000) was granted from CITIC Group, the ultimate holding company of the Group. The loan is unsecured, interest bearing at LIBOR + 1.5% per annum and repayable in equal annual instalments by September 2015.

HK$'000

16. BANK AND OTHER LOANS (cont'd)

	30 June 2006 Unaudited	31 December 2005 Audited
Bank loans repayable:		
Within one year or on demand	**969,553**	817,476
In the second year	**47,399**	48,719
In the third to fifth years, inclusive	**140,400**	140,400
Beyond five years	**428,394**	452,404
	1,585,746	1,458,999
Other loans repayable:		
Within one year	**2,077**	1,917
In the second year	**2,077**	1,917
In the third to fifth years, inclusive	**3,278**	5,751
Beyond five years	**6,646**	5,040
	14,078	14,625
Loans from former minority shareholders:		
Beyond one year	**11,862**	11,862
Loans from minority shareholders:		
Beyond one year	**61,930**	61,330
Loan from CITIC Group:		
Within one year	**39,000**	39,000
In the second year	**39,000**	39,000
In the third to fifth years, inclusive	**117,000**	117,000
Beyond five years	**163,800**	163,800
	358,800	358,800
Total bank and other loans	**2,032,416**	1,905,616
Portion classified as current liabilities	**(1,010,630)**	(858,393)
Non-current portion	**1,021,786**	1,047,223

17. ASSETS/LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In February 2006, the Group exercised its option to convert its 40% participating interest in the Kongnan Block within the Dagang Oilfield in the PRC, with a then carrying value of HK$213,612,000, into 8,591,434 common shares in the share capital of Ivanhoe Energy Inc. ("Ivanhoe") and a 3-year non-interest bearing, unsecured loan of HK$57,612,000 repayable by Ivanhoe.

18. DUE TO A MINORITY EQUITY HOLDER

As at 30 June 2006, an amount of HK$252,898,000 was due to Guangxi Dameng Manganese Industry Co., Ltd. ("Guangxi Dameng"). The amount is unsecured, interest-free and has no fixed term of repayment.

19. SHARE CAPITAL

	Number of ordinary shares		HK$'000	
	30 June 2006	31 December 2005	**30 June 2006**	31 December 2005
	Unaudited	Audited	**Unaudited**	Audited
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	**4,316,884,381**	4,316,884,381	**215,844**	215,844

20. LITIGATION

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

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 judgment (the "Second Judgment") in December 2003 against Dongguan Xinlian for US$4,800,000 (HK$37,440,000) with related interest. In January 2004, Dongguan Xinlian filed another appeal to the State Supreme Court requesting the withdrawal of the Second Judgment and a decision that Dongguan Xinlian is not liable to the Plaintiff in respect of the Second Judgment. In December 2004, the People's High Court of Guangdong Province overturned the Second Judgment and issued a decision that it will re-hear the case.

In December 2005, the People's High Court of Guangdong Province issued a judgment whereby the validity of the Second Judgment against Dongguan Xinlian was maintained (the "Third Judgment").

As advised by the Group's legal advisers, there were a number of conflicts and discrepancies with regard to the Second Judgment and the Third Judgment. The Second Judgment and the Third Judgment were not supported by valid evidence and although the People's High Court of Guangdong Province acknowledged the criminal liabilities of certain members of the Plaintiff's management team (including forging the contracts connected to the Claim), the People's High Court of Guangdong Province did not, contrary to normal legal procedures, take these factors into account when it gave the Third Judgment. In February 2006, Dongguan Xinlian commenced an appeal process against the Third Judgment. In the meantime, the Shenzhen Intermediate People's Court has frozen the assets and machinery of Dongguan Xinlian and the Group has also taken steps to apply for a suspension of the auction of the assets and machinery of Dongguan Xinlian.

The ex-shareholders of Wing Lam (the "Ex-shareholders") have given an undertaking to indemnify the Group against all monetary losses that may arise from the Claim up to HK$11,862,000, being the outstanding other loans from the Ex-shareholders as at 30 June 2006. In light of the indemnity from the Ex-shareholders and the advice of the Group's legal advisers, the Board believes that the outcome of the Claim will not have a material adverse impact on the financial results of the Group.

20. LITIGATION (cont'd)

(b) The Group has a 7% participating interest in the unified unincorporated co-operative Coppabella and Moorvale coal mines joint venture, the manager and agent of which is Macarthur Coal (C&M Management) Pty Limited (the "Manager"). Roche Mining Pty Limited (the "Contractor") is contracted to mine coal and overburden 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 with the Contractor under the terms of the mining contract. The claim included recovery of loss and damages for higher production costs and demurrage resulting from a failure of the Contractor to deliver coal in accordance with the contract provisions. Subsequently, the Manager received a series of claims from the Contractors.

In June 2004, following rejection by the superintendent of claims from the Contractor, the Contractor lodged a notice of dispute on the Manager under the mining contract. The rejected claim, consisting of 9 heads of claim, included higher costs of mining in the 2004 financial year due to alleged delay in access to particular mining areas and alleged adverse mining conditions. The Contractor then referred the dispute to arbitration.

In February 2005, the arbitrator determined that 7 of the 9 points of claim could proceed to arbitration. The Manager received the detailed points of claim from the Contractor in March 2005 and detailed further particulars in September 2005. In April 2006, the Manager lodged its defence to the points of claim and lodged a counterclaim against the Contractor.

In July 2005, the Contractor lodged a further notice of dispute in relation to alleged additional costs resulting from approval of the 2005 financial year mine plan. The claims were rejected by the superintendent and the subsequent dispute was referred to arbitration in August 2005. In April 2006, the Contractor lodged a consolidated and further amended points of claim in relation to both the 2004 financial year claim and the 2005 financial year claim, to which the Manager is yet to submit a defence.

In January 2006, the Contractor lodged a notice of claim in relation to alleged additional costs resulting from approval of the 2006 financial year mine plan. However, the Contractor has not provided to the superintendent the requested details of the nature and quantum of this claim.

The total value of the three claims noted above for financial years 2004, 2005 and 2006 is in the order of A$99 million (HK$567 million) out of which the Group's share amounted to A$7 million (HK$40 million). Areas of duplication have been identified across these three claims and the Contractor is yet to provide particulars regarding basis and quantum of the second and third claim.

The Manager disputes the above claims and has stated that it will vigorously defend its position in arbitration. The arbitrator has set a date to hear the consolidated 2004 and 2005 financial year claims in June 2007.

In the Board's opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Manager and the joint venture participants of Coppabella coal mine.

HK$'000

21. OPERATING LEASE ARRANGEMENTS

At 30 June 2006, 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 2006	31 December 2005
	Unaudited	Audited
Within one year	**1,980**	9,348
In the second to fifth years, inclusive	**3,521**	14,827
Beyond five years	**96**	2,423
	5,597	26,598

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following capital expenditure commitments:

	30 June 2006	31 December 2005
	Unaudited	Audited
Contracted, but not provided for:		
Infrastructure, plant and equipment,		
share of the jointly-controlled entities	**99,794**	8,911

Save as aforesaid, at the balance sheet date, the Group had no other significant commitments (31 December 2005: Nil).

23. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the presentation and accounting treatments of the Period.

Business Review and Outlook

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

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

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

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

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

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

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

HK$'000

Financial Review

Group's financial results:

Operating results and ratios			
	Six months ended 30 June		
	2006	2005	
	Unaudited	Unaudited	Increase
Revenue	**3,097,992**	3,067,250	1.0 %
Gross profit	**302,041**	242,261	24.7 %
Profit attributable to shareholders of the Company	**121,236**	93,451	29.7 %
Earnings per share (Basic)	**HK 2.81 cents**	HK 2.16 cents	30.1 %
Gross profit margin [1]	**9.7%**	7.9%	
Inventory turnover [2]	**3.4 times**	4.0 times	
Financial position and ratios			
	30 June 2006	31 December 2005	
	Unaudited	Audited	Increase
Cash and bank balances	**1,779,188**	1,519,595	17.1 %
Total assets	**7,212,538**	6,020,027	19.8 %
Bank and other loans	**2,032,416**	1,905,616	6.7 %
Equity attributable to shareholders of the Company	**3,041,626**	2,941,773	3.4 %
Current ratio [3]	**1.6 times**	2.0 times	
Gearing ratio [4]	**40.1%**	39.3%	

1 gross profit / revenue 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%

Following a good financial performance in 2005, the Group has continued to achieve encouraging results in the 1H of 2006. The businesses in Australia comprising aluminium smelting, coal and the import and export of commodities continue to perform well. The Group's interest in the new manganese project is also contributing to the Group's profit.

The following is a comparison of the results of each segment between the Period and the corresponding period in 2005.

Aluminium smelting

- Revenue ▲ 24%
  Net profit after tax (from ordinary activities) ▼ 2%

- Revenue was driven by higher selling prices, though it was partly offset by a drop in sales volume due to the problem of the rectifier experienced in November 2005 which caused damages to some pots.

- The decrease in net profit was caused by increases in production costs. Certain costs, such as alumina and electricity, are linked to the selling price of aluminium and have increased correspondingly. Alumina prices hit record highs. Other costs have also risen.

  In addition, as a consequence of the adoption of Hong Kong Financial Reporting Standards, a component of the Electricity Supply Agreement (the "ESA") which is linked to the base metal price is considered as a financial instrument embedded in the ESA. Such embedded derivative has to be marked to market at the balance sheet date based on the base metal forward price. As the base metal price has increased, the unrealized losses on the ESA were deducted from "Other income and gains, net" in the unaudited condensed consolidated income statement.

Coal

- Revenue ▲ 21%
  Net profit after tax (from ordinary activities) ▲ 71%

- Revenue was driven by higher selling prices and sales volume. While the demurrage costs caused by congestion at loading ports were under control, the mining costs such as fuel, labour and maintenance were outweighed by the increase in coal prices.

- Consistent with the strong performance of coal mining operations, the Group received higher dividend payments from Macarthur Coal Limited.

Import and export of commodities

- Revenue ▼ 11%
  Net profit after tax ▲ 4%

  The following table shows a breakdown of the revenue and the net profit before tax for the 1H of 2006 and a comparison with the 1H of 2005:

		Total	Alumina exports	Iron ore exports	Steel exports	Other exports	Imports	Others
Revenue	HK$ million	**2,038.5**	400.0	550.8	347.9	257.1	400.0	82.7
	Compared to 1H 2005	**▼ 9%**	▼ 59%	▼ 21%	N/A	▲ 696%	▲ 3%	▼ 40%
Net profit before tax	HK$ million	**48.7**	26.0	3.0	3.7	2.2	11.5	2.3
	Compared to 1H 2005	**▲ 6%**	▲ 6%	▼ 30%	N/A	▲ 142%	▼ 16%	▲ 28%

- The decrease in revenue reflects lower sales volume of alumina exports and iron ore exports.

  Alumina exports were lower due to the continuation of the extremely tight world supply of spot alumina cargoes. Also, the spot alumina prices were very volatile during the 1H. The management of CITIC Australia Trading Limited ("CATL") has adopted a cautious approach, resulting in substantially lower trading volumes. Fortunately, CATL captured a spot opportunity in the rising alumina market, resulting in a significant boost to its results for the 1H.

  The iron ore exports were affected by the protracted annual contract price negotiations. The imports by the major Chinese steel mills slowed down until negotiations with the iron ore producers concluded late in the 1H.

  Steel exports from China to Europe commenced mid-way during the 1H. Although this new trading line is in its infancy, the results to date are very encouraging.

  Import operations' overall performance was lower than the same period last year. The battery imports line, although relatively small, is performing strongly and growing, while the tyre and wheel imports continue to face increasing competition.

- CATL continues its strategy of diversification by developing multiple trading lines to reduce its relative reliance upon earnings from alumina. The commencement during the 1H of steel exports from China to Europe is a promising development. To consolidate this as a regular and sustainable trading line, CATL is looking for opportunities to export Chinese steel to other countries.

- While trading is volatile in its nature, CATL's experienced trading team consistently and continuously strives to identify and capture profitable trading opportunities that balance minimum risk and maximum returns for its shareholders.

Manganese

- In March 2006, the formation of a sino-foreign equity joint venture to undertake the business of manganese mining and processing was completed. The newly established joint venture company, namely, CITIC Dameng Mining Industries Limited (the "Manganese Company"), became a non-wholly-owned subsidiary of the Group from then and consequently, its financial results were included in the accounts of the Group from the 2Q of 2006.

Crude oil

- In February 2006, the Group exercised its option to convert its 40% participating interest in the Kongnan Block within the Dagang Oilfield in the PRC into common shares in the share capital of Ivanhoe Energy Inc. ("Ivanhoe") and a loan repayable by Ivanhoe. The negative results represented the wrap up of the participating interests from the books.

Liquidity, Financial Resources and Capital Structure

Cash

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

Borrowings

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

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

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

Financial risk management

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

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

New investments

- In March 2006, the formation of the Manganese Company as a sino-foreign equity joint venture to undertake the business of manganese mining and processing was completed. The Manganese Company became a non-wholly-owned subsidiary of the Group from then.

  The Manganese Company was established in August 2005 and is owned as to 40% by Guangxi Dameng Manganese Industry Co., Ltd. ("Guangxi Dameng", a state-owned enterprise in the PRC) and as to 60% by CITIC Dameng Investments Limited ("CITIC Dameng"). CITIC Dameng is ultimately owned as to 80% by the Group and as to 20% by CITIC United Asia Investments Limited, an indirect wholly-owned subsidiary of CITIC Group. Before the end of 2005, CITIC Dameng has paid its capital contribution in cash of RMB300 million (HK$288.5 million) and Guangxi Dameng has paid its capital contribution in form of the contributed assets as approved by the relevant authorities of the PRC in the amount of RMB200 million (HK$192.3 million). The contributed assets include the land use rights and mining rights in respect of two manganese mines in Guangxi and the related operational assets and liabilities. Further details of the transaction are set out in the circular of the Company dated 24 August 2005.

- In July 2006, the Group agreed to acquire from KUFPEC (Indonesia) Limited ("KUFPEC") a 51% participating interest in the production sharing contract relating to an oilfield in the Seram Island Non-Bula Block, Indonesia for a purchase price of US$97.4 million (HK$759.7 million), subject to adjustment. A cash deposit of US$5.0 million (HK$39.0 million) has been paid by the Group and the balance will be paid in cash at completion. The transaction is expected to complete in October 2006. Further details of the transaction are set out in the circular of the Company dated 28 September 2006.

Changes to investments

- In February 2006, the Group exercised its option to convert its 40% participating interest in the Kongnan Block within the Dagang Oilfield in the PRC, with a then carrying value of US$27,386,135 (HK$213,612,000), into 8,591,434 common shares in the share capital of Ivanhoe and a 3-year non-interest bearing, unsecured loan of US$7,386,135 (HK$57,612,000) repayable by Ivanhoe. The loan is repayable by 36 monthly instalments and the first instalment was due and received in March 2006. The negative results represented the wrap up of the participating interests from the books.

  The 8,591,434 common shares represent about 3.7% of the total issued and outstanding share capital of Ivanhoe following completion of the conversion. There are limits on the sales of the shares during the period of 12 months following the date of conversion. Further details of the transaction are set out in the circular of the Company dated 13 March 2006.

- With effect from 7 June 2006, the agreement signed between the Group and a Chevron Corporation subsidiary in January 2005 to form a joint venture to develop a regional network of Caltex branded service stations in Southern China and to explore development possibilities in the Yangtze river delta lapsed. The required PRC approval was not obtained.

Opinion

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

Employees and Remuneration Policies

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

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

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

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

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

Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at 30 June 2006, the interests and short positions of the directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") and which have been notified to the Company and the Stock Exchange were as follows:

Interests in the shares and underlying shares 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 (1)	–	13.27
Mr. Kwok Peter Viem	Directly beneficially owned	–	50,000,000	1.16
Mr. Ma Ting Hung	Corporate	572,966,000 (1)	–	13.27
Mr. Ma Ting Hung	Directly beneficially owned	–	50,000,000	1.16
Mr. Shou Xuancheng	Directly beneficially owned	–	10,000,000	0.23
Mr. Sun Xinguo	Directly beneficially owned	–	10,000,000	0.23
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	–	10,000,000	0.23
Mr. Zhang Jijing	Family	28,000 (2)	–	–
Mr. Zhang Jijing	Directly beneficially owned	–	10,000,000	0.23

Notes:

(1) 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.

(2) The shares disclosed above are held by the spouse of Mr. Zhang Jijing. Accordingly, Mr. Zhang Jijing is deemed to be interested in the 28,000 shares.

Interests in the ordinary shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Number of shares/equity derivatives held	Nature of interest	Exercise period of share options	Exercise price per share A$	Percentage of the total issued share capital of the associated corporation
Mr. Zeng Chen	CATL	Subsidiary	Ordinary shares	333,332 (1)	Family	N/A	N/A	0.40
			Share options	166,668	Directly beneficially owned	19 June 2005 to 18 June 2007	0.35	N/A

Note:

(1) The shares disclosed above are held by the spouse of Mr. Zeng Chen. Accordingly, Mr. Zeng Chen is deemed to be interested in the 333,332 shares.

Save as disclosed above, as at 30 June 2006, none of the directors or chief executive of the Company had an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 headings "Directors' and chief executive's interests in shares and underlying shares" above and "Share option scheme" below, at no time during the Period 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.

Share Option Scheme

The Company and one of its subsidiaries, 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. During the Period, no share option was granted, exercised, lapsed or cancelled under the Scheme.

On 2 June 2005, the Company 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. The closing price of the shares immediately before the date of grant was HK$1.07 per share. On 28 December 2005, the Company granted additional share options under the Scheme to its directors to subscribe for a total of 10,000,000 shares in the Company at the exercise price of HK$1.06 per share. The closing price of the shares immediately before the date of grant was HK$1.05 per share. There was no consideration for the grant of the above share options.

The following share options were outstanding under the Scheme as at the balance sheet date:

	Number of share options						Price of the Company's shares **		
Name or category of participant	At 1 January 2006	Granted during the Period	At 30 June 2006	Date of grant *	Exercise period	Exercise price per share HK$	At the date of grant HK$	Immediately before the exercise date HK$	At exercise date HK$
Directors									
Kwok Peter Viem	50,000,000	–	**50,000,000**	02-06-2005	02-06-2007 to 01-06-2010	1.08	1.07	N/A	N/A
Ma Ting Hung	50,000,000	–	**50,000,000**	02-06-2005	02-06-2007 to 01-06-2010	1.08	1.07	N/A	N/A
Shou Xuancheng	10,000,000	–	**10,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
Sun Xinguo	5,000,000	–	**5,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
	5,000,000	–	**5,000,000**	28-12-2005	28-12-2006 to 27-12-2010	1.06	1.05	N/A	N/A
	10,000,000	–	**10,000,000**						
Li So Mui	5,000,000	–	**5,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
Mi Zengxin	10,000,000	–	**10,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
Qiu Yiyong	10,000,000	–	**10,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
Zeng Chen	5,000,000	–	**5,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
	5,000,000	–	**5,000,000**	28-12-2005	28-12-2006 to 27-12-2010	1.06	1.05	N/A	N/A
	10,000,000	–	**10,000,000**						
Zhang Jijing	10,000,000	–	**10,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
	165,000,000	–	**165,000,000**						
Other employees									
In aggregate	12,000,000	–	**12,000,000**	02-06-2005	02-06-2006 to 01-06-2010	1.08	1.07	N/A	N/A
	177,000,000	–	**177,000,000**						

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The price of the Company's shares disclosed as at the date of grant represents the closing price at the Stock Exchange on the trading day immediately prior to the date of grant of the share options.

CATL, in which the Group holds an indirect interest of 77.9%, 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 incentives 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 share options.

During the Period, no share option was granted, lapsed or cancelled under the Pre-Scheme.

The following share options were outstanding under the Pre-Scheme as at the balance sheet date:

	Number of share options				
Participants	**At 1 January 2006**	**Granted/ (exercised) during the Period**	**At 30 June 2006**	**Exercise period**	**Exercise price per share** A$
Directors of the Company					
Mr. Zeng Chen	166,668	–	**166,668**	19 June 2005 to 18 June 2007	0.35
Mr. Zhang Jijing	200,000	(200,000)	**–**	19 June 2005 to 18 June 2007	0.35
	366,668	(200,000)	**166,668**		
Directors of CATL	366,668	–	**366,668**	19 June 2005 to 18 June 2007	0.35
Other employees	216,666	–	**216,666**	19 June 2003 to 18 June 2007	0.20
	399,999	–	**399,999**	19 June 2004 to 18 June 2007	0.25
	400,002	–	**400,002**	19 June 2005 to 18 June 2007	0.30
	140,000	–	**140,000**	19 June 2005 to 18 June 2007	0.35
	1,156,667	–	**1,156,667**		
	1,890,003	(200,000)	**1,690,003**		

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

As at 30 June 2006, 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 in the shares or 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:

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 (3)	–	43.09
CITIC Australia Pty Limited	Corporate	750,413,793 (4)	–	17.38
United Star International Inc.	Corporate	572,966,000 (5)	–	13.27
Mr. Kwok Peter Viem	Corporate	572,966,000 (5)	50,000,000 (6)	14.43
Mr. Ma Ting Hung	Corporate	572,966,000 (5)	50,000,000 (6)	14.43

Notes:

(1) The figure represents an attributable interest of CITIC Group through its interest in CITIC Projects Management (HK) Limited ("CITIC Projects") and CITIC Australia Pty Limited ("CA"). CITIC Group is a company incorporated in the PRC.

(2) The figure represents an attributable interest of CITIC Projects through its interest in Keentech Group Limited ("Keentech"). CITIC Projects, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Group.

(3) Keentech, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Projects.

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

(5) The figure represents an attributable interest of each of Mr. Kwok Peter Viem and Mr. Ma Ting Hung respectively as the beneficial owner of 50% each 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' and chief executive's interests in shares and underlying shares" above.

(6) The share options granted to Mr. Kwok Peter Viem and Mr. Ma Ting Hung are their respective personal interests.

Other members of the Group

Name of shareholder	Name of subsidiary	Percentage of issued share capital
CITIC United Asia Investments Limited (1)	CITIC Dameng Holdings Limited	20

Note:

(1) CITIC United Asia Investments Limited, a company incorporated in Hong Kong Special Administrative Region of the PRC, is an indirect wholly-owned subsidiary of CITIC Group.

Save as disclosed herein and so far as is known to the directors, as at 30 June 2006, no person had an interest or a short position in the shares or 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, Sale and Redemption of Shares

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

Related Party Transactions and Connected Transactions

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

(a) On 31 March 2004, CRA entered into two lease agreements with 99 King Street Property Management Pty Limited, a wholly-owned subsidiary of CA, with respect to certain office and car parking lease arrangements. Pursuant to these arrangements, CRA took possession of leased office premises and car parking spaces and assumed the obligations stipulated in the related tenancy agreements (the "Leases") entered by CA. Subject to renewal, the Leases will expire on 30 September 2006. The related operating lease commitment has been included in note 21 to these unaudited condensed consolidated interim financial statements.

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

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

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

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

Post Balance Sheet Event

In July 2006, the Group, through CITIC Seram Energy Limited ("CITIC Seram"), agreed to acquire from KUFPEC a 51% participating interest in the benefits, rights and obligations of the contractor in the production sharing contract relating to an oilfield in the Seram Island Non-Bula Block, Indonesia for a purchase price of US$97.4 million (HK$759.7 million), subject to adjustment. A cash deposit of US$5.0 million (HK$39.0 million) has been paid by CITIC Seram and the balance will be paid in cash at completion. The transaction is expected to complete in October 2006. Further details of the transaction are set out in the circular of the Company dated 28 September 2006.

Code on Corporate Governance Practices

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

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

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

Model Code for Securities Transactions

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

Review of Accounts

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

On behalf of the Board
Kwok Peter Viem
Chairman

Hong Kong, 22 September 2006