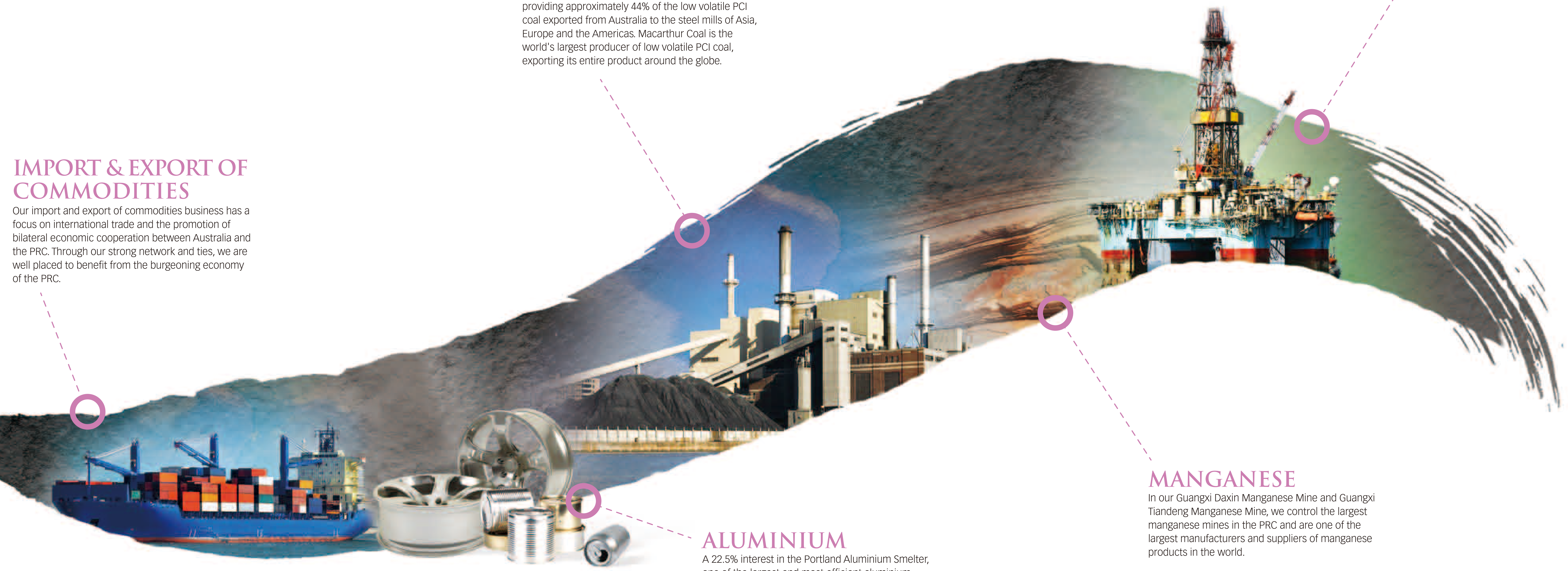
CITIC Resources Holdings Limited
中信資源控股有限公司
(incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

中信資源

中期報告
2010
Interim Report



IMPORT & EXPORT OF COMMODITIES

Our import and export of commodities business has a focus on international trade and the promotion of bilateral economic cooperation between Australia and the PRC. Through our strong network and ties, we are well placed to benefit from the burgeoning economy of the PRC.

COAL

Presently the largest shareholder in Macarthur Coal Limited (ASX: MCC.AX) with whom we are partners in the Coppabella Mine and the Moorvale Mine together providing approximately 44% of the low volatile PCI coal exported from Australia to the steel mills of Asia, Europe and the Americas. Macarthur Coal is the world's largest producer of low volatile PCI coal, exporting its entire product around the globe.

ALUMINIUM

A 22.5% interest in the Portland Aluminium Smelter, one of the largest and most efficient aluminium smelting operations in the world, producing high-quality primary aluminium ingot.

MANGANESE

In our Guangxi Daxin Manganese Mine and Guangxi Tiandeng Manganese Mine, we control the largest manganese mines in the PRC and are one of the largest manufacturers and suppliers of manganese products in the world.

OIL

An energy and minerals company with a growing focus on oil exploration, development and production responsible for significant large scale volume operations in Kazakhstan, the PRC and Indonesia.

Stock Code 股份代號: 1205

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Kong Dan *(Non-executive Director)*

Vice Chairmen

Mr. Sun Xinguo *(Executive Director)* *
Mr. Mi Zengxin *(Non-executive Director)*

Executive Directors

Mr. Zeng Chen
(President and Chief Executive Officer) *
Ms. Li So Mui
Mr. Qiu Yiyong
Mr. Tian Yuchuan

Non-executive Directors

Mr. Wong Kim Yin
Mr. Zhang Jijing
Ms. Yap Chwee Mein
(Alternate to Mr. Wong Kim Yin)

Independent Non-executive Directors

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

* effective 1 September 2010

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li So Mui

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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E-mail :	ir@citicresources.com
Website :	www.citicresources.com

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor 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

PRINCIPAL BANKERS

China Development Bank
CITIC Bank International Limited
Mizuho Corporate Bank, Ltd.

Six months ended 30 June Unaudited HK$'000

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 2010 (the "**Period**").

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**2010**	2009
REVENUE	4	**14,207,162**	8,798,721
Cost of sales		**(12,791,577)**	(8,035,786)
Gross profit		**1,415,585**	762,935
Other income and gains	5	**57,716**	51,421
Selling and distribution costs		**(443,197)**	(218,869)
General and administrative expenses		**(320,138)**	(252,927)
Other expenses, net		**20,847**	(214,562)
Finance costs	6	**(422,605)**	(423,887)
Share of profit of an associate		**60,355**	42,798
PROFIT/(LOSS) BEFORE TAX	7	**368,563**	(253,091)
Income tax expense	8	**(160,771)**	(26,791)
PROFIT/(LOSS) FOR THE PERIOD		**207,792**	(279,882)
ATTRIBUTABLE TO:			
Shareholders of the Company		**167,528**	(307,307)
Non-controlling interests		**40,264**	27,425
		207,792	(279,882)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	9		
Basic		**HK 2.77 cents**	HK (5.08) cents
Diluted		**HK 2.77 cents**	HK (5.08) cents
DIVIDEND PER SHARE	10	**Nil**	Nil

Six months ended 30 June Unaudited HK$'000

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010	2009
PROFIT/(LOSS) FOR THE PERIOD	**207,792**	(279,882)
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**(2,642)**	16,350
Income tax effect	**—**	(4,905)
	(2,642)	11,445
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**(36,799)**	140,578
Income tax effect	**—**	(42,174)
	(36,799)	98,404
Exchange differences on translation of foreign operations	**(150,080)**	(187,471)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(189,521)**	(77,622)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**18,271**	(357,504)
ATTRIBUTABLE TO:		
Shareholders of the Company	**(14,238)**	(292,306)
Non-controlling interests	**32,509**	(65,198)
	18,271	(357,504)

HK$'000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2010 Unaudited	31 December 2009 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**16,831,794**	16,847,211
Prepaid land lease premiums		**124,609**	83,332
Goodwill		**341,512**	341,512
Other intangible assets		**312,138**	311,993
Other assets		**429,237**	487,378
Investment in an associate		**2,066,668**	2,138,286
Available-for-sale investments	11	**62,770**	69,758
Prepayments, deposits and other receivables		**335,548**	285,013
Deferred tax assets		**208,618**	187,929
Total non-current assets		**20,712,894**	20,752,412
CURRENT ASSETS			
Inventories		**1,339,064**	1,458,153
Accounts receivable	12	**2,425,869**	2,121,418
Prepayments, deposits and other receivables		**713,547**	631,177
Equity investments at fair value through profit or loss	13	**2,486**	2,472
Derivative financial instruments	14	**5,586**	4,043
Tax recoverable		**17,548**	81,589
Cash and bank balances		**4,923,052**	4,480,336
Total current assets		**9,427,152**	8,779,188
CURRENT LIABILITIES			
Accounts payable	15	**597,057**	811,943
Tax payable		**311,116**	105,546
Accrued liabilities and other payables		**839,110**	792,212
Derivative financial instruments	14	**46,884**	43,248
Bank and other borrowings	16	**2,678,556**	2,251,687
Finance lease payables	17	**8,657**	8,968
Provisions		**38,618**	43,527
Total current liabilities		**4,519,998**	4,057,131
NET CURRENT ASSETS		**4,907,154**	4,722,057
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,620,048**	25,474,469

HK$'000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2010 Unaudited	31 December 2009 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,620,048**	25,474,469
NON-CURRENT LIABILITIES			
Bank and other borrowings	16	**5,104,591**	4,717,083
Finance lease payables	17	**50,489**	57,672
Bond obligations	18	**7,626,355**	7,614,842
Deferred tax liabilities		**2,689,421**	2,839,505
Derivative financial instruments	14	**101,765**	107,092
Provisions		**343,997**	363,309
Other payables		**60,511**	4,937
Total non-current liabilities		**15,977,129**	15,704,440
NET ASSETS		**9,642,919**	9,770,029
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	19	**302,528**	302,528
Reserves		**8,129,660**	8,132,180
		8,432,188	8,434,708
Non-controlling interests		**1,210,731**	1,335,321
TOTAL EQUITY		**9,642,919**	9,770,029

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium account	Contributed surplus	Capital reserve	Exchange fluctuation reserve
At 31 December 2008 (Audited) and 1 January 2009	302,328	7,314,719	65,527	—	(507,582)
Total comprehensive income/(loss) for the period	—	—	—	—	(94,848)
Dividend paid to non-controlling interests	—	—	—	—	—
Shares cancellation for the subsidiaries	—	—	—	—	—
Issue of new shares upon exercise of share options	200	4,988	—	—	—
At 30 June 2009 (Unaudited)	302,528	7,319,707	65,527	—	(602,430)

	Issued capital	Share premium account	Contributed surplus	Capital reserve	Exchange fluctuation reserve
At 31 December 2009 (Audited) and 1 January 2010	**302,528**	**7,319,707**	**65,527**	**(89,417)**	**(264,060)**
Total comprehensive income/(loss) for the Period	**—**	**—**	**—**	**—**	**(142,325)**
Dividend paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**
Acquisition of non-controlling interests	**—**	**—**	**—**	**8,940**	**—**
Extension of the exercise period of share options	**—**	**—**	**—**	**—**	**—**
At 30 June 2010 (Unaudited)	**302,528**	**7,319,707 ***	**65,527 ***	**(80,477) ***	**(406,385) ***

* These reserve accounts comprise the consolidated reserves of HK$8,129,660,000 (31 December 2009: HK$8,132,180,000) in the condensed consolidated statement of financial position.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Company							
Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits	Sub-total	Non-controlling interests	Total equity
—	(24,394)	23,235	40,931	677,171	7,891,935	1,433,403	9,325,338
11,445	98,404	—	—	(307,307)	(292,306)	(65,198)	(357,504)
—	—	—	—	—	—	(61,611)	(61,611)
—	—	—	(42,230)	—	(42,230)	—	(42,230)
—	—	(880)	—	—	4,308	—	4,308
11,445	74,010	22,355	(1,299)	369,864	7,561,707	1,306,594	8,868,301

Attributable to shareholders of the Company							
Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits	Sub-total	Non-controlling interests	Total equity
33,505	**210,774**	**22,355**	**49,594**	**784,195**	**8,434,708**	**1,335,321**	**9,770,029**
(2,642)	**(36,799)**	**—**	**—**	**167,528**	**(14,238)**	**32,509**	**18,271**
—	**—**	**—**	**—**	**—**	**—**	**(157,099)**	**(157,099)**
—	**—**	**—**	**—**	**—**	**8,940**	**—**	**8,940**
—	**—**	**2,778**	**—**	**—**	**2,778**	**—**	**2,778**
30,863 *	**173,975 ***	**25,133 ***	**49,594 ***	**951,723 ***	**8,432,188**	**1,210,731**	**9,642,919**

Six months ended 30 June Unaudited HK$'000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2010	2009
Net cash inflow from operating activities	**875,361**	296,843
Net cash inflow/(outflow) from investing activities	**707,666**	(831,321)
Net cash inflow from financing activities	**246,510**	75,557
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,829,537**	(458,921)
Cash and cash equivalents at 1 January	**2,885,047**	4,770,747
Effect of foreign exchange rate changes, net	**(28,960)**	(11,187)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**4,685,624**	4,300,639
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,873,937**	1,661,349
Non-pledged time deposits with original maturity of less than three months when acquired	**1,811,687**	2,639,290
	4,685,624	4,300,639

Note:
Reconciliation of cash and cash equivalents:

	2010	2009
Cash and cash equivalents and non-pledged time deposits with original maturity of less than three months when acquired	**4,685,624**	4,300,639
Non-pledged time deposits with original maturity of more than three months when acquired	**237,428**	—
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**4,923,052**	4,300,639

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements ("**Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") 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 Financial Statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2009.

Except as described below, the accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the Group's financial statements for the year ended 31 December 2009.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements. Except for certain cases giving rise to new and revised accounting policies, presentation and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these Financial Statements. Accordingly, no prior period adjustment has been recognised.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs (2009)	Amendments to a number of HKFRSs

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

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

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

HKFRSs Amendments	Improvements to HKFRSs May 2010 [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for the First-time Adopters [3]
HKFRS 9	Financial Instruments [5]
HKAS 24 (Revised)	Related Party Disclosures [4]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [1]
HK(IFRIC) – Int 14	Amendments to HK(IFRIC) – Int 14 – Prepayment of a Minimum Funding Requirement [4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [3]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs 2010 which set out amendments and transition requirements for amendments to a number of HKFRSs. For Improvements to HKFRSs 2010, the amendments to HKFRS 3 and transition requirements for amendments arising as a result of HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 24 (Revised) may result in changes in accounting policies and disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

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

(b) the coal segment comprises the operation of coal mines and the sale of coal in Australia;

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

(d) the manganese segment comprises the operation of manganese mining and the sale of refined manganese products in the People's Republic of China (the "**PRC**"), and the exploration of manganese mining in Gabon, West Africa; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Unaudited HK$'000

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2010	Aluminium smelting	Coal	Import and export of commodities	Manganese	Crude oil	Total
Segment revenue:						
Sales to external customers	605,130	220,152	10,371,591	1,287,350	1,722,939	14,207,162
Other income	2,878	—	17,633	5,935	14,930	41,376
	608,008	220,152	10,389,224	1,293,285	1,737,869	14,248,538
Segment results	91,449	73,127	210,500	122,854	289,361	787,291
Reconciliation:						
Interest income and unallocated gains						16,340
Unallocated expenses						(72,818)
Profit from operating activities						730,813
Unallocated finance costs						(422,605)
Share of profit of an associate						60,355
Profit before tax						368,563

Six months ended 30 June 2009	Aluminium Smelting	Coal	Import and export of commodities	Manganese	Crude oil	Total
Segment revenue:						
Sales to external customers	546,467	188,879	6,000,903	922,868	1,139,604	8,798,721
Other income	(474)	—	1,338	7,184	8,113	16,161
	545,993	188,879	6,002,241	930,052	1,147,717	8,814,882
Segment results	(66,300)	47,654	81,790	114,901	(36,743)	141,302
Reconciliation:						
Interest income and unallocated gains						35,260
Unallocated expenses						(48,564)
Profit from operating activities						127,998
Unallocated finance costs						(423,887)
Share of profit of an associate						42,798
Loss before tax						(253,091)

Six months ended 30 June Unaudited HK$'000

5. OTHER INCOME AND GAINS

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

	2010	2009
Interest income	15,693	34,386
Handling service fees	17,405	1,157
Gain on disposal of items of property, plant and equipment	1,631	3,124
Sale of scrap	2,878	(477)
Subsidy income	4,361	3,576
Others	15,748	9,655
	57,716	51,421

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	2009
Interest expense on bank and other borrowings repayable:		
Within one year	64,286	88,813
In the second to fifth years, inclusive	50,242	51,948
Beyond five years	6,182	6,519
Interest expense on fixed rate senior notes, net	264,509	264,428
Interest expense on finance leases	824	—
Total interest expense on financial liabilities not at fair value through profit or loss	386,043	411,708
Amortisation of fixed rate senior notes	11,513	11,513
	397,556	423,221
Other finance charges:		
Increase in discounted amounts of provision arising from the passage of time	21,732	2,525
Others *	3,317	(1,859)
	422,605	423,887

* Including amortisation of up-front fees of HK$1,365,000 (2009: HK$1,365,000).

Six months ended 30 June Unaudited HK$'000

7. PROFIT/(LOSS) BEFORE TAX

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

	2010	2009
Depreciation	**483,901**	525,775
Amortisation of the Electricity Supply Agreement	**35,428**	31,910
Amortisation of other assets	**5,356**	3,130
Amortisation of prepaid land lease premiums	**839**	839
Equity-settled share option expenses	**2,778**	—
Loss on disposal/write-off of items of property, plant and equipment *	**5,527**	5,527
Exchange losses/(gains), net *	**(33,644)**	166,230

* These amounts are included in "Other expenses, net" in the condensed consolidated income statement.

8. INCOME TAX

	2010	2009
Current:		
Hong Kong	**—**	—
Elsewhere	**268,226**	94,139
	268,226	94,139
Deferred	**(107,455)**	(67,348)
Total tax expense for the Period	**160,771**	26,791

The statutory tax rate of Hong Kong profits tax is 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (2009: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Australia
Australian income tax has been applied at the statutory rate of 30% (2009: 30%) on the estimated assessable profits arising in Australia during the Period.

Indonesia
The corporate tax rate applicable to the subsidiary which is operating in Indonesia is 30% (2009: 30%).

The Group's subsidiary owning a participating interest in oil and gas properties in Indonesia is subject to branch tax at the effective rate of 14% (2009: 14%).

PRC
The PRC corporate income tax rate is 25%. Certain PRC subsidiaries of the Group are subject to a full corporate income tax exemption for two years and a 50% reduction in the succeeding three years, commencing from the first profitable year.

Kazakhstan
The corporate tax rates applicable to the Group's jointly-controlled entities established and operating in Kazakhstan are 20% in 2010 to 2012, 17.5% in 2013 and 15% in 2014 and onwards. The calculation methodology on excess profit tax is based on annual profitability.

Six months ended 30 June Unaudited HK$'000

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

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

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

The calculations of basic and diluted earnings/(loss) per share amounts are based on:

	2010	2009
Earnings/(Loss)		
Profit/(loss) attributable to ordinary shareholders of the Company used in the basic earnings/(loss) per share calculation	**167,528**	(307,307)

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	**6,050,567,038**	6,047,169,248
Effect of dilution – weighted average number of ordinary shares: share options	**7,113,262**	3,151,820
	6,057,680,300	6,050,321,068

The computation of diluted earnings/(loss) per share amounts for the six months ended 30 June 2010 and 2009 does not assume the conversion of certain share options since the exercise of these options would result in an increase/a decrease in earnings/(loss) per share.

10. DIVIDEND

The Board has resolved not to pay an interim dividend for the Period (2009: Nil).

HK$'000

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2010 Unaudited	31 December 2009 Audited
Non-current equity investments:		
Listed equity investment in Australia, at fair value	**58,505**	65,541
Unlisted equity investments in the PRC, at cost	**4,265**	4,217
	62,770	69,758
The costs of the above investments were:		
Australia	**31,706**	33,366
PRC	**4,265**	4,217
	35,971	37,583

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

12. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2010 Unaudited	31 December 2009 Audited
Within one month	**2,130,465**	898,937
One to two months	**138,836**	677,953
Two to three months	**35,934**	271,065
Over three months	**120,634**	273,463
	2,425,869	2,121,418

Included in the total accounts receivable is an amount due from the Group's fellow subsidiary of HK$319,888,000 (31 December 2009: HK$417,644,000), which is repayable on similar credit terms to those offered to other customers of the Group.

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

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2010 Unaudited	31 December 2009 Audited
Current unlisted equity investments, at fair value:		
Australia	**2,486**	2,472

The above equity investments as at 30 June 2010 and 31 December 2009 were classified as held for trading.

HK$'000

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2010 Unaudited		31 December 2009 Audited	
	Assets	**Liabilities**	Assets	Liabilities
Forward currency contracts and currency options	**4,849**	**1,720**	2,750	—
Forward commodity contracts	**737**	**—**	1,293	—
Interest rate swaps and options	**—**	**4,277**	—	220
Derivative financial instruments – embedded derivative	**—**	**142,652**	—	150,120
	5,586	**148,649**	4,043	150,340
Portion classified as non-current: Derivative financial instruments – embedded derivative	**—**	**(101,765)**	—	(107,092)
Current portion	**5,586**	**46,884**	4,043	43,248

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

Certain members of the Group entered into derivative financial instruments transactions in the normal course of business in order to hedge their exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

15. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2010 Unaudited	31 December 2009 Audited
Within one month	**491,669**	739,818
One to two months	**51,067**	25,336
Two to three months	**20,578**	18,194
Over three months	**33,743**	28,595
	597,057	811,943

The accounts payable are non-interest-bearing and are normally settled on 30 to 90 days terms.

HK$'000

16. BANK AND OTHER BORROWINGS

	Notes	30 June 2010 Unaudited	31 December 2009 Audited
Bank loans – secured * # @	(a)	**803,164**	838,846
Bank loans – unsecured * #	(b)	**6,374,452**	5,561,941
Unsecured other loans from:			
Transport Infrastructure Corridor *	(c)	**3,168**	4,017
Exploration Permit for coal *	(d)	**3,703**	4,392
China Foreign Economy and Trade Trust Co., Ltd. *	(e)	**114,850**	—
CITIC New Standard Investment Limited #	(f)	**288,603**	288,608
CITIC Australia Pty Limited #	(g)	**178,287**	195,006
CITIC United Asia Investments Limited ^	(h)	**—**	15,960
Apexhill Investments Limited ^	(i)	**16,920**	60,000
		7,783,147	6,968,770

* Fixed rate
\# Floating rate
^ Interest-free
@ Including the effects of a related interest rate swap as further detailed in note 14 to these Financial Statements.

Notes:

(a) The secured bank loans include:

(i) a loan of US$39,214,000 (HK$305,874,000) repayable by instalments by 31 December 2013, which is interest-bearing at LIBOR plus margin and secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture;

(ii) loans of RMB276,000,000 (HK$316,986,000) with various due dates between 2 February 2011 and 30 September 2015, which are interest-bearing at rates ranging from 4.78% to 5.94% p.a. and secured by property, plant and equipment of HK$239,575,000 (31 December 2009: HK$207,614,000) and prepaid land lease premiums of HK$47,532,000 (31 December 2009: HK$55,841,000); and

(iii) a loan of US$23,150,000 (HK$180,304,000) repayable on 10 December 2012, which is interest-bearing at LIBOR plus 0.85% p.a. and guaranteed by a subsidiary of the Group.

(b) The unsecured bank loans include:

(i) a loan of US$280,000,000 (HK$2,184,000,000) repayable by instalments by 23 January 2013, which is interest-bearing at LIBOR plus 1.10% p.a.;

(ii) trade finance facilities of A$212,966,000 (HK$1,415,799,000), which are interest-bearing at LIBOR (or cost of fund) plus margin and guaranteed by CITIC Resources Australia Pty Limited;

(iii) loans of US$125,000,000 (HK$970,360,000) with due dates on 1 December 2011 and 4 August 2012, which are interest-bearing at LIBOR plus 2.47% p.a. and LIBOR plus 2.67% p.a., respectively;

(iv) loans of RMB1,521,000,000 (HK$1,746,868,000) with various due dates between 19 September 2010 and 10 February 2016, which are interest-bearing at rates ranging from 4.78% to 5.40% p.a.; and

(v) a loan of RMB50,000,000 (HK$57,425,000) repayable on 28 October 2011, which is interest-bearing at 5.40% p.a. and guaranteed by a subsidiary of the Group.

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

(d) The loan was obtained from the manager of the Coppabella and Moorvale coal mines joint venture (the "**CMJV**"), which is unsecured, interest-bearing at 6% p.a. and repayable by annual instalments by 11 December 2013.

(e) The loan is unsecured, interest-bearing at 4.70% p.a. and repayable on 21 June 2011.

HK$'000

16. BANK AND OTHER BORROWINGS (continued)

(f) The loan was obtained from CITIC New Standard Investment Limited, a direct wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan is unsecured, interest-bearing at LIBOR plus 1.50% p.a. and repayable by instalments by 2 September 2012.

(g) The loan was obtained from CITIC Australia Pty Limited, a direct wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan is unsecured, interest-bearing at LIBOR plus 1.70% p.a. and repayable on 31 December 2010.

(h) The loan was obtained from CITIC United Asia Investments Limited, an indirect wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan was unsecured and interest-free.

(i) The loan was obtained from Apexhill Investments Limited, a non-controlling interest of CITIC Dameng Holdings Limited ("**CDH**"), and an indirect wholly-owned subsidiary of CITIC Group and thereby a fellow subsidiary of the Company. The loan is unsecured and interest-free.

	30 June 2010 Unaudited	31 December 2009 Audited
Bank loans repayable:		
Within one year or on demand	**2,350,560**	2,038,691
In the second year	**1,586,433**	1,720,399
In the third to fifth years, inclusive	**3,072,942**	2,573,550
Beyond five years	**167,681**	68,147
	7,177,616	6,400,787
Loan from CITIC United Asia Investments Limited:		
Beyond one year	**—**	15,960
Loan from Apexhill Investments Limited:		
Within one year	**16,920**	—
Beyond one year	**—**	60,000
Other loans repayable:		
Within one year	**311,076**	212,996
In the second year	**18,079**	18,134
In the third to fifth years, inclusive	**259,456**	260,893
	588,611	492,023
Total bank and other borrowings	**7,783,147**	6,968,770
Portion classified as current liabilities	**(2,678,556)**	(2,251,687)
Non-current portion	**5,104,591**	4,717,083

HK$'000

17. FINANCE LEASE PAYABLES

The Group leases certain of its plant and equipment for its coal mine operation. These leases are classified as finance leases and have remaining lease terms ranging from three to eleven years.

As at 30 June 2010, the total future minimum lease payments under finance lease payables were as follows:

	30 June 2010 Unaudited	31 December 2009 Audited
Amount payable:		
Within one year	**12,744**	13,621
In the second year	**14,985**	17,091
In the third to fifth years, inclusive	**24,451**	27,571
Beyond five years	**23,281**	27,942
Total minimum finance lease payments	**75,461**	86,225
Future finance charges	**(16,315)**	(19,585)
Total net finance lease payables	**59,146**	66,640
Portion classified as current liabilities	**(8,657)**	(8,968)
Non-current portion	**50,489**	57,672

18. BOND OBLIGATIONS

	30 June 2010 Unaudited	31 December 2009 Audited
Senior notes, listed in Singapore	**7,626,355**	7,614,842

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

The Notes shall become immediately due and payable in the case of an event of default, and are subject to redemption on the occurrence of certain events. In addition, the Company and its subsidiaries may incur additional indebtedness when the Group is in compliance with the terms and conditions of the Notes.

As at 30 June 2010, the fair value of the Notes was estimated at US$982,800,000 (HK$7,665,840,000) (31 December 2009: US$976,900,000 (HK$7,619,820,000)), which was determined based on the closing market price of the Notes on that date.

19. SHARE CAPITAL

	HK$'000	
	30 June 2010 Unaudited	31 December 2009 Audited
Authorised: 10,000,000,000 (31 December 2009: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid: 6,050,567,038 (31 December 2009: 6,050,567,038) ordinary shares of HK$0.05 each	**302,528**	302,528

20. LITIGATION

(a) In 2007, the books and records of JSC Karazhanbasmunai ("**KBM**") were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of value added tax ("**VAT**") receivable for a four-month period in 2006. As a result, KBM has not been refunded VAT receivable in an amount of KZT1,604,789,000 (HK$84,815,000), which is treated as a non-current asset and included in "Prepayments, deposits and other receivables" in the condensed consolidated statement of financial position. In 2007 and 2008, KBM filed appeals with the Specialised Interregional Economic Court of Mangistau Oblast, Kazakhstan (the "**Economic Court**") but decisions were made against KBM. On 8 February 2010, KBM appealed to the Supervisory Board of the Supreme Court of Kazakhstan (the "**Supervisory Board**"), but again decisions were made against KBM. KBM is considering making an appeal to the General Prosecutor of Kazakhstan.

Based on the advice of the Group's legal advisers, the directors believe that KBM is able to offset the VAT receivable against VAT payables in future. Accordingly, no provision has been made.

(b) In 2009, the customs authority of Kazakhstan conducted a customs audit on KBM and issued a claim (the "**Customs Duty Claim**") against KBM for an aggregate amount of KZT4,351,014,000 (HK$229,955,000) and related penalties of KZT854,110,000 (HK$45,141,000). On 19 January 2010, KBM filed an objection against the Customs Duty Claim in the Economic Court. However, on 25 March 2010, KBM received an unfavourable decision. On 9 April 2010, KBM filed an appeal to the Mangistau Oblast Court, but again received an unfavourable decision. To avoid the imposition of additional penalties and freezing of its bank accounts by the customs authority, KBM settled the customs duty and the related penalties in full in July 2010. KBM is now in the process of making an appeal to the Supervisory Board.

As KBM is working under a stable customs regime and exempted from the customs duty, the directors, based on the advice of the Group's legal advisers, believe that KBM has a valid defence against the Customs Duty Claim. Accordingly, no provision has been made.

HK$'000

21. OPERATING LEASE COMMITMENTS

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 2010 Unaudited	31 December 2009 Audited
Within one year	**25,581**	20,453
In the second to fifth years, inclusive	**37,608**	21,258
Beyond five years	**41,073**	55,042
	104,262	96,753

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	30 June 2010 Unaudited	31 December 2009 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**295,941**	491,680
Authorised, but not contracted for:		
Minimum work programme for the Karazhanbas oilfield	**359,484**	522,600
Land and buildings	**262,948**	199,460
Plant and machinery	**906,006**	184,200
	1,528,438	906,260
Falling due:		
Within one year	**748,080**	906,260
In the second year	**780,358**	—
	1,528,438	906,260

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

	30 June 2010 Unaudited	31 December 2009 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**4,410,737**	4,395,268
Authorised, but not contracted for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**—**	18,640

Save as aforesaid, at the end of the reporting period, the Group had no other significant commitment (31 December 2009: Nil).

Six months ended 30 June Unaudited HK$'000

23. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these Financial Statements, the Group had the following transactions with its related parties during the Period.

(a)

	Notes	**2010**	2009
Fellow subsidiaries:			
Sale of products	(i)	**761,478**	1,236,416
Interest expense	(ii)	**1,979**	3,496
Related companies of a non-controlling interest:			
Sale of products	(i)	**16,758**	14,495
Purchases of inventories	(iii)	**22,328**	8,615
Non-controlling interests:			
Sale of products	(i)	**1,195**	—
Purchase of items of property, plant and equipment	(iii)	**—**	1,227
Guarantee fee paid	(iv)	**529**	3,939
Service fee paid	(v)	**10,696**	—
Ultimate holding company:			
Interest expense	(vi)	**3,023**	6,216

Notes:

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

(ii) The interest expense was charged based on six-month LIBOR plus 1.70% p.a.

(iii) The purchases from the related companies of a non-controlling interest and the purchase from a non-controlling interest were made according to the published prices and conditions offered by such related companies or such non-controlling interest, as the case may be, to their independent customers.

(iv) The guarantee fee was determined based on 1.50% p.a. in respect of the bank borrowings of the Group which are guaranteed by a non-controlling interest.

(v) The service fee related to the provision of staff quarters and other facilities and related management services, the provision of mining services and mining construction services by non-controlling interests to the Group. The service fee was determined based on an actual cost reimbursement basis.

(vi) The interest expense was charged based on six-month LIBOR plus 1.50% p.a.

(b) During the Period, the Group has paid rental charges of HK$1,624,000 (2009: HK$1,393,000) to CITIC House Pty Limited, an indirect wholly-owned subsidiary of CITIC Group.

(c) During the Period, the Group has paid rental charges of HK$1,040,000 (2009: HK$672,000) to CITIC Group.

(d) Compensation of key management personnel of the Group: The directors of the Company are the key management personnel of the Group.

The above (a) to (c) related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

24. EVENTS AFTER THE REPORTING PERIOD

(a) On 23 July 2010, CDH submitted a further advance booking form for an application for the listing of, and permission to deal in, its shares on the Main Board of The Stock Exchange of Hong Kong Limited (for the purposes of this section defined as the "**Proposed Spin-off**"). The Proposed Spin-off, if it proceeds, is expected to constitute a major transaction of the Company under the Listing Rules and require the approval of shareholders of the Company. Details of the Proposed Spin-off are set out in the announcement of the Company dated 23 July 2010.

(b) On 22 December 2009, the Company announced an agreement to dispose of its 7% interest in the CMJV to Macarthur Coal Limited ("**Macarthur Coal**") and to terminate the Coppabella and Moorvale Marketing Agreement (together, the "**Coppabella Transaction**"). Completion of the Coppabella Transaction was subject to a number of conditions precedent, including the waiver of the pre-emptive rights of the CMJV participants (other than Macarthur Coal) to acquire the Group's 7% interest in the CMJV (the "**Waiver**"). As the Waiver has not been forthcoming, the Group and Macarthur Coal agreed to terminate the Coppabella Transaction on 26 July 2010. Details of the termination of the Coppabella Transaction are set out in the announcement of the Company dated 26 July 2010.

(c) On 2 August 2010, Highkeen Resources Limited, an indirect wholly-owned subsidiary of the Company, and Apexhill Investments Limited, an indirect wholly-owned subsidiary of CITIC Group, agreed to further capitalise certain of their shareholder loans advanced to CDH, in the aggregate principal amount of HK$84,600,000, by receiving in satisfaction of the repayment of such loans 258,320 new shares and 64,580 new shares respectively issued by CDH at an issue price of HK$262 per share.

Pursuant to the Listing Rules, the capitalisation of these shareholder loans constitutes connected transactions of the Company. Details of the capitalisation of the additional shareholder loans are set out in the announcement of the Company dated 2 August 2010.

(d) On 12 August 2010, Guinan Dameng International Resources Limited ("**Guangxi Dameng BVI**") entered into a subscription agreement with CDH, pursuant to which, Guangxi Dameng BVI will subscribe for, and CDH will allot and issue, 1,460,535 new shares at the aggregate subscription price of the Hong Kong dollar equivalent of RMB463,280,000 (HK$532,772,000) plus HK$16,995,000 (for the purposes of this section defined as the "**CDH Subscription**").

Also on 12 August 2010, CITIC Dameng Investments Limited ("**CDI**") entered into an acquisition agreement pursuant to which CDI agreed to acquire a 34.5% interest in the equity of 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**") owned by 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industry Co., Ltd.) at a consideration of RMB463,280,000 (HK$532,772,000) (for the purposes of this section defined as the "**JVCo Interest Acquisition**"). Assuming completion of the JVCo Interest Acquisition, CDI will hold 100% of the equity of the CITIC Dameng JV and CITIC Dameng JV will become an indirect wholly-owned subsidiary of CDH and a PRC wholly foreign owned enterprise.

Pursuant to the Listing Rules, each of the CDH Subscription and the JVCo Interest Acquisition constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. Details of the CDH Subscription and the JVCo Interest Acquisition are set out in the announcement of the Company dated 12 August 2010 and the circular of the Company dated 26 August 2010.

24. EVENTS AFTER THE REPORTING PERIOD (continued)

(e) On 24 August 2010, the Group agreed to participate in the Institutional Placement (as defined below).

Macarthur Coal is seeking to raise A$438,700,000 (HK$3,040,191,000) via a fully underwritten placement of 38.15 million new ordinary shares of Macarthur Coal ("**Macarthur Coal Shares**"), being equal to 15% of the Macarthur Coal Shares in issue, at A$11.5 per new Macarthur Coal Share (the "**Institutional Placement**"). The proceeds of the Institutional Placement will be used to fund:

(i) as to A$334,350,000 (HK$2,317,046,000), the acquisition of a 90% interest in MDL162, a mining tenement located in the Bowen Basin, Australia;

(ii) as to A$25,650,000 (HK$177,755,000), further exploration of MDL162 and a bankable feasibility study; and

(iii) as to the balance, working capital for Macarthur Coal's exploration and evaluation programme.

The number of new Macarthur Coal Shares to be allotted to the Group will be fixed on 30 August 2010. Settlement of the Institutional Placement is scheduled to take place on 30 August 2010 with anticipated quotation and trading of the new Macarthur Coal Shares on the Australian Securities Exchange on 31 August 2010.

Business Review and Outlook

REVIEW

As improvements in the global financial markets and major economies continue aided by stimulation policies implemented by governments in the People's Republic of China (the "**PRC**"), Europe and the United States, the Company has seen a concurrent improvement and stabilisation in energy and commodities prices which has benefited the Group. During the Period, energy and commodities prices have traded in a narrower price range and have been significantly less volatile than during the same period in 2009. This has alleviated to some extent the negative effects and ensuing uncertainty in energy and commodities prices brought about by the global financial crisis in 2008 that continued into 2009.

More favourable market and operating conditions and the Group's efforts to reduce costs have enabled the Group to achieve a turnaround in performance and record a profit attributable to shareholders for the Period. Importantly, each business segment of the Group was able to generate profitable segment results.

Crude oil

Oil exploration and production continues to be the largest business segment and contributor of the Group. Oil prices have recovered gradually from their lows in 2009. The average Brent crude oil price per barrel in 1H 2009, 2H 2009 and 1H 2010 was US$52, US$72 and US$78 respectively.

The Group has been able to achieve a 55% increase in the average selling prices of oil produced from the Karazhanbas oilfield in the Period when compared to selling prices for the corresponding period in 2009. The continued deployment of cyclic steam stimulation and steam flooding in the Karazhanbas oilfield is enabling the Group to produce oil at more efficient and sustainable rates that has assisted in promoting an improved production outlook for the Karazhanbas oilfield.

The performance from the Group's interest in the Seram Island Non-Bula Block still lagged the Group's projections. The Group continues to carry out necessary repairs to existing wells where production has fallen as a result of their natural decline.

The Group has moved on to the final stage of preparation for oil production from the Yuedong oilfield in the Hainan-Yuedong Block. Approval of the environmental impact assessment was obtained in 2Q 2010 and governmental approval of the overall development plan was recently granted in August 2010. Pilot production will now commence as soon as possible.

The principal and long-term objective of the Group is to strive for a continual increase in production capacity from the Group's oil interests. The Group is committed to improving oil production and adopting cost cutting measures in order to maximise investment returns from its oil business.

Manganese

With demand for steel products growing prompting a recovery in steel markets, the Group's manganese business was able to achieve a comparatively improved performance during the Period.

The Group continues to work on the potential spin-off of its manganese business (the "**Proposed Spin-off**") through a separate listing of CITIC Dameng Holdings Limited ("**CDH**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Recently, CDH submitted its renewed listing application to the Stock Exchange and the Proposed Spin-off remains subject to, among other things, the approval of the Listing Committee of the Stock Exchange and shareholders of the Company.

Import and export of commodities

Notable contributions in the Group's import and export of commodities business has been generated from the export of iron ore, aluminium ingots, alumina and coal. Demand from the PRC grew significantly and commodities prices rebounded from the low prices seen in 2009. Average selling prices of the Group's exported products jumped more than 30% on a year-on-year basis. As a result, the export business was able to generate larger profit margins which helped improve its overall profitability. It is expected that the steady economic growth of the PRC will help the import and export of commodities business of the Group sustain its operating momentum.

Coal

Demand for low volatile pulverised coal injection coal ("**LV PCI coal**") was strong compared to the same period in the preceding year. Macarthur Coal Limited ("**Macarthur Coal**"), in which the Group holds a 17.01% interest, recorded strong underlying sales for its financial year ended 30 June 2010. As steel production in the PRC is expected to continue to rise in 2010, the outlook for demand for LV PCI coal going forward remains positive.

With the Group and Macarthur Coal agreeing to cancel the transfer of the Group's 7% interest in the Coppabella and Moorvale coal mines joint venture (the "**CMJV**") to Macarthur Coal, the Group continues to hold a direct interest in the CMJV and the right to market all coal produced by the CMJV to, among others, Chinese customers in the PRC. Also, there was no change in the Group's interest in Macarthur Coal of 17.01% during the Period as a result.

Aluminium smelting

After experiencing its first ever loss in 1H 2009, the very difficult operating conditions which the Group's aluminium smelting operations had faced seem to have passed and selling prices of aluminium have recovered to a level that has enabled the Group to record a net profit again during the Period. Cost cutting measures have proved to be effective in reducing costs and contributing to greater profit margins.

OUTLOOK

Governments of leading nations continue to implement policies to promote economic and financial improvements and to stimulate and enhance confidence in consumers, investors and other market participants. Energy and commodities prices have returned to reasonable levels with demand having improved and stabilised. Set against this background, the Group is committed to achieving its long-term objective by improving overall oil production and will seek commencing oil production at the Yuedong oilfield during 3Q 2010.

In addition to fostering organic growth, the Group will continue to review potential investment opportunities capable of enhancing the Group's asset portfolio to achieve and maximise long-term economic benefits for the Group and shareholders.

Financial Review

GROUP'S FINANCIAL RESULTS:

HK$'000

Operating results and ratios

	Six months ended 30 June 2010 Unaudited	2009 Unaudited	Increase
Revenue	**14,207,162**	8,798,721	61.5%
Gross profit	**1,415,585**	762,935	85.5%
EBITDA [1]	**1,316,692**	732,450	79.8%
Profit/(loss) attributable to shareholders	**167,528**	(307,307)	N/A
Earnings/(loss) per share (Basic)	**HK 2.77 cents**	HK (5.08) cents	N/A
Gross profit margin [2]	**10.0%**	8.7%	
Inventory turnover [3]	**9.1 times**	5.7 times	

Financial position and ratios

	30 June 2010 Unaudited	31 December 2009 Audited	Increase/ (decrease)
Cash and bank balances	**4,923,052**	4,480,336	9.9%
Total assets	**30,140,046**	29,531,600	2.1%
Bank and other borrowings	**7,783,147**	6,968,770	11.7%
Finance lease payables	**59,146**	66,640	(11.2%)
Bond obligations	**7,626,355**	7,614,842	0.2%
Equity attributable to shareholders	**8,432,188**	8,434,708	—
Current ratio [4]	**2.1 times**	2.2 times	
Gearing ratio [5]	**183.4%**	173.7%	
Net gearing ratio [6]	**125.1%**	120.6%	

1 profit/(loss) before tax + finance costs + depreciation + amortisation
2 gross profit / revenue x 100%
3 cost of sales / [(opening inventories + closing inventories) / 2]
4 current assets / current liabilities
5 (bank and other borrowings + finance lease payables + bond obligations) / equity attributable to shareholders x 100%
6 (bank and other borrowings + finance lease payables + bond obligations – cash and bank balances) / equity attributable to shareholders x 100%

With global economic conditions recovering from 2Q 2009, energy and commodities prices began to recover and the Group's businesses gradually improved in 2H 2009 and onwards. The pressure on the prices has been easing which improves the prospects of the Group's businesses. During the Period, energy and commodities prices have traded in a narrower price range and have been significantly less volatile than during the same period in 2009.

More favourable market and operating conditions and the Group's efforts to reduce costs have enabled the Group to achieve a turnaround in performance and record a profit attributable to shareholders for the Period.

The following is a comparison of the results of each business segment during the Period with their corresponding results in 2009.

ALUMINIUM SMELTING

- Revenue ▲ 11%
  Net profit after tax (from ordinary activities) N/A (2009: net loss)

  After experiencing its first ever loss in 1H 2009, the very difficult operating conditions which the Group's aluminium smelting operations had faced seem to have passed and selling prices of aluminium have recovered to a level that has enabled the Group to record a net profit again during the Period.

  A curtailment program was implemented in 3Q 2009 to reduce production by 15% which also targeted a similar reduction in production costs.

- Increase in revenue was mainly due to rising selling prices of aluminium. Following improvements in the global economy, selling prices for aluminium gradually picked up from 3Q 2009 onwards. When compared to 1H 2009, the average selling price in US dollars during 2H 2009 and 1H 2010 increased 35% and 54% respectively.

  There was, however, a drop in sales volume by 16% as a result of the curtailment program.

  The Australian dollar grew quite sharply from 1H 2009 until the end of the Period. Improvements in revenue were helped by the favourable exchange rates between the appreciating Australian dollar and the Hong Kong dollar (as a presentation currency of these Financial Statements) which contributed to an increase of about 11% as compared to 1H 2009.

- Cost cutting measures have proved to be effective in reducing costs and contributing to greater profit margins. Due to rising selling prices and reducing costs, both gross profit margin and net profit margin improved significantly in 1H 2010 when compared to those in 1H 2009.

  As the aluminium smelting business is a net US dollar denominated asset, the lower value of the Australian dollar as at 30 June 2010 compared to that as at 31 December 2009 resulted in an exchange gain of HK$8.7 million (2009: loss of HK$16.9 million).

- There was no gain or loss (2009: gain of HK$9.2 million which was included in revenue) arising from the revaluation of "embedded derivatives" in the Period.

  In accordance with Hong Kong Financial Reporting Standards, a component of an electricity supply agreement (the "**ESA**") which is linked to the market price of aluminium is considered a financial instrument embedded in the ESA. Such embedded derivatives need to be marked to market at the end of each reporting period based on future aluminium prices. On 30 June 2010, the aluminium price forward curve was similar to that on 31 December 2009 and therefore, no unrealized gain or loss was recorded in the consolidated income statement.

  Such evaluation has no cash flow consequences for operations but introduces volatility into the consolidated income statement.

- As the ESA expires in 2016, a new base load electricity contract (the "**EHA**") was signed on 1 March 2010 with Loy Yang Power to secure the supply of electricity to the Portland Aluminium Smelter from 2016 to 2036. The pricing mechanism used in the EHA includes a component that is subject to certain escalation factors which, in turn, are affected by the consumer price index, producer price index and labour costs.

COAL

- Revenue ▲ 17%
  Net profit after tax (from ordinary activities) ▲ 33%

  Share of profit of an associate ▲ 41%

- Increase in revenue was mainly due to increases in both selling prices of coal and sales volume compared to 1H 2009. The increases are attributable to improved economic conditions during the Period. The average selling price in Australian dollars and sales volume rose 7% and 8% respectively when compared to 1H 2009.

  Effective April 2010, coal prices for long term contracts are fixed on a quarterly basis instead of on an annual basis. Selling prices for coal increased sharply in May 2010 and remained at higher levels afterwards.

  Demand for LV PCI coal was strong compared to 1H 2009. Sales to traditional customers were stable and spot sales to non-traditional customers such as Chinese customers in the PRC continued to increase as the PRC imported coal from Australia to satisfy a shortfall.

  Improvements in both revenue and net profit were helped by the favourable exchange rates between the appreciating Australian dollar and the Hong Kong dollar (as a presentation currency of these Financial Statements) which contributed to an increase of about 12% and 13% respectively as compared to 1H 2009.

- Production costs such as mine management costs and royalty rates fell in 1H 2010 compared to 1H 2009.

  The lower value of the Australian dollar as at 30 June 2010 compared to that as at 31 December 2009 resulted in an exchange gain of HK$11.7 million (2009: loss of HK$22.3 million).

- The Group's shareholding in Macarthur Coal, listed on the Australian Securities Exchange (the "**ASX**"), is 17.01%. The Group is the largest shareholder of Macarthur Coal.

  Macarthur Coal recorded strong underlying sales for its financial year ended 30 June 2010. The share of profit attributable to the Group's interest in Macarthur Coal for the Period was HK$60.4 million (2009: HK$42.8 million) and included in "Share of profit of an associate" in the consolidated income statement.

- In December 2009, the Company announced an agreement to dispose of its 7% interest in the CMJV to Macarthur Coal and to terminate the Coppabella and Moorvale Marketing Agreement (together, the "**Coppabella Transaction**"). Completion of the Coppabella Transaction was subject to a number of conditions precedent, including the waiver of the pre-emptive rights of the CMJV participants (other than Macarthur Coal) to acquire the Group's 7% interest in the CMJV (the "**Waiver**"). Details of the Coppabella Transaction are set out in the announcement of the Company dated 22 December 2009.

  As the Waiver had not been forthcoming, the Group and Macarthur Coal agreed to terminate the Coppabella Transaction in July 2010. Following termination of the Coppabella Transaction, the Group continues to hold a direct interest in the CMJV and the right to market all coal produced by the CMJV to, among others, Chinese customers in the PRC. Also, there was no change in the Group's interest in Macarthur Coal of 17.01% during the Period as a result. Macarthur Coal currently owns 73.3% of the CMJV. Details of the termination of the Coppabella Transaction are set out in the announcement of the Company dated 26 July 2010.

- In the announcement made by Macarthur Coal on 22 December 2009, it was proposed that Macarthur Coal exercise a takeover (the "**Gloucester Transaction**") of Gloucester Coal Ltd. ("**Gloucester**"), also listed on the ASX, and acquire a 25.34% interest (the "**Noble Transaction**") in Middlemount Coal Pty Ltd. ("**Middlemount**") from Noble Group Limited ("**Noble**"). Noble is the major shareholder of Gloucester with an 87.7% stake.

  The Noble Transaction was conditional on the Gloucester Transaction becoming unconditional. The Gloucester Transaction and the Noble Transaction would see Macarthur Coal take 100% ownership of Gloucester and Middlemount. In April 2010, the Gloucester Transaction was not approved by Noble's shareholders. Therefore, the Gloucester Transaction and the Noble Transaction were terminated.

IMPORT AND EXPORT OF COMMODITIES

- Revenue ▲ 73%
  Net profit after tax (from ordinary activities) ▲ 225%

  During the Period, CITIC Australia Trading Limited ("**CATL**"), which conducts the Group's import and export of commodities business, has been able to continue to expand its export business in the PRC. Demand from the PRC grew significantly and commodities prices rebounded from the low prices seen in 2009. Through its broad selling channels, CATL recorded a significant increase in its profit for the Period.

- Exported products include iron ore, aluminium ingots, alumina and coal sourced from Australia and other countries to the PRC.

  There was a significant growth in exports revenue, attributable to an increase in both selling prices and sales volumes. All of the exported products enjoyed increased selling prices while individual products experienced a drop in sales volume. Average selling prices of exported products jumped more than 30% as compared to 1H 2009. As a result, the export business was able to generate larger profit margins which helped improve its overall profitability.

  Iron ore exports to steel mills in the PRC experienced a slight decrease in sales volume as compared to 1H 2009. However, the shortfall was fully compensated by a significant increase in selling prices. Export iron ore is primarily sourced from the Koolan Island project of Mount Gibson Iron Limited under a long term off-take contract and from India.

  Aluminium ingot exports recorded a substantial increase in sales volume as compared to 1H 2009 as a shortage of supply in the PRC helped increase demand. However, alumina exports slowed down during the Period.

  As a number of small domestic coal mines were shut down in 2009, the PRC began to import sizable shipments of thermal and metallurgical coal from Australia due to their quality and competitive price. Since its maiden shipment of coal to the PRC in July 2009, CATL has experienced a rapid growth in coal exports.

- Imported products include steel and batteries from the PRC and other Asian countries into Australia.

  The imports division showed an improvement in both revenue and net profit during the Period.

- Improvements in both revenue and net profit were helped by the favourable exchange rates between the appreciating Australian dollar and the Hong Kong dollar (as a presentation currency of these Financial Statements) which contributed to an increase of about 17% and 32% respectively as compared to 1H 2009.

MANGANESE

- Revenue ▲ 39%
  Net profit after tax (from ordinary activities) ▲ 33% (non-controlling interests already deducted)

  The demand for manganese products has improved since 2H 2009 and prices have gradually increased. With demand for steel products growing prompting a recovery in steel markets, the Group's manganese business was able to achieve a comparatively improved performance during the Period.

- Increase in revenue was driven by higher selling prices and sales volume compared to 1H 2009.

  As the change in product emphasis generated higher profits, most of the manganese ore produced is now used for downstream processing and producing manganese products, including electrolytic manganese metal, silicomanganese alloy and high carbon ferrochromium (the "**Dameng Products**"). During the Period, the average selling prices of the Dameng Products experienced a significant increase of more than 17% compared to their average selling prices in 1H 2009. Sales volume of electrolytic manganese metal increased 30% when compared to 1H 2009.

  Demand for steel products in the PRC improved and the steel prices remained relatively stable during the Period. To improve performance, the Group has placed considerable effort in expanding its market share in the PRC and to focus on the sale of the Dameng Products. As a result, during the Period, domestic sales and sales of the Dameng Products in the domestic market accounted for 92% and 71% of the total revenue respectively.

- There was a substantial rise in direct costs, such as raw materials, electricity and labour costs, which exerted pressure on margins. Gross profit margins suffered a decrease of about 3%.

  The net profit for the Period was also affected by a significant increase in selling and distribution costs. 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) ("**CITIC Dameng JV**") continues to enforce stringent control over the unit's consumption and conservation activities.

- The infrastructure and civil works, including the on-site construction and the construction of the transportation system, continue at the manganese mine in Gabon, West Africa. It is expected that mining and ore processing operations in Gabon will commence at the end of 2010.

- In June 2010, Highkeen Resources Limited ("**Highkeen**") and Apexhill Investments Limited ("**Apexhill**") agreed to capitalise, on a pro rata basis, certain of their shareholder loans (the "**Shareholder Loans**") advanced to CDH. At the same time, the Company and Apexhill agreed to assign to CDH, on a pro rata basis, their interests, rights and benefits in certain loans (the "**2009 Loans**") due from CITIC Dameng Investments Limited ("**CDI**"). Highkeen (itself and on behalf of the Company) and Apexhill received new shares in CDH in satisfaction of the repayment and assignment of such loans.

  CDH is currently owned as to 80% by Highkeen and as to 20% by Apexhill. Highkeen is an indirect wholly-owned subsidiary of the Company. CDI is a wholly-owned subsidiary of CDH.

  The Shareholder Loans were originally advanced to CDH in 2005 to finance CDH's investment in CITIC Dameng JV through CDI. The 2009 Loans were used by CDI to finance an increase in its equity interest in CITIC Dameng JV in 2009.

  The issue of new shares by CDH in respect of the capitalisation of the Shareholder Loans and assignment of the 2009 Loans will enlarge the capital base of CDH and reduce its gearing, thereby strengthening its financial position. Details of the capitalisation of the Shareholder Loans and assignment of the 2009 Loans are set out in the announcement of the Company dated 2 July 2010.

- The Group continues to work on the Proposed Spin-off through a separate listing of CDH on the Main Board of the Stock Exchange. In July 2010, CDH submitted its renewed listing application to the Stock Exchange and the Proposed Spin-off remains subject to, among other things, the approval of the Listing Committee of the Stock Exchange and shareholders of the Company. Details of the Proposed Spin-off are set out in the announcement of the Company dated 23 July 2010.

- In August 2010, Highkeen and Apexhill agreed to further capitalise, also on a pro rata basis, additional shareholder loans (the "**Additional Shareholder Loans**") advanced by them to CDH by receiving new shares in CDH in satisfaction of the repayment of such loans.

  The Additional Shareholder Loans were originally advanced to CDH to finance CDH's investment in CITIC Dameng JV through CDI.

  Details of the capitalisation of the Additional Shareholder Loans are set out in the announcement of the Company dated 2 August 2010.

- In August 2010, the Company announced that for the purposes of the Proposed Spin-off, CDH and its subsidiaries would undergo a reorganization which will, upon completion, result in (a) 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industry Co., Ltd.) ("**Guangxi Dameng**"), through Guinan Dameng International Resources Limited ("**Guangxi Dameng BVI**"), its indirect wholly-owned subsidiary, subscribing for and holding new shares in CDH equivalent to, before completion of the Proposed Spin-off, 34.5% of the issued shares of CDH (for the purposes of this section defined as the "**CDH Subscription**"), and (b) Guangxi Dameng transferring its 34.5% equity interest in CITIC Dameng JV to CDI so that CDI will hold 100% of the equity of CITIC Dameng JV and CITIC Dameng JV being converted into a PRC wholly foreign owned enterprise (for the purposes of this section defined as the "**JVCo Interest Acquisition**"). The CDH Subscription and the JVCo Interest Acquisition are not only steps for the Proposed Spin-off but also an internal reorganisation of the Group which will achieve an improved operational structure.

  CDH is currently owned as to 80% by Highkeen and 20% by Apexhill. Following the completion of the CDH Subscription, CDH will be owned as to 52.4%, 13.1% and 34.5% by Highkeen, Apexhill and Guangxi Dameng BVI respectively.

  CITIC Dameng JV is currently owned as to 65.5% by CDI and as to 34.5% by Guangxi Dameng. Following the completion of the JVCo Interest Acquisition, CITIC Dameng JV will be wholly-owned by CDI which, in turn, is wholly-owned by CDH. The effective interest of the Group, Apexhill and Guangxi Demeng in CITIC Dameng JV will remain unchanged after the completion of the CDH Subscription and the JVCo Interest Acquisition.

  The CDH Subscription and the JVCo Interest Acquisition remain subject to the satisfaction of certain conditions. Details of the CDH Subscription and the JVCo Interest Acquisition are set out in the announcement of the Company dated 12 August 2010 and the circular of the Company dated 26 August 2010.

CRUDE OIL (THE SERAM ISLAND NON-BULA BLOCK, INDONESIA)

- CITIC Seram Energy Limited ("**CITIC Seram**"), an indirect wholly-owned subsidiary of the Company, owns a 51% participating interest in the production sharing contract (the "**Seram Interest**") relating to the Seram Island Non-Bula Block, Indonesia (the "**Seram Non-Bula Block**"), of which CITIC Seram is the operator.

  As at 31 December 2009, the Seram Non-Bula Block had estimated proved oil reserves of 8.7 million barrels.

- During the Period, the contribution of CITIC Seram to the Group was as follows:

Revenue	HK$ 91.3 million	▲ 88%
Segment results: loss	(HK$ 2.5 million)	▼ 94%
Net profit after tax (from ordinary activities)		N/A (2009: net loss)

  Though there was a significant improvement during the Period, the performance from the Seram Interest still lagged the Group's projections.

- The following table shows the performance of the Seram Interest for the Period and 1H 2009:

		1H 2010 (51%)	1H 2009 (51%)	Change
Sales volume	(barrels)	**170,000**	162,000	▲ 5%
Revenue	(HK$ million)	**91.3**	48.6	▲ 88%
Total production	(barrels)	**185,000**	223,000	▼ 17%
Daily production	(barrels)	**1,020**	1,230	▼ 17%

  Increase in revenue was driven by an increase in selling prices of oil compared to 1H 2009.

- To control the operation costs at the optimal level and maintain steady output from existing wells, the Group enhanced the well management system and executed preventive maintenance so that the temporary shut-down time of production wells for normal maintenance and workover was minimised.

- The Group continues to carry out necessary repairs to existing wells where production has fallen as a result of their natural decline.

  A new drilling technology was deployed in the two exploration wells in the area of Nief Utara A and East Nief. The well in Nief Utara A was put into production recently after acid fracturing was further performed on it. However, the performance of this well fell short of the Group's expectation. The well in East Nief is being tested, following the recent deployment of acid fracturing, to determine if commercial production can commence in this well.

  In 1H 2010, all seismic studies were finished following the completion of the 3D seismic inversion studies which were required to support the drilling activities. Two development wells will be drilled in the Oseil area in 2H 2010.

CRUDE OIL (THE HAINAN-YUEDONG BLOCK, THE PRC)

- CITIC Haiyue Energy Limited, an indirect wholly-owned subsidiary of the Company, owns a 90% interest in Tincy Group Energy Resources Limited ("**Tincy Group**").

  Pursuant to a petroleum contract entered into with China National Petroleum Corporation ("**CNPC**") in February 2004 as supplemented by an agreement signed in May 2010, Tincy Group holds the right to explore, develop and produce petroleum from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the PRC (the "**Hainan-Yuedong Block**") until 2034. Tincy Group is the operator of the Hainan-Yuedong Block in cooperation with CNPC.

  As at 31 December 2009, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved undeveloped oil reserves of 11.8 million barrels.

- Approval of the environmental impact assessment was obtained in 2Q 2010 and governmental approval of the overall development plan of the Yuedong oilfield was recently granted in August 2010. Pilot production will now commence as soon as possible.

- The first artificial island ("**Platform A**") is now equipped with oil extraction capability. In May 2010, the power supply system, which supplies electricity to the pilot testing area on Platform A, was completed.

  In 2009, drilling of ten wells was completed. During the Period, six wells were drilled. It is expected that in 2H 2010, drilling of 13 more wells will be completed and pilot production will commence from a total of 15 wells.

- The construction of three other artificial islands will start in 3Q 2010. The construction of production facilities on these new artificial islands is tentatively scheduled to complete by the end of 2013 and thereafter full production will begin.

- Capital expenditure will be further required in respect of the coming construction which will result in a decrease in net cash flows of the Group until full production begins in the Yuedong oilfield.

CRUDE OIL (THE KARAZHANBAS OILFIELD, KAZAKHSTAN)

- CITIC Oil & Gas Holdings Limited ("**CITIC Oil & Gas**"), an indirect wholly-owned subsidiary of the Company, owns the **Kazakhstan Interests** which mainly comprise 50% of the issued voting shares of JSC Karazhanbasmunai ("**KBM**") (which represents 47.3% of the total issued shares of KBM). JSC KazMunaiGas Exploration Production ("**KMG EP**") holds an identical interest in KBM. The Group and KMG EP manage and operate KBM jointly.

  KBM is engaged in the development, production and sale of oil and holds the right to explore, develop, produce and sell oil from the Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan (the "**Karazhanbas oilfield**") until 2020.

  As at 31 December 2009, the Karazhanbas oilfield had estimated proved oil reserves of 341.5 million barrels.

- During the Period, the contribution of CITIC Oil & Gas to the Group was as follows:

Revenue	HK$1,631.6 million	▲ 50%
Segment results	HK$ 310.6 million	▲ 1,675%
Net profit after tax (from ordinary activities)		N/A (2009: net loss)
		(non-controlling interests already deducted)

- The following table shows the performance of the Kazakhstan Interests for the Period and 1H 2009:

		1H 2010 (50%)	1H 2009 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**75.9**	50.6	▲ 50%
Dated Brent crude oil	(US$ per barrel)	**77.5**	51.8	▲ 50%
Average crude oil realised price	(US$ per barrel)	**70.1**	45.2	▲ 55%
Sales volume	(barrels)	**2,996,000**	3,117,000	▼ 4%
Revenue	(HK$ million)	**1,631.6**	1,091.0	▲ 50%
Total production	(barrels)	**3,077,000**	3,111,000	▼ 1%
Daily production	(barrels)	**17,000**	17,200	▼ 1%

Increase in revenue was due to a significant increase in oil prices of 55% when compared to 1H 2009.

Production was stable in 1H 2010 when compared to 1H 2009. The continued deployment of cyclic steam stimulation and steam flooding is enabling the Group to produce oil at more efficient and sustainable rates that has assisted in promoting an improved production outlook for the Karazhanbas oilfield.

There was, however, a drop in sales volume in 1H 2010 due to snowy weather particularly in February 2010. The oil inventory as at 30 June 2010 was thus higher than that as at 30 June 2009.

- Following the implementation of new tax codes in Kazakhstan on 1 January 2009, the overall tax payable by the Karazhanbas oilfield increased.

The new mineral extraction tax (the "**MET**") is based on production and treated as a cost of sales. It therefore has a negative impact on both segment results and net profit. Due to the higher oil prices, an increased amount of the MET was charged under the cost of sales during the Period. As a result, the cost of sales increased by 22% as compared to 1H 2009.

The new rent tax is charged on export revenue and treated as selling costs. Consequently, selling and distribution costs increased by 105% as compared to 1H 2009.

During the Period, Tenge, the official currency of Kazakhstan, stayed stable when compared to early 2009. As a result, there was no particular impact to KBM's accounts (of which the Tenge is the functional currency), including that which may arise from its US dollar denominated bank loan as at 30 June 2010. A non-cash net exchange loss of HK$115.3 million was charged under other expenses in 1H 2009 to reflect the Group's share of the impact from the devaluation of the Tenge that occurred in early 2009.

During the Period, average lifting cost (excluding depreciation, depletion and amortisation; MET and provision for inventories) increased to US$14.5 per barrel (2009: US$13.7 per barrel). The increase was mainly due to increases in salaries and wages and water supply.

- Corporate tax rates applicable to the Kazakhstan Interests will be 20% in 2010 to 2012, 17.5% in 2013 and 15% in 2014 and onwards. The calculation methodology on excess profit tax is based on annual profitability. These two changes have a positive effect on the Group's tax liabilities.

Liquidity, Financial Resources and Capital Structure

CASH

As at 30 June 2010, the Group had a cash balance of HK$4,923.1 million.

BORROWINGS

As at 30 June 2010, the Group had outstanding borrowings of HK$15,468.6 million, which comprised:

- secured bank loans of HK$803.2 million;
- unsecured bank loans of HK$6,374.4 million;
- unsecured other loans of HK$605.5 million;
- finance lease payables of HK$59.1 million; and
- bond obligations of HK$7,626.4 million.

The secured bank loans were secured by the Group's 22.5% participating interest in the Portland Aluminium Smelter joint venture; property, plant and equipment, and prepaid land lease premiums of CITIC Dameng JV; and guaranteed by a subsidiary of the Group. The bank trade finance facilities available to CATL are guaranteed by CITIC Resources Australia Pty Limited.

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

In January 2008, the Company, as borrower, entered into a facility agreement with a syndicate of financial institutions as lenders in respect of an unsecured 5-year term loan facility of US$280 million (HK$2,184 million) (the "**Loan**"). The proceeds of the Loan were utilised for general corporate funding requirements of the Company.

Further details of the bank and other borrowings are set out in note 16 to these Financial Statements.

In 2009, the CMJV leased certain plant and equipment for its coal mine operation. The leases are classified as finance leases. Further details of the finance lease payables are set out in note 17 to these Financial Statements.

The bond obligations represent the issue of US$1,000,000,000 6.75% senior notes due 2014 (the "**Notes**") by CITIC Resources Finance (2007) Limited ("**CR Finance**"), a direct wholly-owned subsidiary of the Company. The Notes were issued in May 2007. The obligations of CR Finance under the Notes are guaranteed by the Company. The net proceeds of the Notes were used by the Group to facilitate the acquisition of the Kazakhstan Interests and for general working capital requirements. Further details of the bond obligations are set out in note 18 to these Financial Statements.

As at 30 June 2010, the gearing ratio and net gearing ratio of the Group were 183% and 125% (31 December 2009: 174% and 121%) respectively. Of the total outstanding borrowings, HK$2,687.2 million was repayable within one year, the majority of which being of a periodic renewal nature.

SHARE CAPITAL

There was no movement in the share capital of the Group during the Period.

FINANCIAL RISK MANAGEMENT

The Group's diversified business is exposed to a variety of risks, such as market risks (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 proved effective.

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

NEW INVESTMENT

There was no investment concluded during the Period.

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.

Employees and Remuneration Policies

As at 30 June 2010, the Group had around 10,800 full time employees, including management and administrative staff. Most of the Group's employees are employed in the PRC, Kazakhstan and Indonesia while the others are employed in Australia, Gabon and Hong Kong.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance. Rent-free quarters are provided to some employees in Kazakhstan, Indonesia and Gabon.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The Group operates the following contribution retirement benefit schemes for its employees:

(a) a defined scheme under the Pension Provisioning Law in Kazakhstan for those employees in Kazakhstan who are eligible to participate;
(b) a defined scheme under the Government Law No. 11/1992 of the Indonesian government for those employees in Indonesia who are eligible to participate;
(c) a defined scheme under the superannuation legislation of the Australian government for those employees in Australia who are eligible to participate; and
(d) a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate.

Contributions are made based on a percentage of the employees' basic salaries. The assets of the above schemes are held separately from those of the Group in independently administered funds. The Group's contributions as an employer vest fully with the employees when contributed into these schemes.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Code on Corporate Governance Practices

The Company has applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the deviation to paragraphs A.4.1 and E.1.2 of the CG Code as set out below.

Paragraph A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for specific terms. However, under the Company's bye-laws, one-third of the directors (including those appointed for a specific term) for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. 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 set out in paragraph A.4.1 of the CG Code.

Paragraph E.1.2 of the CG Code provides that the chairman of the Board should attend the annual general meeting. Mr. Kong Dan, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 June 2010 due to other important business engagements. In accordance with bye-law 63 of the bye-laws of the Company, the directors present elected Mr. Sun Xinguo, the president and chief executive officer of the Company, to chair the meeting.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct for dealings in securities of the Company by its directors (the "**Securities Dealings Code**") that is based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules (or on terms no less exacting than the Model Code).

All directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the Period.

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

As at 30 June 2010, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are as follows:

LONG POSITIONS 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	Number of underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Kong Dan	Directly beneficially owned	—	20,000,000	0.33
Mr. Mi Zengxin	Directly beneficially owned	—	10,000,000	0.17
Mr. Sun Xinguo	Directly beneficially owned	5,525,000	—	0.09
Ms. Li So Mui	Directly beneficially owned	224,000	2,000,000	0.04
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.17
Mr. Zhang Jijing	Family	28,000 (1)	—	—
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.17

Note:

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

LONG POSITIONS IN THE ORDINARY SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of director	Name of associated corporation	Shares/ equity derivatives	Number of shares/equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Tsang Link Carl, Brian	Dah Chong Hong Holdings Limited	Ordinary shares	18,000	Directly beneficially owned	—
Mr. Zhang Jijing	CITIC Pacific Limited	Share options	500,000	Directly beneficially owned	0.01

Save as disclosed herein and so far as is known to the directors, as at 30 June 2010, none of the directors or chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options during the Period:

Name and category of participant	Number of share options: At 1 January 2010	Granted during the Period	Exercised during the Period [(1)]	At 30 June 2010	Date of grant [(2)]	Exercise period [(3)]	Exercise price per share HK$
Directors of the Company							
Mr. Kong Dan	20,000,000	—	—	20,000,000	07-03-2007	07-03-2008 to 06-03-2012	3.065
Mr. Mi Zengxin	10,000,000	—	—	10,000,000	02-06-2005	02-06-2006 to 01-06-2013	1.077
Ms. Li So Mui	2,000,000	—	—	2,000,000	02-06-2005	02-06-2006 to 01-06-2013	1.077
Mr. Zeng Chen	5,000,000	—	—	5,000,000	02-06-2005	02-06-2006 to 01-06-2013	1.077
Mr. Zeng Chen	5,000,000	—	—	5,000,000	28-12-2005	28-12-2006 to 27-12-2013	1.057
Mr. Zhang Jijing	10,000,000	—	—	10,000,000	02-06-2005	02-06-2006 to 01-06-2013	1.077
	52,000,000	—	—	**52,000,000**			
Eligible participants	1,000,000	—	—	**1,000,000**	02-06-2005	02-06-2006 to 01-06-2013	1.077
	53,000,000	—	—	**53,000,000**			

Notes:

(1) No share option lapsed or was cancelled during the Period.

(2) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(3) At the special general meeting of the Company held on 5 May 2010, the extension of the exercise periods of the following share options by three years was approved:

	Total no. of share options	Date of grant	Original expiry date	New expiry date
(a)	28,000,000	02-06-2005	01-06-2010	01-06-2013
(b)	5,000,000	28-12-2005	27-12-2010	27-12-2013

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

As at 30 June 2010, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the directors, the persons or entities who had an interest or a short position in the shares or 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 are as follows:

THE COMPANY

Name of shareholder	Nature of interest	Number of ordinary shares of HK$0.05 each held as long positions	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	3,267,916,123 [(1)]	54.01
CITIC Projects Management (HK) Limited	Corporate	2,517,502,330 [(2)]	41.61
Keentech Group Limited	Corporate	2,517,502,330 [(3)]	41.61
CITIC Australia Pty Limited	Corporate	750,413,793 [(4)]	12.40
Temasek Holdings (Private) Limited	Corporate	693,776,341 [(5)]	11.47
Temasek Capital (Private) Limited	Corporate	443,267,500 [(6)]	7.33
Seletar Investments Pte. Ltd.	Corporate	443,267,500 [(7)]	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	443,267,500 [(8)]	7.33

Notes:

(1) The figure represents an attributable interest of CITIC Group through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**") and CITIC Australia Pty Limited ("**CA**"). CITIC Group is a company established 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 Temasek Holdings (Private) Limited ("**Temasek Holdings**") through its interest in Temasek Capital (Private) Limited ("**Temasek Capital**") and an indirect interest in Ellington Investments Pte. Ltd. ("**Ellington**"), which holds 250,508,841 shares representing 4.14% of the total issued share capital of the Company. Temasek Holdings is a company incorporated in Singapore. Ellington, a company incorporated in Singapore, is an indirect wholly-owned subsidiary of Temasek Holdings.

(6) The figure represents an attributable interest of Temasek Capital through its interest in Seletar Investments Pte. Ltd. ("**Seletar**"). Temasek Capital, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Holdings.

(7) The figure represents an attributable interest of Seletar through its interest in Baytree Investments (Mauritius) Pte. Ltd. ("**Baytree**"). Seletar, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Capital.

(8) Baytree, a company incorporated in Mauritius, is a direct wholly-owned subsidiary of Seletar.

Save as disclosed herein and so far as is known to the directors, as at 30 June 2010, 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 and no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Update on Director's Information

The following are changes in the information of the directors since the date of the 2009 annual report of the Company required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On 24 April 2010, Mr. Zhang Jijing, a non-executive director of the Company, was appointed an executive director and a vice president of CITIC Group.

Review of Accounts

The audit committee has reviewed these unaudited interim results with the senior management of the Company.

On behalf of the Board
Sun Xinguo
Chief Executive Officer

Hong Kong, 27 August 2010

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