Oil

Aluminium

Coal

Manganese

Import and Export of Commodities

2016 Interim Report 中期報告

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)

Stock Code 股份代號 : 1205

Oil

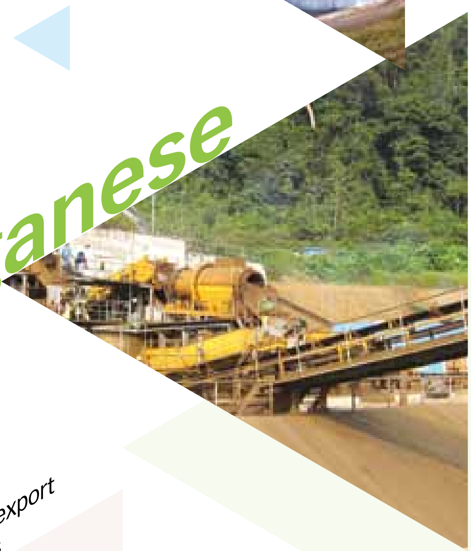
Major income driver with steady production and development in oilfields located in Kazakhstan, China and Indonesia.

Aluminium

A 22.5% participating interest in the Portland Aluminium Smelter joint venture, one of the largest and most efficient aluminium smelting operations in the world; and a 9.685% equity interest in Alumina Limited (ASX: AWC), one of Australia's leading companies with significant global interests in bauxite mining and alumina refining operations.

Coal

A 14% participating interest in the Coppabella and Moorvale coal mines joint venture (a major producer of low volatile pulverized coal injection coal in the international seaborne market) and interests in a number of coal exploration operations in Australia with significant resource potential.



Manganese

Single largest shareholder of CITIC Dameng Holdings Limited (SEHK: 1091), one of the largest vertically integrated manganese producers in the world.

Import and Export of Commodities

An import and export of commodities business, based on strong expertise and established marketing networks, with a focus on international trade.

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Other Information
其他資料

Corporate Information

Board of Directors

Executive Directors

Mr. Kwok Peter Viem *(Chairman)*
Mr. Suo Zhengang
(Vice Chairman and Chief Executive Officer)
Mr. Sun Yang *(Vice Chairman)*
Ms. Li So Mui

Non-executive Director

Mr. Ma Ting Hung

Independent Non-executive Directors

Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Look Andrew

Audit Committee

Mr. Fan Ren Da, Anthony *(Chairman)*
Mr. Gao Pei Ji
Mr. Look Andrew

Remuneration Committee

Mr. Gao Pei Ji *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Look Andrew
Mr. Suo Zhengang

Nomination Committee

Mr. Kwok Peter Viem *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji

Risk Management Committee

Mr. Look Andrew *(Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Gao Pei Ji
Mr. Kwok Peter Viem
Mr. Ma Ting Hung
Mr. Suo Zhengang

Company Secretary

Mr. Cha Johnathan Jen Wah

Registered Office

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2 Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

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		http://irasia.com/listco/hk/citicresources

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Stock Code : 1205

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Development Bank Corporation
DBS Bank Ltd.
Mizuho 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**") presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Period**").

Condensed Consolidated Income Statement

	Notes	2016	2015
REVENUE	4	**1,237,374**	2,140,727
Cost of sales		**(1,360,563)**	(2,076,651)
Gross profit/(loss)		**(123,189)**	64,076
Other income and gains	5	**363,633**	83,866
Selling and distribution costs		**(9,176)**	(11,468)
General and administrative expenses		**(138,141)**	(181,566)
Other expenses, net		**(28,212)**	(537,515)
Finance costs	6	**(131,093)**	(165,237)
Share of profit/(loss) of:			
An associate		**(42,823)**	(115,481)
A joint venture		**204,028**	(182,089)
PROFIT/(LOSS) BEFORE TAX	7	**95,027**	(1,045,414)
Income tax credit/(expense)	8	**(1,158)**	200,367
PROFIT/(LOSS) FOR THE PERIOD		**93,869**	(845,047)
ATTRIBUTABLE TO:			
Shareholders of the Company		**102,007**	(850,345)
Non-controlling interests		**(8,138)**	5,298
		93,869	(845,047)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	9	**HK cents**	HK cents
Basic		**1.30**	(10.81)
Diluted		**1.30**	(10.81)

Unaudited HK$'000

Condensed Consolidated Statement of Comprehensive Income

	2016	2015
PROFIT/(LOSS) FOR THE PERIOD	**93,869**	(845,047)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	**(391)**	(435)
Income tax effect	**117**	131
	(274)	(304)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**37,847**	104,804
Reclassification adjustment for losses included in the condensed consolidated income statement	**—**	14,872
Income tax effect	**(11,354)**	(36,114)
	26,493	83,562
Exchange differences on translation of foreign operations	**(145,723)**	(31,868)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(119,504)**	51,390
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(25,635)**	(793,657)
ATTRIBUTABLE TO:		
Shareholders of the Company	**(7,673)**	(799,226)
Non-controlling interests	**(17,962)**	5,569
	(25,635)	(793,657)

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 Unaudited	31 December 2015 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	11	**5,466,271**	5,988,583
Prepaid land lease payments		**17,763**	18,786
Goodwill		**24,682**	24,682
Other assets		**291,809**	270,149
Investment in an associate		**939,348**	994,020
Investment in a joint venture		**166,987**	—
Financial assets at fair value through profit or loss	12	**2,092,030**	1,835,713
Available-for-sale investment	13	**883**	1,274
Prepayments, deposits and other receivables	14	**98,912**	180,932
Deferred tax assets		**568,627**	580,885
Total non-current assets		**9,667,312**	9,895,024
CURRENT ASSETS			
Inventories	15	**722,750**	648,616
Trade receivables	16	**402,720**	482,950
Prepayments, deposits and other receivables	14	**1,582,377**	1,693,416
Financial assets at fair value through profit or loss	12	**3,029**	3,029
Derivative financial instruments	17	**2,008**	298
Other assets		**17,026**	42,996
Cash and cash equivalents		**1,229,332**	1,300,197
Total current assets		**3,959,242**	4,171,502
CURRENT LIABILITIES			
Accounts payable	18	**309,868**	449,818
Tax payable		**72**	853
Accrued liabilities and other payables		**226,091**	417,061
Derivative financial instruments	17	**36,556**	40,814
Bank borrowings	19	**3,687,775**	1,356,249
Finance lease payables	20	**13,010**	12,473
Provisions		**49,925**	45,285
Total current liabilities		**4,323,297**	2,322,553
NET CURRENT ASSETS/(LIABILITIES)		**(364,055)**	1,848,949
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,303,257**	11,743,973

HK$'000

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 Unaudited	31 December 2015 Audited
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,303,257**	11,743,973
NON-CURRENT LIABILITIES			
Bank borrowings	19	**4,070,556**	6,449,658
Finance lease payables	20	**19,566**	25,719
Derivative financial instruments	17	**832,629**	868,924
Provisions		**300,819**	294,354
Total non-current liabilities		**5,223,570**	7,638,655
NET ASSETS		**4,079,687**	4,105,318
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	21	**392,886**	392,886
Reserves		**3,766,826**	3,774,495
		4,159,712	4,167,381
Non-controlling interests		**(80,025)**	(62,063)
TOTAL EQUITY		**4,079,687**	4,105,318

Condensed Consolidated Statement of Changes in Equity

	Issued capital	Share premium account	Contributed surplus	Capital reserve	Exchange fluctuation reserve
At 31 December 2014 (audited) and 1 January 2015	393,426	9,721,915	72,688	(38,579)	(361,958)
Total comprehensive income/(loss) for the period	—	—	—	—	(32,139)
Equity-settled share option arrangements	—	—	—	—	—
Share of other reserve movements of an associate	—	—	—	—	—
Release upon deemed disposal of partial interest in an associate	—	—	(652)	—	—
At 30 June 2015 (unaudited)	393,426	9,721,915	72,036	(38,579)	(394,097)
At 31 December 2015 (audited) and 1 January 2016	**392,886**	**9,706,852**	**71,902**	**(38,579)**	**(848,096)**
Total comprehensive income/(loss) for the Period	**—**	**—**	**—**	**—**	**(135,899)**
Share of other reserve movements of an associate	**—**	**—**	**4**	**—**	**—**
At 30 June 2016 (unaudited)	**392,886**	**9,706,852** *	**71,906** *	**(38,579)** *	**(983,995)** *

* These reserve accounts comprise the consolidated reserves of HK$3,766,826,000 (31 December 2015: HK$3,774,495,000) in the condensed consolidated statement of financial position.

HK$'000

Attributable to shareholders of the Company							
Available-for-sale investment revaluation reserve	Hedging reserve	Share option reserve	Reserve funds	Retained profits / (accumulated losses)	Sub-total	Non-controlling interests	Total equity
(1,832)	(493,132)	51,009	14,129	1,509,451	10,867,117	27,255	10,894,372
(304)	83,562	—	—	(850,345)	(799,226)	5,569	(793,657)
—	—	2,040	—	—	2,040	—	2,040
—	—	—	2,903	(2,903)	—	—	—
—	—	(3,924)	(1,551)	6,127	—	—	—
(2,136)	(409,570)	49,125	15,481	662,330	10,069,931	32,824	10,102,755
(2,154)	**(597,371)**	**50,015**	**13,450**	**(4,581,524)**	**4,167,381**	**(62,063)**	**4,105,318**
(274)	**26,493**	**—**	**—**	**102,007**	**(7,673)**	**(17,962)**	**(25,635)**
—	**—**	**(14,010)**	**1,252**	**12,758**	**4**	**—**	**4**
(2,428) *	**(570,878)** *	**36,005** *	**14,702** *	**(4,466,759)** *	**4,159,712**	**(80,025)**	**4,079,687**

Six months ended 30 June Unaudited HK$'000

Condensed Consolidated Statement of Cash Flows

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	**61,895**	197,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**9,675**	30,893
Dividend received from financial asset at fair value through profit or loss	**39,157**	29,937
Purchases of items of property, plant and equipment	**(66,203)**	(480,243)
Acquisition of financial asset at fair value through profit or loss	**—**	(254,194)
Additions to other assets	**(2,918)**	—
Proceeds from disposal of items of property, plant and equipment	**1,430**	361
Proceeds from disposal of other assets	**56,231**	—
Net proceeds from disposal of partial investment in the Codrilla project	**14,809**	—
Net cash flows from/(used in) investing activities	**52,181**	(673,246)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**249,791**	4,854,261
Repayment of bank borrowings	**(321,080)**	(5,341,239)
Capital element of finance lease payables	**(6,173)**	(6,613)
Interest paid	**(103,264)**	(176,019)
Finance charges paid	**(117)**	(13,716)
Net cash flows used in financing activities	**(180,843)**	(683,326)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(66,767)**	(1,159,076)
Cash and cash equivalents at beginning of period	**1,300,197**	3,246,421
Effect of foreign exchange rate changes, net	**(4,098)**	10,126
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,229,332**	2,097,471
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**344,815**	591,815
Non-pledged time deposits	**884,517**	1,505,656
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**1,229,332**	2,097,471

Notes to the Condensed Consolidated 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.

As at 30 June 2016, the Group recorded net current liabilities of HK$364,055,000. However, the Board is of the opinion that, based on the estimated future cash flows of the Group and after taking into account the existing available borrowing facilities and the Group's ability to refinance the bank borrowings when they fall due, the Group has sufficient resources to meet its financial obligations and foreseeable working capital requirements. Accordingly, these Financial Statements have been prepared on a going concern basis.

These Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015.

The accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2015, except for the adoption of revised standards with effect from 1 January 2016 as detailed in note 2 below.

These Financial Statements were approved and authorised for issue by the Board on 29 July 2016.

2. Changes in Accounting Policies and Disclosures

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012 – 2014 Cycle	Amendments to numbers of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on these Financial Statements and there have been no significant changes to the accounting policies applied in these Financial Statements.

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.

HKFRS 9	Financial Instruments [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 16	Leases [2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Mandatory effective date not yet determined but is available for earlier adoption

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 the adoption of these new and revised HKFRSs may result in changes in accounting policies. However, for the time being, it is not in a position to state whether these new and revised HKFRSs would 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 four 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 comprises the export of various commodity products such as aluminium ingots, coal, iron ore, alumina and copper; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres in Australia; and

(d) the crude oil segment comprises the operation of oilfields and the sale of oil in Indonesia and China.

Management monitors the results of the Group's operating segments separately for the purposes 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, dividend income, finance costs, and share of profit/(loss) of an associate and a joint venture as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in an associate, investment in a joint venture, financial assets at fair value through profit or loss, available-for-sale investment, deferred tax assets, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, finance lease payables, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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4. Operating Segment Information (continued)

Six months ended 30 June Unaudited	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2016					
Segment revenue:					
Sales to external customers	**389,517**	**189,539**	**317,898**	**340,420**	**1,237,374**
Other income	**9,112**	**6,527**	**745**	**1,830**	**18,214**
	398,629	**196,066**	**318,643**	**342,250**	**1,255,588**
Segment results	**(58,119)**	**(53,125)**	**12,000**	**(129,459)**	**(228,703)**
Reconciliation:					
Interest income and unallocated gains					**306,262**
Dividend income					**39,157**
Unallocated expenses					**(51,801)**
Unallocated finance costs					**(131,093)**
Share of profit/(loss) of:					
An associate					**(42,823)**
A joint venture					**204,028**
Profit before tax					**95,027**
2015					
Segment revenue:					
Sales to external customers	525,305	346,991	790,534	477,897	2,140,727
Other income	15,360	—	4,276	2,558	22,194
	540,665	346,991	794,810	480,455	2,162,921
Segment results	58,594	(63,200)	36,727	19,549	51,670
Reconciliation:					
Interest income and unallocated gains					31,735
Dividend income					29,937
Unallocated expenses					(695,949)
Unallocated finance costs					(165,237)
Share of loss of:					
An associate					(115,481)
A joint venture					(182,089)
Loss before tax					(1,045,414)

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment assets					
30 June 2016 (unaudited)	**877,944**	**881,263**	**593,565**	**4,755,886**	**7,108,658**
31 December 2015 (audited)	958,011	1,000,907	717,522	5,203,866	7,880,306
Segment liabilities					
30 June 2016 (unaudited)	**1,154,111**	**216,488**	**113,947**	**236,791**	**1,721,337**
31 December 2015 (audited)	1,195,382	294,477	154,635	400,495	2,044,989

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:

	2016	2015
Interest income	**9,791**	27,911
Dividend income from financial asset at fair value through profit or loss	**39,157**	29,937
Handling service fees	**—**	3,941
Fair value gains on:		
Derivative financial instruments	**—**	12,529
Financial asset at fair value through profit or loss	**256,317**	—
Sale of scrap	**1,547**	2,830
Gain on disposal of other assets	**49,688**	—
Others	**7,133**	6,718
	363,633	83,866

6. Finance Costs

An analysis of finance costs is as follows:

	2016	2015
Interest expense on bank borrowings	**124,729**	149,056
Interest expense on finance lease	**1,224**	1,742
Total interest expense on financial liabilities not at fair value through profit or loss	**125,953**	150,798
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	**5,023**	722
Others	**117**	13,717
	131,093	165,237

Six months ended 30 June Unaudited HK$'000

7. Profit/(Loss) before Tax

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

	2016	2015
Depreciation	**355,093**	379,322
Amortisation of other assets	**28,537**	46,941
Amortisation of prepaid land lease payments	**813**	647
Loss on disposal of items of property, plant and equipment, net	**11,596**	—
Gain on disposal of other assets	**(49,688)**	—
Exchange losses/(gains), net *	**39,924**	(47,293)
Fair value loss/(gain) on financial asset at fair value through profit or loss	**(256,317)**	565,042 *
Write-back of impairment of other receivables *	**(24,536)**	—

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

8. Income Tax

	2016	2015
Current – Hong Kong	**—**	—
Current – Elsewhere		
Charge for the period	**71**	—
Underprovison/(overprovision) in prior periods	**65**	(4,389)
Deferred	**1,022**	(195,978)
Total tax expense/(credit) for the period	**1,158**	(200,367)

The statutory rate of Hong Kong profits tax was 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the Period (2015: Nil).

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

Australia: The Group's subsidiaries incorporated in Australia were subject to Australian income tax at a rate of 30% (2015: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2015: 30%). The Group's subsidiary owning a participating interest in the oil and gas properties in Indonesia was subject to branch tax at the effective tax rate of 14% (2015: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2015: 25%).

According to HKAS 12 Income Taxes, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

9. Earnings/(Loss) per Share attributable to Ordinary Shareholders of the Company

The calculation of the basic earnings per share amount was based on the profit for the Period attributable to ordinary shareholders of the Company of HK$102,007,000 (2015: a loss of HK$850,345,000) and the weighted average number of ordinary shares in issue during the Period, which was 7,857,727,149 (2015: 7,868,527,149) shares.

The calculation of the diluted earnings per share amount was 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 was 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.

No adjustment was made to the basic earnings per share amount presented for the Period in respect of a dilution as there were no dilutive potential ordinary shares arising from share options as the average share price of the Company during the Period did not exceed the exercise price of the then outstanding share options.

No adjustment was made to the basic loss per share amount presented for the six months ended 30 June 2015 in respect of a dilution as the share options outstanding during the prior period had an anti-dilutive effect on the basic loss per share amount presented.

10. Dividend

The Board has resolved not to pay an interim dividend for the Period (2015: Nil).

11. Property, Plant and Equipment

During the Period, the Group acquired property, plant and equipment in an aggregate cost of HK$5,345,000 (six months ended 30 June 2015: HK$250,420,000) and disposed of property, plant and equipment having an aggregate carrying amount of HK$13,309,000 (six months ended 30 June 2015: HK$1,104,000).

HK$'000

12. Financial Assets at Fair Value through Profit or Loss

Designated as such upon initial recognition

	30 June 2016 Unaudited	31 December 2015 Audited
Non-current investment:		
Listed equity investment in Australia, at fair value	**2,092,030**	1,835,713

The fair value of the above investment was based on the quoted market price of the equity investment's shares on the Australian Securities Exchange (the "**ASX**").

Held for trading

	30 June 2016 Unaudited	31 December 2015 Audited
Current investments:		
Unlisted investments in Australia and China, at fair value	**3,029**	3,029

13. Available-for-sale Investment

	30 June 2016 Unaudited	31 December 2015 Audited
Non-current investment:		
Listed equity investment in Australia, at fair value	**883**	1,274

The fair value of the above investment was based on the quoted market price of the equity investment's shares on the ASX.

14. Prepayments, Deposits and Other Receivables

	30 June 2016 Unaudited	31 December 2015 Audited
Prepayments	**18,407**	99,536
Current portion of prepaid land lease payments	**1,211**	1,239
Deposits and other receivables	**1,661,671**	1,773,573
	1,681,289	1,874,348
Portion classified as current assets	**(1,582,377)**	(1,693,416)
Non-current portion	**98,912**	180,932

Included in the Group's other receivables was an amount due from CITIC Canada Energy Limited ("**CCEL**"), a joint venture through which the Group owns, manages and operates the Karazhanbas oilfield (as defined on page 33) in Kazakhstan, of HK$1,476,081,000 (31 December 2015: HK$1,449,795,000) which was interest free and repayable on demand.

At 30 June 2016, none of the above assets was either past due or impaired. At 31 December 2015, an impairment of HK$24,536,000 was provided in respect of the amount due from CCEL. Such amount was written back during the Period (note 7).

The financial assets included in the above balances related to receivables for which there was no recent history of default.

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15. Inventories

	30 June 2016 Unaudited	31 December 2015 Audited
Raw materials	**163,583**	131,024
Work in progress	**14,609**	17,309
Finished goods	**544,558**	500,283
	722,750	648,616

The investigation commenced in 2014 by the Chinese authorities into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**") is still ongoing. The Group is not involved in the Investigation and up to the date of this report, the Group is not aware of the status or result of the Investigation.

The Group has certain alumina and copper stored in bonded warehouses at Qingdao port (the "**Inventories**"). In light of the Investigation, the Group applied to the Qingdao Maritime Court (the "**Court**") in June 2014 for asset protection orders in respect of the Inventories. The Court, however, did not grant an asset protection order in respect of certain alumina amongst the Inventories (the "**Non-protected Alumina**"). The Group also filed a claim with the Court against the operator of the bonded warehouses at Qingdao port (the "**Operator**") requiring the Operator to confirm the Group's ownership of the Inventories and to release and deliver all of the Inventories to the Group or, failing which, to compensate the Group in respect of the Inventories (the "**Claim**"). Up to the date of this report, no judgment has been issued by the Court in respect of the Claim.

Due to the unresolved nature of the Claim and the Investigation, the Group has not been able to gain access to the Inventories and therefore, there is material inherent uncertainty regarding the Inventories.

At the end of 2014, a full provision of HK$319,800,000 (before tax credit) was made in respect of the Non-protected Alumina. At the end of 2015, a further provision of HK$389,704,000 (before tax credit) was made in respect of the Inventories (excluding the Non-protected Alumina). During the Period, no further provision was considered necessary to the carrying value of the Inventories. As at 30 June 2016, the net carrying value of the Inventories amounted to HK$269,708,000 (31 December 2015: HK$269,708,000). The Group will continue to pursue the Claim.

16. Trade Receivables

An aged analysis of the trade receivables, based on the invoice date and net of provisions, was as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Within one month	**262,996**	298,782
One to two months	**35,978**	50,984
Two to three months	**32,951**	61,671
Over three months	**70,795**	71,513
	402,720	482,950

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

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17. Derivative Financial Instruments

	30 June 2016 Unaudited		31 December 2015 Audited	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	**433**	**642**	124	1,885
Forward commodity contracts	**1,575**	**814**	174	3,829
Derivative financial instruments – embedded derivative –				
ESA (as defined in note 26)	**—**	**35,100**	—	35,100
EHA (as defined in note 26)	**—**	**832,629**	—	868,924
	2,008	**869,185**	298	909,738
Portion classified as non-current portion:				
EHA (as defined in note 26)	**—**	**(832,629)**	—	(868,924)
Non-current portion	**—**	**(832,629)**	—	(868,924)
Current portion	**2,008**	**36,556**	298	40,814

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

18. Accounts Payable

An aged analysis of the accounts payable, based on the invoice date, was as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Within one month	**245,213**	365,881
One to three months	**—**	6,428
Over three months	**64,655**	77,509
	309,868	449,818

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

19. Bank Borrowings

	30 June 2016 Unaudited	31 December 2015 Audited
Bank loans – unsecured	**7,758,331**	7,805,907

As at 30 June 2016, the bank loans included:

(a) trade finance totalling A$19,517,000 (HK$113,050,000) and US$293,000 (HK$2,286,000), which was interest-bearing at the Bank Bill Swap Bid Rate and the London interbank offered rates ("**LIBOR**") respectively plus margin; and

(b) loans totalling US$979,871,000 (HK$7,642,995,000), which were interest-bearing at LIBOR plus margin and included US$24,611,000 (HK$191,967,000) from China CITIC Bank International Limited.

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19. Bank Borrowings (continued)

	30 June 2016 Unaudited	31 December 2015 Audited
Bank loans repayable:		
Within one year or on demand	**3,687,775**	1,356,249
In the second year	**3,229,139**	2,704,586
In the third to fifth years, inclusive	**841,417**	3,745,072
	7,758,331	7,805,907
Portion classified as current liabilities	**(3,687,775)**	(1,356,249)
Non-current portion	**4,070,556**	6,449,658

20. Finance Lease Payables

The Group leases certain plant and machinery for its coal mine operations. The lease is classified as finance lease and expires in April 2021.

The total future minimum lease payments under the finance lease were as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Amounts payable:		
Within one year	**14,844**	14,703
In the second year	**13,088**	14,594
In the third to fifth years, inclusive	**7,722**	12,989
Beyond five years	**—**	155
Total minimum finance lease payments	**35,654**	42,441
Future finance charges	**(3,078)**	(4,249)
Total net finance lease payables	**32,576**	38,192
Portion classified as current liabilities	**(13,010)**	(12,473)
Non-current portion	**19,566**	25,719

21. Share Capital

	30 June 2016 Unaudited	31 December 2015 Audited
Authorised:		
10,000,000,000 (31 December 2015: 10,000,000,000) ordinary shares of HK$0.05 each	**500,000**	500,000
Issued and fully paid:		
7,857,727,149 (31 December 2015: 7,857,727,149) ordinary shares of HK$0.05 each	**392,886**	392,886

22. Litigation and Contingent Liabilities

(a) In 2014, the Kazakhstan tax authorities (the "**Tax Authorities**") completed a tax inspection on JSC Karazhanbasmunai ("**KBM**"), a subsidiary of CCEL, in respect of transfer pricing for the five years from 2008 to 2012. As a result, the Tax Authorities issued a tax assessment for KZT12,263,596,000 (HK$280,554,000) on KBM.

After several appeals to the courts in 2015, KBM was held liable for part of the tax assessment and, in respect of which, KBM lodged a final appeal to the Supervisory Board of the Supreme Court of Kazakhstan in December 2015. At the end of 2015, the Group made a full provision for its share, being HK$132,070,000.

The final appeal was concluded during the Period and the tax assessment on KBM was cancelled. Accordingly, the Group wrote back the provision made previously, being HK$166,650,000.

(b) In 2014, the Tax Authorities completed an integrated tax inspection on KBM for the four years from 2009 to 2012. As a result, the Tax Authorities issued a tax assessment for KZT4,492,047,000 (HK$102,765,000) on KBM. KBM then made a provision for the amount of the tax assessment it has agreed with the Tax Authorities, being KZT633,851,000 (HK$14,501,000), of which the Group's share was HK$6,860,000. Meanwhile, KBM applied to the State Revenue Committee of the Ministry of Finance of Kazakhstan requesting a reconsideration of the remaining amount under the tax assessment (the "**Remaining Amount**").

In 2015, KBM made a further provision of KZT2,069,789,000 (HK$47,351,000), of which the Group's share was HK$22,404,000.

During the Period, in respect of the Remaining Amount, the Tax Authorities issued a revised tax assessment for KZT2,146,970,000 (HK$49,117,000). Based on the advice from KBM's legal counsel, KBM has justifiable arguments for its tax position. Therefore, following the receipt of the revised tax assessment, KBM made an appeal to the Specialized Court Board of the Court of Astana City. Up to the date of this report, the result of the appeal is unknown.

(c) In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("**Shanxi Coal I/E**"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.) ("**Shanxi Coal Int'l**"), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "**Shanxi Court**") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("**CACT**"), an indirect wholly-owned subsidiary of the Company ("**Claim A**"). Shanxi Coal I/E is claiming from CACT (i) the sum of US$89,755,000 (HK$700,089,000) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E; and (ii) costs in respect of Claim A.

Service of Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings have been held subsequently. Up to the date of this report, no judgment has been issued by the Shanxi Court in respect of Claim A.

The Group has noted from an announcement issued by Shanxi Coal Int'l in August 2014 that, in connection with Claim A, Shanxi Coal I/E has obtained an asset protection order over a certain quantity of the Inventories.

CACT remains of the view that Claim A is without merit. Accordingly, no provision was made in respect of Claim A.

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22. Litigation and Contingent Liabilities (continued)

(d) In 2H 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "**ICC**") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (i) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "**Contracts**"); and (ii) claiming the amount of US$27,890,000 (HK$217,542,000) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("**Claim B**").

CACT has not entered into the Contracts as alleged by Shanxi Coal I/E, has not agreed or submitted to any process of arbitration by the ICC, and denies that it is in any respect subject to the jurisdiction or rules of the ICC and CACT has responded to the ICC in these terms. Accordingly, no provision was made in respect of Claim B.

(e) In August 2014, the Group has noted from an announcement issued by Qingdao Port International Co., Ltd. (the "**Qingdao Port Announcement**") that a legal complaint dated 14 July 2014 (the "**Legal Proceedings**") had been issued by ABN AMRO Bank N.V., Singapore Branch ("**ABN AMRO**") against CACT. According to the Qingdao Port Announcement, among other things, ABN AMRO has issued the Legal Proceedings alleging that CACT has taken wrongful preservative measures in respect of cargo over which ABN AMRO claims it has been granted a pledge (the "**Subject Cargo**") and is seeking an order that (i) CACT compensate ABN AMRO for loss of RMB1,000,000 (HK$1,167,000); (ii) CACT withdraw its asset protection order over the Subject Cargo; and (iii) CACT bear all fees and legal costs of the Legal Proceedings.

Up to the date of this report, CACT has not been served with the Legal Proceedings and is, therefore, unable to consider or comment on the substance of the Legal Proceedings. Accordingly, no provision was made in respect of the Legal Proceedings.

23. Operating Lease Commitments

The Group had total future minimum lease payments under non-cancellable operating leases in respect of plant and machinery, and land and buildings falling due as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Within one year	**155,301**	155,468
In the second to fifth years, inclusive	**288,592**	314,113
Beyond five years	**52,466**	58,105
	496,359	527,686

24. Commitments

In addition to the operating lease commitments detailed in note 23 above, the Group's capital expenditure commitments was as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**129,556**	163,029

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24. Commitments (continued)

In addition, the Group's share of a joint venture's capital expenditure commitments was as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Contracted, but not provided for:		
Capital expenditure in respect of infrastructure and acquisition of items of property, plant and equipment	**85,120**	15,060

25. Related Party Transactions and Connected Transactions

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

(a)

Six months ended 30 June Unaudited	Notes	2016	2015
Ultimate holding company:			
Rental expense	(i)	**1,138**	1,137
Subsidiaries of the ultimate holding company:			
Rental expense	(i)	**1,651**	1,696
Sale of products	(ii)	**—**	74,782
A joint venture:			
Rental income	(i)	**1,669**	2,773
Service fees income	(i)	**390**	—

Notes:

(i) based on mutually agreed terms
(ii) made on normal commercial terms and conditions offered to independent customers of the Group

(b) Compensation paid to senior management personnel of the Group was as follows:

Six months ended 30 June Unaudited	2016	2015
Salaries, allowances and benefits in kind	**4,984**	5,059
Bonuses	**1,641**	2,504
Pension scheme contributions	**230**	169
	6,855	7,732

(c) The Group had total future minimum lease payments under non-cancellable operating leases with related parties falling due as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Within one year	**1,903**	4,668

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26. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, were as follows:

	Carrying amounts		Fair values	
	30 June 2016 Unaudited	31 December 2015 Audited	30 June 2016 Unaudited	31 December 2015 Audited
Financial assets				
Financial assets at fair value through profit or loss	**2,095,059**	1,838,742	**2,095,059**	1,838,742
Available-for-sale investment	**883**	1,274	**883**	1,274
Derivative financial instruments	**2,008**	298	**2,008**	298
	2,097,950	1,840,314	**2,097,950**	1,840,314
Financial liabilities				
Derivative financial instruments	**869,185**	909,738	**869,185**	909,738
Bank borrowings	**7,758,331**	7,805,907	**7,761,043**	7,808,583
Finance lease payables	**32,576**	38,192	**31,106**	36,386
	8,660,092	8,753,837	**8,661,334**	8,754,707

The fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, accounts payable, and financial liabilities included in accrued liabilities and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

Each principal subsidiary of the Company is responsible for its own fair value measurement of financial instruments. The finance team of the Company is responsible for the review and calibration of the parameters of the valuation processes. The valuation processes and results are discussed with the chief financial officer twice a year for interim and annual financial reporting purposes.

The fair values of the financial assets and liabilities are stated in the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

(a) The fair values of listed equity investments were determined based on quoted prices in active markets as at the end of the reporting period without any deduction of transaction costs.

(b) The fair values of bank borrowings as well as finance lease payables were calculated by discounting the expected future cash flows using rates currently available for instruments which had similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank borrowings as well as finance lease payables as at the end of the reporting period was assessed to be insignificant.

(c) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including forward currency contracts, forward commodity contracts, embedded derivatives in provisional pricing arrangements and an electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia (the "**ESA**"), and a base load electricity contract signed between the Group (together with the other joint venture partners of the Portland Aluminium Smelter joint venture) and an independent electricity supplier (the "**EHA**"), were measured using valuation techniques similar to forward pricing and discounted cash flow models, which means using present value calculations. These valuation techniques used both observable and unobservable market inputs. The fair values of forward currency contracts, forward commodity contracts, embedded derivatives in provisional pricing arrangements and the ESA, and the EHA were the same as their carrying amounts.

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26. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

(i) The fair values of forward currency contracts, forward commodity contracts and embedded derivative in provisional pricing arrangements were based on valuation techniques using significant observable market inputs and insignificant unobservable market inputs.

(ii) The fair values of embedded derivative in the ESA, the EHA and other investments that did not have an active market were based on valuation techniques using significant unobservable market inputs.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

Derivative financial instruments Valuation techniques	Significant unobservable Inputs	Range 30 June 2016 Unaudited	Range 31 December 2015 Audited	Sensitivity of fair value to the changes in input
Embedded derivative – ESA Discounted cash flow method	Weighted average cost of capital ("**WACC**")	**2.13% to 4.13%**	2.15% to 4.15%	1% increase (decrease) in WACC would result in a decrease (an increase) in fair value by HK$63,000 (HK$64,000) (31 December 2015: HK$253,000 (HK$257,000))
EHA Discounted cash flow method	WACC	**4.89% to 6.89%**	5.64% to 7.64%	1% increase (decrease) in WACC would result in a decrease (an increase) in fair value by HK$21,871,000 (HK$24,401,000) (31 December 2015: HK$28,235,000 (HK$31,662,000))
	Inflation rate	**1.50% to 3.50%**	1.50% to 3.50%	1% increase (decrease) in inflation rate would result in a decrease (an increase) in fair value by HK$149,086,000 (HK$122,345,000) (31 December 2015: an increase by HK$262,111,000 (a decrease by HK$211,934,000))

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2016 (unaudited)				
Financial assets at fair value through profit or loss	**2,095,059**	**—**	**—**	**2,095,059**
Available-for-sale investment:				
Listed equity investment	**883**	**—**	**—**	**883**
Derivative financial instruments	**—**	**2,008**	**—**	**2,008**
	2,095,942	**2,008**	**—**	**2,097,950**
31 December 2015 (audited)				
Financial assets at fair value through profit or loss	1,838,742	—	—	1,838,742
Available-for-sale investment:				
Listed equity investment	1,274	—	—	1,274
Derivative financial instruments	—	298	—	298
	1,840,016	298	—	1,840,314

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26. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2016 (unaudited)				
Derivative financial instruments	—	**1,456**	**867,729**	**869,185**
31 December 2015 (audited)				
Derivative financial instruments	—	5,714	904,024	909,738

The movements in fair value measurements within Level 3 during 2015 and during the Period were as follows:

Derivative financial instruments	
At 31 December 2014 (audited) and 1 January 2015	727,390
Total gains recognised in the consolidated income statement	(46,339)
Total losses recognised in the consolidated statement of comprehensive income	222,973
At 31 December 2015 (audited) and 1 January 2016	**904,024**
Total gains recognised in the condensed consolidated statement of comprehensive income	**(36,295)**
At 30 June 2016 (unaudited)	**867,729**

During the Period, the Group did not have any transfer of fair value measurements between Level 1 and Level 2 nor any transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)	Total
30 June 2016 (unaudited)				
Bank borrowings	—	**7,761,043**	—	**7,761,043**
Finance lease payables	—	**31,106**	—	**31,106**
	—	**7,792,149**	—	**7,792,149**
31 December 2015 (audited)				
Bank borrowings	—	7,808,583	—	7,808,583
Finance lease payables	—	36,386	—	36,386
	—	7,844,969	—	7,844,969

Business Review and Outlook

Review

The global energy and commodities markets experienced fluctuations in prices which continued to pose significant challenges to the Group's operations. Despite some signs of recovery, energy and commodities prices remained weak throughout the Period compared to 1H 2015. Supported largely by temporary supply interruptions in certain oil producing countries, crude oil prices rallied to around US$50 a barrel in June 2016, but still hovered at relatively low levels.

In view of continuing low energy and commodities prices, the Group has devoted its efforts to improving production efficiency and exercising increased vigilance on costs across its operations. These initiatives have, to a certain extent, helped alleviate the negative impact of low prices on the Group's financial performance. Attributable to the fair value gain in respect of its interest in Alumina Limited ("**AWC**"), a share of profit with respect to its interest in CITIC Canada Energy Limited ("**CCEL**") and the gain on disposal of certain coal interests, the Group managed to achieve a turnaround in financial results and recorded a profit attributable to shareholders for the Period.

Part of the Group's ongoing business strategy is to achieve long-term growth by pursuing suitable investment opportunities. To facilitate this, in June 2016, the Group took a strategic move to sign a non-binding memorandum of understanding with ITOCHU Corporation, which enables the Group and ITOCHU Corporation to collaborate on the identification, review and co-acquisition and co-investment of suitable oil and gas exploration and production assets and projects. The Group believes that this strategic cooperation will allow both parties to gain better access to quality business opportunities leading to enhanced corporate value in the long term.

Crude oil

The Group's oil production improved during the Period when compared to 1H 2015. Overall, average daily production from its three oilfields reached 50,840 barrels (100% basis), representing a year-on-year increase of 4%. While the Group's crude oil segment recorded a loss due primarily to prevailing low oil prices, the Group recorded a share of profit with respect to its interest in CCEL, a joint venture through which the Group owns, manages and operates the Karazhanbas oilfield (as defined on page 33) in Kazakhstan.

The Karazhanbas oilfield remained the largest contributor to the Group's oil production during the Period, with an average daily production of 38,600 barrels (100% basis), a slight drop of 2% when compared to 1H 2015. Attributable to a couple of factors including reductions in export duty and rent tax, the Karazhanbas oilfield managed to achieve a turnaround in financial results amid market volatility, enabling the Group to record a share of profit for the Period.

One of the key objectives at the Yuedong oilfield (as defined on page 31) in China is to promote suitable oil recovery methods to further enhance production. Following favorable results from the deployment of thermal recovery in 2015, the Group has utilised this method on a more extensive scale within the Yuedong oilfield during the Period, resulting in a boost to average daily production by 18% to 8,170 barrels (100% basis) when compared to 1H 2015.

Attributable to the commencement of production of new development wells in the Oseil area, average daily production at the Seram Block (as defined on page 30) in Indonesia grew by 40% year-on-year to 4,070 barrels (100% basis) during the Period.

Metals

The Group's strategic metal investments include interests in AWC, the Portland Aluminium Smelter joint venture (the "**PAS JV**") and CITIC Dameng Holdings Limited ("**CDH**").

The Group's equity interest in AWC is classified as financial assets at fair value through profit or loss. As the closing price of AWC shares as at the end of the Period was higher than that as at the end of 2015, the Group recorded a fair value gain in respect of its interest in AWC.

The selling prices of aluminium remained at low levels throughout the Period. Consequently, despite steady sales volume, the Group's aluminium smelting segment recorded a decline in revenue and operating result when compared to 1H 2015.

During the Period, the performance of CDH continued to be adversely affected by, among other things, low selling prices of major manganese products. Notwithstanding this, attributable to a decrease in unit cost of production, more stringent cost control measures and a smaller provision for inventories compared to 1H 2015, CDH recorded an improved operating result and thus the Group recorded a reduced share of loss for the Period with respect to its interest in CDH.

Coal

The Group has participating interests in the Coppabella and Moorvale coal mines joint venture (the "**CMJV**") and a number of coal exploration operations in Australia.

The global coal market remained sluggish and placed strong pressure on the Group's coal segment. Due to lower sales volume and average selling price of coal, this segment recorded a decrease in revenue. Nevertheless, operating result slightly improved attributable to reduced operating costs.

During the Period, the Group disposed of certain coal interests and a gain was realised.

Import and export of commodities

The lacklustre commodities markets continued to weigh on the Group's import and export of commodities business. As market and operating conditions remained stringent during the Period, this segment recorded a material decrease in both revenue and profit when compared to 1H 2015.

Outlook

Despite recent signs pointing to a recovery in prices, the energy and commodities markets look likely to remain volatile in the near term against the backdrop of a downbeat global economic outlook, unstable market fundamentals and increasing geopolitical tensions. While the demand and supply of the crude oil market are gradually moving into balance, the Group will closely monitor the downside risks and take necessary measures to safeguard the interests of shareholders and investors.

In the face of the challenging operating environment, the Group will redouble its efforts to raise productivity and exercise strict capital discipline across its businesses. To optimise its existing business investments and foster sustainable growth, the Group will continue with its endeavours to strengthen its research and development capabilities.

The Group is taking a number of strategic initiatives to position itself to better withstand market volatility. Leveraging on the unswerving support from CITIC Limited, the Group will review methods to realise the real worth of its investments and seek potential quality investment opportunities to maximise economic benefits for shareholders.

Financial Review

Group's financial results:

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Operating results and ratios

	Six months ended 30 June 2016 Unaudited	2015 Unaudited	Increase/ (decrease)
Revenue	**1,237,374**	2,140,727	(42.2%)
EBITDA [1]	**610,563**	(453,267)	N/A
Adjusted EBITDA [2]	**506,277**	376,924	34.3%
Profit/(loss) attributable to shareholders	**102,007**	(850,345)	N/A
Adjusted EBITDA coverage ratio [3]	**3.0 times**	1.7 times	
Earnings/(loss) per share (Basic) [4]	**HK 1.30 cents**	(HK 10.81 cents)	

Financial position and ratios

	30 June 2016 Unaudited	31 December 2015 Audited	Increase/ (decrease)
Cash and cash equivalents	**1,229,332**	1,300,197	(5.5%)
Total assets *	**13,626,554**	14,066,526	(3.1%)
Total debt [5]	**7,790,907**	7,844,099	(0.7%)
Net debt [6]	**6,561,575**	6,543,902	0.3%
Equity attributable to shareholders	**4,159,712**	4,167,381	(0.2%)
Current ratio [7]	**0.9 times**	1.8 times	
Net debt to net total capital [8]	**61.2%**	61.1%	
Net asset value per share [9]	**HK$0.53**	HK$0.53	

1 profit/(loss) before tax + finance costs + depreciation + amortisation
2 EBITDA + (share of depreciation, amortisation, finance costs, income tax expense/(credit) and non-controlling interests of a joint venture) + fair value loss/(gain) on financial asset at fair value through profit or loss
3 adjusted EBITDA / (finance costs + share of finance costs of a joint venture)
4 profit/(loss) attributable to shareholders / weighted average number of ordinary shares in issue during the period
5 bank borrowings + finance lease payables
6 total debt – cash and cash equivalents
7 current assets / current liabilities
8 net debt / (net debt + equity attributable to shareholders) x 100%
9 equity attributable to shareholders / number of ordinary shares in issue at end of period
* including capital expenditure in respect of exploration, development and mining production activities of HK$4,573,000 during the Period (HK$515,720,000 during 2015)

Although the Group's financial performance was adversely affected by depressed oil prices and softening in both demand for and selling prices of commodities, the Group recorded a profit attributable to shareholders of HK$102.0 million for the Period as compared to a loss of HK$850.3 million for 1H 2015.

The net profit was primarily attributable to a fair value gain of HK$256.3 million recorded for the Period (2015: a fair value loss of HK$565.0 million) in respect of the Group's interest in AWC and a share of profit of HK$204.0 million recorded for the Period (2015: a share of loss of HK$182.1 million) with respect to the Group's interest in CCEL.

The following is a description of the Group's operating activities in each of the business segments during the Period, with a comparison of their results against those in 1H 2015.

Aluminium smelting

- The Group holds a 22.5% participating interest in the PAS JV in Australia.

Revenue	HK$389.5 million	(2015: HK$525.3 million)	▼	26%
Segment results	a loss of HK$ 58.1 million	(2015: a profit of HK$ 58.6 million)		N/A

  Selling prices of aluminium fell sharply in 2H 2015 and remained at low levels throughout the Period resulting in a 26% decrease in the average selling price of aluminium for the Period. Sales volume was about the same compared to 1H 2015. Consequently, the segment had a significant drop in revenue when compared to 1H 2015.

  The significant decrease in the average selling price of aluminium also had a negative impact on the segment's gross margin and results.

  The Group's aluminium smelting business is a net United States dollar ("**US$**") denominated asset while certain costs are payable in Australian dollar ("**A$**"). Fluctuations between A$ and US$ throughout the Period caused a net exchange loss of HK$27.5 million (2015: a net exchange gain of HK$30.4 million).

- There was no gain or loss arising from the revaluation of an embedded derivative for the Period (2015: a gain of HK$11.7 million, which was recorded in "Other income and gains" in the condensed consolidated income statement).

  The pricing mechanism used in an electricity supply agreement signed between the Group and the State Electricity Commission of Victoria, Australia (the "**ESA**") includes a component that is subject to the price of aluminium. In accordance with Hong Kong Financial Reporting Standards, the component is considered to be an embedded derivative. The embedded derivative is revalued at the end of each reporting period based on future aluminium prices with its fair value gain or loss recognised in the consolidated income statement. On 30 June 2016, the valuation of the embedded derivative was materially consistent with that on 31 December 2015. Therefore, no unrealised gain or loss arising from the revaluation of the embedded derivative was recorded for the Period.

  The revaluation of the embedded derivative has no cash flow consequences for operations but the movement in valuation (if any) introduces volatility into the consolidated income statement.

- On 1 March 2010, a base load electricity contract was signed between the Group (together with the other joint venture partners of the PAS JV) and an independent electricity supplier (the "**EHA**"). The EHA effectively allows the Portland Aluminium Smelter to secure electricity supply from 2016 through 2036 when the ESA expires in late 2016. 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.

  The counterparty to the joint venture partners of the PAS JV under the EHA is AGL Energy Limited, an integrated renewable energy company listed on the Australian Securities Exchange (the "**ASX**").

Coal

- The Group holds a 14% participating interest in the CMJV and interests in a number of coal exploration operations in Australia. The CMJV is a major producer of low volatile pulverized coal injection coal in the international seaborne market.

Revenue	HK$189.5 million	(2015: HK$347.0 million)	▼	45%
Segment results	a loss of HK$ 53.1 million	(2015: a loss of HK$ 63.2 million)		N/A

  With sales volume and the average selling price of coal falling by 32% and 20% respectively due to continuing weak demand, the segment saw a substantial decrease in revenue when compared to 1H 2015.

  Despite the decrease in revenue, segment results slightly improved when compared to 1H 2015, attributable to reduced operating costs.

  The Group's coal business is a net US$ denominated asset while most of its costs are payable in A$. Fluctuations between A$ and US$ throughout the Period caused a net exchange gain of HK$4.5 million (2015: HK$7.0 million).

- In May 2016, the Group disposed of its interests in the Olive Downs South, Olive Downs South Extended and Willunga metallurgical coal tenements located in Queensland's Bowen Basin in Austrialia to the Pembroke Resources Group. A gain on disposal of HK$49.7 million was recorded in "Other income and gains" in the condensed consolidated income statement. The disposal of the Group's interest in the Olive Downs North tenement is outstanding, pending the approval of minority participants in such tenement. Details of the transactions are set out in the announcement of the Company dated 9 May 2016.

Import and export of commodities

- Exported products include aluminium ingots, coal, iron ore, alumina and copper sourced from Australia and other countries for trade into China and other Asian countries. Imported products include steel, and vehicle and industrial batteries and tyres from China and other countries into Australia.

Revenue	HK$317.9 million	(2015: HK$790.5 million)	▼	60%
Segment results	HK$ 12.0 million	(2015: HK$ 36.7 million)	▼	67%

  The lacklustre commodities markets continued to weigh on the Group's import and export of commodities business. As market and operating conditions remained stringent during the Period, the segment recorded a material decrease in both revenue and profit when compared to 1H 2015.

  The Group's import and export of commodities business is a net US$ denominated asset while certain costs are payable in A$. Fluctuations between A$ and US$ throughout the Period caused a net exchange loss of HK$2.1 million (2015: a net exchange gain of HK$32.2 million).

- The investigation commenced in 2014 by the Chinese authorities into the allegedly fraudulent multiple use of warehouse receipts in respect of certain aluminium and copper products stored at Qingdao port, China (the "**Investigation**") is still ongoing. Although the Group is not involved in the Investigation, the Investigation has had significant adverse impact on the Group's export business since 2H 2014.

- The Group has certain alumina and copper stored in bonded warehouses at Qingdao port (the "**Inventories**"). In light of the Investigation, the Group applied to the Qingdao Maritime Court (the "**Court**") in June 2014 for asset protection orders in respect of the Inventories. The Court, however, did not grant an asset protection order in respect of certain alumina amongst the Inventories (the "**Non-protected Alumina**"). The Group also filed a claim with the Court against the operator of the bonded warehouses at Qingdao port (the "**Operator**") requiring the Operator to confirm the Group's ownership of the Inventories and to release and deliver all of the Inventories to the Group or, failing which, to compensate the Group in respect of the Inventories (the "**Claim**"). Up to the date of this report, no judgment has been issued by the Court in respect of the Claim.

  At the end of 2014, a full provision of HK$319.8 million (before tax credit) was made in respect of the Non-protected Alumina. At the end of 2015, a further provision of HK$389.7 million (before tax credit) was made in respect of the Inventories (excluding the Non-protected Alumina). The provisions were charged to "Provision for impairment of inventories" in the consolidated income statement. During the Period, no further provision was considered necessary to the carrying value of the Inventories. As at 30 June 2016, the net carrying value of the Inventories amounted to HK$269.7 million (31 December 2015: HK$269.7 million). The Group will continue to pursue the Claim.

- In August 2014, 山煤煤炭進出口有限公司 (Shanxi Coal Import & Export Co., Ltd.) ("**Shanxi Coal I/E**"), a wholly-owned subsidiary of 山煤國際能源集團股份有限公司 (Shanxi Coal International Energy Group Co., Ltd.) ("**Shanxi Coal Int'l**"), commenced a claim in 山西省高級人民法院 (Shanxi High People's Court) (the "**Shanxi Court**") against, amongst others, CITIC Australia Commodity Trading Pty Limited ("**CACT**"), an indirect wholly-owned subsidiary of the Company ("**Claim A**"). Shanxi Coal I/E is claiming from CACT (a) the sum of US$89.8 million (HK$700.4 million) plus interest for breach of contract resulting from the alleged non-delivery of certain aluminium ingots by CACT to Shanxi Coal I/E; and (b) costs in respect of Claim A. Details of Claim A are set out in the announcement of the Company dated 27 August 2014.

  Service of Claim A was effected on CACT in September 2015 by way of a public notice issued by the Shanxi Court. Court hearings have been held subsequently. Up to the date of this report, no judgment has been issued by the Shanxi Court in respect of Claim A.

  The Group has noted from an announcement issued by Shanxi Coal Int'l in August 2014 that, in connection with Claim A, Shanxi Coal I/E has obtained an asset protection order over a certain quantity of the Inventories.

- In 2H 2015, CACT received an arbitration request notice from the International Court of Arbitration of the International Chamber of Commerce (the "**ICC**") in respect of an arbitration application by Shanxi Coal I/E pursuant to which, Shanxi Coal I/E is (a) alleging that CACT has entered into two contracts for the supply of, and has failed to deliver, copper cathodes to Shanxi Coal I/E (the "**Contracts**"); and (b) claiming the amount of US$27.9 million (HK$217.6 million) as the aggregate purchase price Shanxi Coal I/E alleges it has paid to CACT under the Contracts, plus interest ("**Claim B**").

  CACT has not entered into the Contracts as alleged by Shanxi Coal I/E, has not agreed or submitted to any process of arbitration by the ICC, and denies that it is in any respect subject to the jurisdiction or rules of the ICC and CACT has responded to the ICC in these terms. Details of Claim B are set out in the announcement of the Company dated 21 December 2015.

- The Group will continue to follow up the associated market risks arising from the Investigation, Claim A and Claim B.

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 which grants the right to explore, develop and produce petroleum from the Seram Island Non-Bula Block, Indonesia (the "**Seram Block**") until 2019 (the "**PSC**"). CITIC Seram is the operator of the Seram Block.

  As at 31 December 2015, the Seram Block had estimated proved oil reserves of 4.9 million barrels as determined in accordance with the standards of the Petroleum Resources Management System (the "**PRMS**").

- For the Period, the segment results of CITIC Seram recorded a loss of HK$46.8 million (2015: a loss of HK$33.2 million). The following table shows a comparison of the performance of the Seram Block for the periods stated:

		1H 2016 (51%)	1H 2015 (51%)	Change
Average benchmark Mean of Platts Singapore (MOPS): Platts HSFO 180 CST Singapore	(US$ per barrel)	**30.0**	52.6	▼ 43%
Average crude oil realised price	(US$ per barrel)	**24.6**	54.9	▼ 55%
Sales volume	(barrels)	**202,000**	164,000	▲ 23%
Revenue	(HK$ million)	**38.6**	70.1	▼ 45%
Total production	(barrels)	**357,000**	254,000	▲ 41%
Daily production	(barrels)	**1,960**	1,400	▲ 40%

  Although sales volume increased by 23%, the average oil realised price decreased by 55% resulting in a 45% decrease in revenue when compared to 1H 2015. Production increased by 41% compared to 1H 2015, attributable to the production of three new development wells in the Oseil area which were put into production in 2Q 2015, 3Q 2015 and 1Q 2016 respectively.

  During the Period, direct operating costs per barrel decreased by 41% compared to 1H 2015, attributable to continuous cost saving efforts and also benefits of economies of scale from increased production volume. Also, cost of sales per barrel decreased by 33%, attributable to a 30% decrease in depreciation, depletion and amortisation per barrel as a result of the provision for impairment of certain oil and gas properties of CITIC Seram at the end of 2015.

- The depressed oil prices have been posing a major challenge for CITIC Seram. A number of initiatives have been implemented since 2015 to mitigate the impact of weak oil prices. These included increasing production volume and reduction or postponement of expenditure that should not have an adverse effect on normal operations.

- The Lofin area has been temporarily plugged and abandoned since 2H 2015. The Group will determine the development program of the Lofin area after CITIC Seram obtains a renewal of the PSC from the Indonesian government.

Crude oil (the Hainan-Yuedong Block, China)

- CITIC Haiyue Energy Limited ("**CITIC Haiyue**"), 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, China (the "**Hainan-Yuedong Block**") until 2034. Tincy Group is the operator of the Hainan-Yuedong Block in cooperation with CNPC.

  As at 31 December 2015, the Yuedong oilfield (the "**Yuedong oilfield**"), the principal field within the Hainan-Yuedong Block, had estimated proved oil reserves of 22.2 million barrels as determined in accordance with the standards of the PRMS.

- For the Period, the segment results of CITIC Haiyue recorded a loss of HK$82.7 million (2015: a profit of HK$52.7 million). The following table shows a comparison of the performance of the Yuedong oilfield for the periods stated:

		1H 2016 (Tincy Group's share)	1H 2015 (Tincy Group's share)	Change
Average benchmark quote:				
Platts Dubai crude oil	(US$ per barrel)	**36.8**	56.6	▼ 35%
Average crude oil realised price	(US$ per barrel)	**38.8**	57.8	▼ 33%
Sales volume	(barrels)	**1,003,000**	924,000	▲ 9%
Revenue	(HK$ million)	**301.8**	407.8	▼ 26%
Total production	(barrels)	**1,109,000**	939,000	▲ 18%
Daily production	(barrels)	**6,090**	5,190	▲ 17%

  Although sales volume increased by 9%, the average oil realised price decreased by 33% resulting in a 26% decrease in revenue when compared to 1H 2015. Production increased by 18% compared to 1H 2015, attributable to the deployment of thermal recovery and new production wells.

  During the Period, direct operating costs per barrel decreased by 8% compared to 1H 2015, mainly attributable to stringent cost control. However, cost of sales per barrel increased by 4%, due to a 9% increase in depreciation, depletion and amortisation per barrel as a result of a downward revision of proved oil reserves estimate at the end of 2015.

- Following favourable results from the deployment of thermal recovery in 2015, Tincy Group has utilised this method on a more extensive scale within the Yuedong oilfield during the Period to further enhance production.

  Tincy Group is actively prospecting potential exploration areas within the Bohai Bay Basin with the objective of increasing oil reserves.

- Capital expenditure will continue to be applied and stringently controlled in respect of the remaining development works of the Yuedong oilfield. Depending on the drilling data and the evaluation of the seismic data, adjustments may be made to the development plan.

Bauxite mining and alumina refining

- The Group has an interest in a world-class global portfolio of upstream mining and refining operations in the aluminium sector through its 9.685% equity interest in AWC, a leading Australian company listed on the ASX (Stock Code: AWC). Other subsidiaries of CITIC Limited have a total 8.552% equity interest in AWC.

  AWC has significant global interests in bauxite mining and alumina refining operations through its 40% ownership of the Alcoa World Alumina and Chemicals joint venture, the world's largest alumina producer.

- The Group's equity interest in AWC is classified as financial assets at fair value through profit or loss and, as a result, is measured at its fair value based on the closing price of AWC shares as at the end of each reporting period. Any difference between the fair value and the carrying value is recognised in the consolidated income statement.

  At the end of the Period, attributable to a higher closing price of AWC shares as compared to that at the end of 2015 and appreciation of A$, a fair value gain of HK$256.3 million was recorded in "Other income and gains" (2015: a loss of HK$565.0 million (before tax credit), which was recorded in "Other expenses, net") in the condensed consolidated income statement in respect of the Group's interest in AWC.

  During the Period, the Group received a dividend of HK$39.2 million (2015: HK$29.9 million) from AWC. The dividend was recorded in "Other income and gains" in the condensed consolidated income statement.

  Detailed financial results of AWC are available on its website at http://www.aluminalimited.com .

Manganese

- The Group has an interest in manganese mining and production through its 34.39% equity interest in CDH, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 1091). CDH is an associate of the Group and the Group is the single largest shareholder of CDH.

  In 1H 2015, the Group's equity interest in CDH was diluted from 38.98% to 35.43% following the issue of new shares by CDH under a share placement. In 2H 2015, the Group's equity interest in CDH was further diluted to 34.36% following the issue of new shares by CDH, and increased marginally to its current interest of 34.39% upon the cancellation of shares repurchased by CDH.

- CDH owns a 100% interest in the Daxin manganese mine, the Tiandeng manganese mine and the Waifu manganese mine in Guangxi Province, China; a 64% interest in the Changgou manganese mine in Guizhou Province, China; and a 51% interest in the Bembélé manganese mine in Gabon, West Africa. CDH is one of the largest vertically integrated manganese producers in the world, engaged in the production and sale of manganese products at various stages of the production chain.

  Since July 2015, following the acquisition of a 29.81% interest in China Polymetallic Mining Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2133), CDH has diversified its investment into the non-ferrous metal sector, changing itself from a pure manganese producer to an integrated mineral producer.

- Share of loss of an associate HK$42.8 million (2015: HK$115.5 million) N/A

  The Group recorded a share of loss for the Period with respect to its interest in CDH and CDH's subsidiaries (collectively, the "**CDH Group**"). The CDH Group's performance continued to be adversely affected by the economic slowdown in China. As there was no improvement in the steel sector during the Period, the average selling prices of major manganese products continued to fall. Notwithstanding this, attributable to a decrease in unit cost of production, more stringent cost control measures and a smaller provision for inventories compared to 1H 2015, the CDH Group recorded an improved operating result and thus the Group recorded a reduced share of loss for the Period with respect to its interest in the CDH Group.

  Detailed financial results of the CDH Group, including management discussion and analysis, are available on the websites of the Stock Exchange and CDH at http://www.hkexnews.hk and http://www.dameng.citic.com respectively.

Crude oil (the Karazhanbas oilfield, Kazakhstan)

- CITIC Oil & Gas Holdings Limited, an indirect wholly-owned subsidiary of the Company, and JSC KazMunaiGas Exploration Production through CCEL, a joint venture, own, manage and operate JSC Karazhanbasmunai ("**KBM**") jointly. Effectively, the Group owns 50% of the issued voting shares of KBM (which represents 47.31% of the total issued shares of KBM).

  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**"). In 1H 2015, KBM obtained government approval to extend its existing right to explore, develop, produce and sell oil until 2035.

  As at 31 December 2015, the Karazhanbas oilfield had estimated proved oil reserves of 233.4 million barrels as determined in accordance with the standards of the PRMS.

- Share of profit of a joint venture HK$204.0 million (2015: a loss of HK$182.1 million) N/A

  The following table shows a comparison of the performance of the Karazhanbas oilfield for the periods stated:

		1H 2016 (50%)	1H 2015 (50%)	Change
Average benchmark end-market quotes:				
Urals Mediterranean crude oil	(US$ per barrel)	**38.1**	57.0	▼ 33%
Dated Brent crude oil	(US$ per barrel)	**39.5**	57.5	▼ 31%
Average crude oil realised price	(US$ per barrel)	**35.6**	44.6	▼ 20%
Sales volume	(barrels)	**3,771,000**	3,697,000	▲ 2%
Revenue	(HK$ million)	**1,043.7**	1,277.5	▼ 18%
Total production	(barrels)	**3,516,000**	3,546,000	▼ 1%
Daily production	(barrels)	**19,300**	19,600	▼ 2%

  With a slight increase in sales volume, the average oil realised price decreased by 20% resulting in an 18% decrease in revenue when compared to 1H 2015. Production slightly dropped compared to 1H 2015.

At CCEL level, mineral extraction tax is charged at progressive rates based on production volume and charged to "Cost of sales" in the consolidated income statement. Rent tax is charged on export revenue at progressive rates by reference to Urals or Brent oil prices (whichever is higher) while export duty is charged at a certain rate per tonne of oil exported. Both rent tax and export duty are charged to "Selling and distribution costs" in the consolidated income statement.

Export duty decreased from US$80 to US$60 per tonne effective 1 April 2015, and further decreased to US$40 per tonne effective 1 January 2016. However, effective 1 March 2016, export duty is charged at progressive rates by reference to Urals and Brent oil prices (the "**Average Price**"). In case the Average Price is US$35 or above but below US$40 per barrel, export duty is charged at US$35 per tonne. In case the Average Price is US$40 or above but below US$45 per barrel, export duty is charged at US$40 per tonne.

During the Period, direct operating costs per barrel decreased by 34% compared to 1H 2015, mainly attributable to the devaluation of Kazakhstan Tenge which is the functional currency of KBM's financial statements. Also, cost of sales per barrel decreased by 40%, attributable to a 53% decrease in depreciation, depletion and amortisation per barrel as a result of the provision for impairment of certain oil and gas properties of KBM at the end of 2015.

Selling and distribution costs per barrel decreased by 31% compared to 1H 2015, attributable to a decrease in rent tax and export duty. Benefited from lower charge rates, rent tax per barrel decreased by 71% and export duty per barrel decreased by 28%.

- In 2014, the Kazakhstan tax authorities completed a tax inspection on KBM in respect of transfer pricing for the five years from 2008 to 2012 and issued a tax assessment on KBM. After several appeals to the courts in 2015, KBM was held liable for part of the tax assessment and, in respect of which, KBM lodged a final appeal to the Supervisory Board of the Supreme Court of Kazakhstan in December 2015. At the end of 2015, the Group made a full provision for its share, being HK$132.1 million.

  The final appeal was concluded during the Period and the tax assessment on KBM was cancelled. Accordingly, the Group wrote back the provision made previously, being HK$166.7 million.

Liquidity, Financial Resources and Capital Structure

Cash

As at 30 June 2016, the Group had cash and cash equivalents of HK$1,229.3 million.

Borrowings

As at 30 June 2016, the Group had total debt of HK$7,790.9 million, which comprised:

- unsecured bank loans of HK$7,758.3 million; and
- finance lease payables of HK$32.6 million.

Most of the transactions of the Group's import and export of commodities business are debt funded. However, in contrast to term loans, these 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 September 2012, the Company entered into a facility agreement with a bank in respect of an unsecured 5-year term loan facility of US$40 million (HK$312 million) (the "**A Loan**") to finance the general corporate funding requirements of the Company. The outstanding balance of the A Loan as at 30 June 2016 was US$40 million.

In March 2014, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility (the "**B Loan**") to part finance the repayment of the Group's US$1,000,000,000 6.75% senior notes due 2014. The B Loan has a total facility amount of US$310 million (HK$2,418 million) and a tenor of three years commencing from the date of first utilisation, being 12 May 2014. The outstanding balance of the B Loan as at 30 June 2016 was US$310 million.

In June 2015, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility of US$490 million (HK$3,822 million) (the "**C Loan**"). The C Loan has two tranches, Tranche A and Tranche B, in the respective amounts of US$380 million (HK$2,964 million) and US$110 million (HK$858 million). The proceeds of Tranche A were used to finance the repayment of an unsecured term loan facility of US$380 million that matured in June 2015. Tranche A has a tenor of three years commencing from the date of utilisation, being 29 June 2015. The proceeds of Tranche B were used to finance the general corporate funding requirements of the Company. Tranche B has a tenor of three years commencing from the date of first utilisation, being 31 December 2015. The outstanding balance of the C Loan as at 30 June 2016 was US$490 million.

Further details of the bank borrowings are set out in note 19 to these Financial Statements.

The Group leases certain plant and machinery for its coal mine operations. The lease is classified as finance lease. Further details of the finance lease payables are set out in note 20 to these Financial Statements.

As at 30 June 2016, the Group's net debt to net total capital was 61.2% (31 December 2015: 61.1%). Of the total debt, HK$3,700.8 million was repayable within one year, including the B Loan, short-term revolvers, trade finance and finance lease payables.

Share capital

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

Financial risk management

The Group's diversified business is exposed to a variety of risks, such as market risks (including foreign currency risk, price risk, interest rate risk and inflation 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 forward currency contracts, forward commodity contracts, interest rate swap contracts, embedded derivatives and an electricity hedge agreement. Their purpose is to manage the foreign currency risk, price risk, interest rate risk and inflation risk arising from the Group's operations and sources of finance.

New investment

There was no new 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 2016, the Group had around 340 full time employees, including management and administrative staff.

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 Indonesia.

The employees of the Group's subsidiaries which operate in China 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 Government Law No.13/2003 of the Indonesian government for those employees in Indonesia who are eligible to participate;

(b) a defined scheme under the superannuation legislation of the Australian government for those employees in Australia who are eligible to participate; and

(c) 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 employer contributions 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 persons.

Corporate Governance Code

Throughout the Period, the Company has applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct for dealings in the 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 have 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 2016, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Long positions in 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. Kwok Peter Viem	Directly beneficially owned	11,568,000	400,000,000	5.24
Mr. Sun Yang	Directly beneficially owned	4,000	—	—
Ms. Li So Mui	Directly beneficially owned	2,388,000	—	0.03

Long positions in 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. Sun Yang	CITIC Limited	Ordinary shares	117,000	Directly beneficially owned	—
Ms. Li So Mui	CDH	Ordinary shares	3,154	Directly beneficially owned	—
Mr. Gao Pei Ji	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

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

Save as disclosed herein and so far as is known to the directors, as at 30 June 2016, none of the directors or the 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 share option scheme adopted by the Company on 30 June 2004 (the "**Old Scheme**") for a term of ten years expired on 29 June 2014. The share options that have been granted under the Old Scheme and remained outstanding as at the date of expiry of the Old Scheme remain valid and exercisable subject to and in accordance with the terms of the Old Scheme.

To enable the Company to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by the Company on 27 June 2014 (the "**New Scheme**"). Up to the date of this report, no share option has been granted under the New Scheme. Save as disclosed herein, the Company has not entered into any equity-linked agreement during the Period and no equity-linked agreement subsisted as at the end of the Period.

The following table discloses movements in the Company's outstanding share options, which were granted under the Old Scheme, during the Period:

	Number of share options				
Category and name of eligible person	at 1 January 2016	at 30 June 2016 (1)	Date of grant	Exercise period	Exercise price per share HK$
Director					
Mr. Kwok Peter Viem	200,000,000	200,000,000	06-11-2013	06-11-2014 to 05-11-2018	1.770
	200,000,000	200,000,000	06-11-2013	06-11-2015 to 05-11-2018	1.770
	400,000,000	**400,000,000** (2)			

Notes:

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

(2) The share options are subject to the following vesting conditions:

(i) 50% of the share options vest and are exercisable with effect from the first anniversary of the date of grant; and

(ii) the remaining 50% of the share options vest and are exercisable with effect from the second anniversary of the date of grant.

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

As at 30 June 2016, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

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
中國中信集團有限公司	Corporate	4,675,605,697 (1)	59.50
CITIC Limited	Corporate	4,675,605,697 (2)	59.50
CITIC Corporation Limited	Corporate	4,675,605,697 (3)	59.50
CITIC Projects Management (HK) Limited	Corporate	3,895,083,904 (4)	49.57
Keentech Group Limited	Corporate	3,895,083,904 (5)	49.57
CITIC Australia Pty Limited	Corporate	750,413,793 (6)	9.55
Temasek Holdings (Private) Limited	Corporate	901,909,243 (7)	11.48
Temasek Capital (Private) Limited	Corporate	576,247,750 (8)	7.33
Seletar Investments Pte. Ltd.	Corporate	576,247,750 (9)	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	576,247,750 (10)	7.33

Notes:

(1) The figure represents an attributable interest of 中國中信集團有限公司 (CITIC Group Corporation) ("**CITIC Group**") through its interest in CITIC Limited. CITIC Group is a company established in China.

(2) The figure represents an attributable interest of CITIC Limited through its interest in CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Limited, a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 267), is owned as to 32.53% by CITIC Polaris Limited ("**CITIC Polaris**") and 25.60% by CITIC Glory Limited ("**CITIC Glory**"). CITIC Polaris and CITIC Glory, companies incorporated in the British Virgin Islands (the "**BVI**"), are direct wholly-owned subsidiaries of CITIC Group.

(3) The figure represents an attributable interest of CITIC Corporation through its interest in CITIC Projects Management (HK) Limited ("**CITIC Projects**"), CITIC Australia Pty Limited ("**CA**") and Extra Yield International Ltd. ("**Extra Yield**"). Extra Yield holds 30,108,000 shares representing 0.38% of the total issued share capital of the Company. CITIC Corporation, a company established in China, is a direct wholly-owned subsidiary of CITIC Limited. Extra Yield, a company incorporated in the BVI, is an indirect wholly-owned subsidiary of CITIC Corporation.

(4) The figure represents an attributable interest of CITIC Projects through its interest in Keentech Group Limited ("**Keentech**"). CITIC Projects, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Corporation.

(5) Keentech, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Projects.

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

(7) The figure represents an attributable interest of Temasek Holdings (Private) Limited ("**Temasek Holdings**") through its interest in Temasek Capital (Private) Limited ("**Temasek Capital**") and Ellington Investments Pte. Ltd. ("**Ellington**"). Ellington holds 325,661,493 shares representing 4.15% 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.

(8) 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.

(9) 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.

(10) 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 2016, no person had an interest or a short position in the shares or underlying shares of the Company required to be recorded in the register to be kept under section 336 of the SFO.

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.

Specific Performance Obligations on Controlling Shareholder of the Company

The following disclosures are made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

In September 2012, the Company entered into a facility agreement with a bank in respect of the A Loan, being an unsecured 5-year term loan facility of US$40 million (HK$312 million).

In March 2014, the Company entered into a facility agreement with a syndicate of financial institutions in respect of the B Loan, being an unsecured term loan facility. The B Loan has a total facility amount of US$310 million (HK$2,418 million) and a tenor of three years commencing from 12 May 2014.

In June 2015, the Company entered into a facility agreement with a syndicate of financial institutions in respect of the C Loan, being an unsecured term loan facility of US$490 million (HK$3,822 million). The C Loan has two tranches, Tranche A and Tranche B, in the respective amounts of US$380 million (HK$2,964 million) and US$110 million (HK$858 million). Tranche A has a tenor of three years commencing from 29 June 2015, while Tranche B has a tenor of three years commencing from 31 December 2015.

Pursuant to the provisions of the above facility agreements, if CITIC Limited ceases to remain (directly or indirectly) the single largest shareholder of the Company or ceases to beneficially (directly or indirectly) own at least 35% of the entire issued share capital of the Company, then (a) in respect of the A Loan, the bank may require mandatory prepayment of the A Loan together with all other sums due; and (b) in respect of each of the B Loan and the C Loan, the financial institutions holding 66-2/3% or more of the respective loan then outstanding may require mandatory prepayment of that loan together with all other sums due.

Update on Directors' Information

The following change in the information of the directors occurred on or after the date of the 2015 annual report of the Company which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On 19 February 2016, Mr. Look Andrew, an independent non-executive director of the Company, was appointed an independent non-executive director of Union Medical Healthcare Limited (Stock Code: 2138) listed on the Main Board of the Stock Exchange.

Review of Accounts

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

On behalf of the Board
Kwok Peter Viem
Chairman

Hong Kong, 29 July 2016

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