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中信資源控股有限公司 CITIC Resources Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1205)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of CITIC Resources Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”).

FINANCIAL HIGHLIGHTS

Six months ended 30 June Unaudited	2022 HK\$ million	2021 HK\$ million	Change
Revenue	3,228.4	1,703.9	89.5%
EBITDA ¹	1,654.5	754.9	119.2%
Adjusted EBITDA ²	1,947.3	1,021.6	90.6%
Profit attributable to shareholders	893.3	427.4	109.0%

¹ profit before tax + finance costs + depreciation + amortisation

² EBITDA + (share of finance costs, depreciation, amortisation, income tax expense and non-controlling interests of a joint venture)

The global economy and commodity markets are recovering from the historic collapse in demand caused by the Coronavirus disease 2019 (“**COVID-19**”) in 2021. The global crude oil inventory surplus that built up last year is being worked off and global oil stocks reserves is returning to pre-pandemic levels in 1H 2022.

In comparing with the same period in 2021, the Revenue of the Group was climbed up by 89.5%. The Group recorded a profit attributable to shareholders of HK\$893.3 million in 1H 2022 in comparing with a profit attributable to shareholders of HK\$427.4 million in 1H 2021. This was mainly due to a combination effect of a boosted-up crude oil prices and also improvement in commodity prices in 1H 2022. The substantial increase in profit attributable to shareholders for the Period was primarily attributable to the following factors:

- a significant improvement in operating results of the oil business of the Group including a substantial share of profit of HK\$286.7 million from the Group investment in Karazhanbas oilfield when comparing with a record of share of profit of HK\$172.8 million in the same period of last year. The improvement in profitable operating result from the oil business of the Group as a whole was mainly attributable to an increase in average crude oil realised price and stringent ongoing costs control during the Period; and
- a significant improvement in operating results of the Group’s aluminium smelting segment and coal segment for the Period due to an increase in the average selling price of aluminium and coal as compared with the same period of last year as well as an increase of fair value gain on derivative financial instruments of electricity hedging agreements in Australia.

FINANCIAL RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June

Unaudited

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	3	3,228,390	1,703,857
Cost of sales		<u>(2,167,863)</u>	<u>(1,340,714)</u>
Gross profit		1,060,527	363,143
Other income, gains and losses, net	4	102,486	52,547
General and administrative expenses		(132,932)	(122,749)
Other expenses, net		(4,712)	(10,152)
Finance costs	5	(55,122)	(43,125)
Share of profit of:			
An associate		102,445	77,255
A joint venture		286,722	172,778
PROFIT BEFORE TAX	6	1,359,414	489,697
Income tax expense	7	(430,942)	(42,160)
PROFIT FOR THE PERIOD		<u>928,472</u>	<u>447,537</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		893,288	427,412
Non-controlling interests		35,184	20,125
		<u>928,472</u>	<u>447,537</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	8	HK cents	HK cents
Basic		<u>11.37</u>	<u>5.44</u>
Diluted		<u>11.37</u>	<u>5.44</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June

Unaudited

	2022 HK\$'000	2021 HK\$'000
PROFIT FOR THE PERIOD	<u>928,472</u>	<u>447,537</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	13,060	(15,953)
Income tax effect	–	4,787
	<u>13,060</u>	<u>(11,166)</u>
Exchange differences on translation of foreign operations	(151,155)	18,280
Share of other comprehensive (loss)/income of a joint venture	<u>(5,994)</u>	<u>1,694</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(144,089)</u>	<u>8,808</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(144,089)</u>	<u>8,808</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>784,383</u></u>	<u><u>456,345</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	762,512	434,131
Non-controlling interests	<u>21,871</u>	<u>22,214</u>
	<u><u>784,383</u></u>	<u><u>456,345</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
	Notes	Unaudited HK\$'000	Audited HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,569,056	3,838,772
Right-of-use assets		66,334	83,123
Goodwill		24,682	24,682
Other assets		224,111	224,676
Investment in an associate		2,934,634	2,893,101
Investment in a joint venture		2,354,493	2,073,765
Prepayments, deposits and other receivables		24,875	38,594
Time deposit		91,647	88,754
Deferred tax assets		–	187,832
		9,289,832	9,453,299
CURRENT ASSETS			
Inventories		521,151	431,595
Trade receivables	10	588,186	704,889
Prepayments, deposits and other receivables		254,029	167,372
Derivative financial instruments		114,978	21,012
Cash and deposits		2,486,131	1,925,573
		3,964,475	3,250,441
CURRENT LIABILITIES			
Accounts payable	11	110,998	135,803
Tax payable		54,969	54,113
Accrued liabilities and other payables		889,762	919,545
Dividend payable		353,633	–
Derivative financial instruments		–	643
Bank and other borrowings		374,989	240,669
Lease liabilities		20,432	26,463
Provisions for long-term employee benefits		41,619	46,667
Provisions		4,948	1,163
		1,851,350	1,425,066
NET CURRENT ASSETS		2,113,125	1,825,375
TOTAL ASSETS LESS CURRENT LIABILITIES		11,402,957	11,278,674

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2022	31 December 2021
	Unaudited	Audited
	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>11,402,957</u>	<u>11,278,674</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings	2,954,640	3,418,480
Lease liabilities	31,871	41,102
Deferred tax liabilities	402,651	256,016
Provisions for long-term employee benefits	17,593	19,919
Provisions	<u>642,093</u>	<u>619,833</u>
Total non-current liabilities	<u>4,048,848</u>	<u>4,355,350</u>
NET ASSETS	<u><u>7,354,109</u></u>	<u><u>6,923,324</u></u>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	392,886	392,886
Reserves	<u>6,960,445</u>	<u>6,551,531</u>
	7,353,331	6,944,417
Non-controlling interests	<u>778</u>	<u>(21,093)</u>
TOTAL EQUITY	<u><u>7,354,109</u></u>	<u><u>6,923,324</u></u>

NOTES

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements (“**Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

These Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021.

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 2021, except for the adoption of new and revised standards with effect from 1 January 2022 as detailed in note 2 below.

These Financial Statements were approved and authorised for issue by the Board on 22 July 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. 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 and alumina; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres into 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 before tax except that interest income, finance costs, and share of profit 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, deferred tax assets, cash and deposits and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June
Unaudited
HK\$'000

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2022					
Segment revenue:					
Sales to external customers	736,090	658,647	877,886	955,767	3,228,390
Other income	85,658	2,742	3,051	2,828	94,279
	<u>821,748</u>	<u>661,389</u>	<u>880,937</u>	<u>958,595</u>	<u>3,322,669</u>
Segment results	228,059	354,258	19,178	523,403	1,124,898

Reconciliation:

Interest income and unallocated gains					8,207
Unallocated expenses					(107,736)
Unallocated finance costs					(55,122)
Share of profit of:					
An associate					102,445
A joint venture					286,722
Profit before tax					<u>1,359,414</u>

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2021					
Segment revenue:					
Sales to external customers	566,661	259,383	320,316	557,497	1,703,857
Other income	16,006	—	3,884	5,429	25,319
	<u>582,667</u>	<u>259,383</u>	<u>324,200</u>	<u>562,926</u>	<u>1,729,176</u>
Segment results	122,061	(25,485)	10,791	240,309	347,676

Reconciliation:

Interest income and unallocated gains					27,228
Unallocated expenses					(92,115)
Unallocated finance costs					(43,125)
Share of profit of:					
An associate					77,255
A joint venture					172,778
Profit before tax					<u>489,697</u>

3. OPERATING SEGMENT INFORMATION (Continued)

HK\$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment assets					
30 June 2022 (unaudited)	<u>752,979</u>	<u>569,203</u>	<u>485,194</u>	<u>3,609,881</u>	<u>5,417,257</u>
31 December 2021 (audited)	<u>554,361</u>	<u>602,759</u>	<u>622,664</u>	<u>3,759,396</u>	<u>5,539,180</u>
Segment liabilities					
30 June 2022 (unaudited)	<u>436,800</u>	<u>269,299</u>	<u>34,003</u>	<u>822,706</u>	<u>1,562,808</u>
31 December 2021 (audited)	<u>436,538</u>	<u>258,612</u>	<u>66,916</u>	<u>803,860</u>	<u>1,565,926</u>

4. OTHER INCOME, GAINS AND LOSSES, NET

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

	2022 HK\$'000	2021 HK\$'000
Interest income	10,260	7,094
Handling service fees	2,867	3,688
Sale of scrap	3,029	2,426
Reversal of provision for inventories	–	2,070
Government subsidies	–	2,669
Gain on disposal of items of property, plant and equipment	740	60
Fair value gain on derivative financial instruments	84,843	12,653
Exchange (losses)/gains, net	(6,468)	11,419
Others	<u>7,215</u>	<u>10,468</u>
	<u>102,486</u>	<u>52,547</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest expense on bank and other borrowings	36,134	44,456
Interest expense on lease liabilities	900	1,426
	<u> </u>	<u> </u>
Total interest expense on financial liabilities not at fair value through profit or loss	37,034	45,882
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	11,901	4,467
Over-provision in prior periods	–	(8,282)
Others	6,187	1,058
	<u> </u>	<u> </u>
	<u>55,122</u>	<u>43,125</u>

6. PROFIT BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
Depreciation of property, plant and equipment	223,568	205,411
Depreciation of right-of-use assets	15,599	15,894
Amortisation of other assets	766	793
Gain on disposal of items of property, plant and equipment, net	(738)	(59)
Loss on disposal of other assets	–	124
Fair value gain on derivative financial instruments	(84,843)	(12,653)
Exchange losses/(gains), net	6,468	(11,419)
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the period	161,493	175
Overprovision in prior periods	(6)	(19)
Deferred	<u>269,455</u>	<u>42,004</u>
Total tax expense for the period	<u><u>430,942</u></u>	<u><u>42,160</u></u>

The statutory rate of Hong Kong profits tax was 16.5% (2021: 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 (2021: 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% (2021: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 25% (2021: 25%). 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 15% (2021: 15%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2021: 25%).

Kazakhstan: The Group's subsidiary incorporated in Kazakhstan was subject to corporate income tax at a rate of 20% (2021: 20%).

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.

8. EARNINGS 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\$893,288,000 (2021: HK\$427,412,000) and the weighted average number of ordinary shares in issue during the Period, which was 7,857,727,149 (2021: 7,857,727,149) shares.

The Group had no potentially dilutive ordinary shares in issue during the Period and for the six months ended 30 June 2021.

9. DIVIDEND

The Board has resolved not to pay an interim dividend for the Period (2021: Nil).

The final dividend of HK4.50 cents per ordinary share for the year ended 31 December 2021, totalling HK\$353,598,000, was approved by shareholders at the annual general meeting of the Company held on 17 June 2022 and was paid on 19 July 2022.

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 Unaudited HK\$'000	31 December 2021 Audited HK\$'000
Within one month	261,838	331,680
One to two months	145,859	216,475
Two to three months	89,301	82,314
Over three months	91,188	74,420
	<u>588,186</u>	<u>704,889</u>

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

11. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable, based on the invoice date, is as follows:

	30 June	31 December
	2022	2021
	Unaudited	Audited
	HK\$'000	HK\$'000
Within one month	109,255	135,719
One to three months	118	61
Over three months	1,625	23
	<u>110,998</u>	<u>135,803</u>

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

BUSINESS REVIEW AND OUTLOOK

Review

In the first half of 2022, the global economy witnessed increasingly more uncertainties. Factors such as the US dollar interest rate hike, repeated epidemics in China, the end of production curbs by OPEC and major oil-producing countries, the Kazakh emergency, and frequent occurrence of geopolitical events such as the Russia-Ukraine conflict caused an impact on the supply-demand relationship of crude oil and other bulk commodities. On the whole, risk aversion and panic emotions continued to push commodity prices up. From January to June, the average oil price was US\$107.7 per barrel, up by 65.7% year-on-year. The realized prices of aluminum smelting and coal also increased substantially, driving the overall performance of the Group to improve significantly.

Facing the complexity and uncertainty of external environments, the Group insists on making progress and seeking changes while maintaining stability, and solves problems by means of development. Through continuous refinement for cost reduction and efficiency improvement, deepening of reform, vigorous innovation, strengthening of teams, and continuous improvement in management, the Group has achieved high-quality development in terms of operating performance. During the period, the Group achieved revenue of HK\$3,230,000,000, representing an increase of HK\$1,520,000,000, or 89.5% year-on-year; recorded net profit attributable to the parent of HK\$890,000,000, representing an increase of nearly 1 time year-on-year. As of 30 June 2022, total assets amounted to HK\$13,250,000,000, and net assets attributable to the parent were HK\$7,350,000,000. The gearing ratio further dropped to 46%, being the lowest levels in recent years.

Crude oil business

During the period, the Group seized the opportunity of rising oil prices to increase production. In the first half of 2022, three oilfields of the Group achieved working interest output of 4,805,000 barrels, representing an increase of 185,000 barrels, or approximately 4.0% year-on-year. In particular, the production from the Karazhanbas oilfield increased by 117,000 barrels year-on-year due to its in-advance deployment of production improvement measures. The Yuedong oilfield production was increased by 83,000 barrels, mainly due to the increase in production brought about by new wells gradually commencing production. The Seram block in Indonesia achieved a reduction in its comprehensive costs through refined management measures, and its production was decreased by 15,000 barrels year-on-year during the period.

In terms of results, the Karazhanbas oilfield is taking active measures to address the adverse impact of the increased sales discount caused by Russia-Ukraine conflict on the oilfield's profits and will continue to promote the progress of the produced water treatment plant project to ensure smooth development of the crude oil business. In addition, the application for export tariff reduction and exemption has been resumed during the period, and the selling price of asphalt products from the Karazhanbas oilfield has been significantly increased through public bidding. These measures will help further improve the Company's profitability. During the period, the Karazhanbas oilfield recorded an equity production output of 3,533,000 barrels and achieved net profit attributable to the parent of approximately HK\$287,000,000, representing a significant increase of 66% year-on-year. The Yuedong oilfield further promoted the adjustment of development plan, increased its exploration development efforts and enhanced its tax planning, achieving an equity production output of approximately 1,188,000 barrels and net profit attributable to the parent of approximately HK\$322,000,000, representing an increase of approximately HK\$140,000,000 year-on-year. In respect of the Seram oilfield in Indonesia, the Group is actively promoting the Lofin-2 gas trial to enhance the value of the project. During the period, the Seram oilfield recorded an equity production output of approximately 84,000 barrels and achieved net profit attributable to the parent of approximately HK\$22,000,000, representing an increase of approximately HK\$28,000,000 year-on-year.

Non-oil businesses

In the first half of 2022, the Group's non-oil business achieved net profit attributable to the parent of approximately HK\$398,000,000 (representing an increase of approximately HK\$230,000,000 year-on-year), mainly due to the increases in aluminum and coal prices and the fair value gain on derivative financial instruments under the Australian Power Hedging Agreement during the period.

Metals

In the first half of 2022, due to the combined effect of factors such as Russian sanctions, freight tensions, and the easing of the epidemic, aluminum prices continued to rise, with an average selling price of US\$3,232 per ton from January to June, representing an increase of approximately 26.5% year-on-year. Despite the increases in alumina prices and electricity charges in line with the rise in aluminum ingot prices, the gross profit margin increased further during the period. In addition, the results of the Group's aluminium smelters segment have significantly improved as a result of the increase in the fair value gain on derivative financial instruments under the Australian Power Hedging Agreement.

During the period, the sales volume of aluminum smelting at the Portland Aluminium Smelter of the Group was approximately 29,000 tonnes, which was basically held steady year-on-year, accomplishing 44.1% of the annual budget of sales. According to the plan, the production capacity of the Group's aluminum smelting business will be greatly improved in the second half of the year, and it is expected the annual production task will be achieved.

As a result of the increase in alumina prices, the Group's profit attributable to AWC under the equity method increased significantly compared to the same period last year. During the period, AWC paid dividends of HK\$61,000,000, and the Group accounted for approximately HK\$102,000,000 in AWC's profit, with a market capitalisation of approximately US\$280,000,000 (for the same period of 2021: US\$330,000,000) at the closing price at the end of June 2022.

Coal

In the first half of 2022, due to the ban on imports of Russian coal by Western countries and the stagnant supply in major coal producing regions in Australia due to the rainy season, the international seaborne metallurgical market went upwards amid fluctuations, and the average realized selling price of CMJV was US\$334.7 per tonne, representing an increase of 2.7 times year-on-year. On the production side, due to the increase in freight, energy and labour costs, the cost of coal production from January to June 2022 was US\$153.2 per tonne, representing a significant increase of 57.2% year-on-year, but taking all factors into account, the overall gross profit of the coal business still greatly improved. During the period, the Group's CMJV achieved a net profit attributable to the parent of approximately HK\$250,000,000 from its coal business. Coal sales of 252,000 tonnes were achieved, representing a decrease of 113,000 tonnes year-on-year, mainly due to the flooding caused by heavy rainfall in Queensland, Australia in the first half of 2022, which affected the outbound coal sales volume.

Import and export of commodities

In the first half of 2022, the Group achieved a steel import trade volume of 71,000 tonnes, representing a significant increase of 33,000 tonnes or 87.5% year-on-year. The Group's import and export of commodities segment achieved a net profit attributable to the parent of HK\$10,000,000, representing an increase of 99.5% year-on-year.

Outlook

Looking forward to the second half of 2022, the global political and economic situation will remain uncertain, with the far-reaching impact of the Russia-Ukraine conflict continuing, and exchange rate risk and commodity price risk remaining prominent. While paying attention to major risk issues, the Group will also make contingency plans and strengthen its risk control, compliance and capital management and control to ensure stable development of the Company.

In the second half of the year, the special project of “cost reduction and efficiency improvement” will continue to be a key focus for the Group. Under the circumstances of high oil prices and inflation, the Company’s cost control will face significant challenges. On the basis of its ongoing efforts in “cost reduction and efficiency improvement”, the Group will take the implementation of “cost reduction and efficiency improvement” measures as the main line of cost control. On the one hand, the Group will continue to deepen the work of “cost reduction and efficiency improvement”, gradually realizing the refined management of node, process, standardization and informatization, and building a refined management system for all employees, all-round, full business chain and whole process to further enhance asset value. On the other hand, the Group will seize the trading opportunity when the prices of bulk commodities are rising, maintain and increase the value of state-owned assets, and actively seize new opportunities for development while promoting asset transfer.

In the second half of 2022, the Group will deepen its technological innovation to enhance production efficiency and economic benefits; properly manage the impact of geopolitical events on the Company; coordinate safety production and pandemic prevention and control; and strive to achieve better results and bring better returns to shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and Deposits

As at 30 June 2022, the Group maintained strong liquidity with undrawn bank facilities of HK\$1,840.6 million and had cash and deposits in total amount of HK\$2,486.1 million, comprising cash and cash equivalent of HK\$1,656.2 million and deposits with a fellow subsidiary of HK\$829.9 million.

Borrowings

As at 30 June 2022, the Group had total debt of HK\$3,381.9 million, which comprised:

- unsecured bank borrowings of HK\$2,471.6 million;
- unsecured other borrowing of HK\$858.0 million; and
- lease liabilities HK\$52.3 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, and matching the terms of the underlying transaction. Upon the receipt of sale proceeds following the completion of a transaction, the related borrowings are repaid accordingly.

In December 2019, the Company entered into an unsecured 4-year committed US\$200.0 million (HK\$1,560.0 million) credit facility agreement comprising of US\$100.0 million term loan and US\$100.0 million revolving loan in form of a self-arranged club loan with 5 financial institutions (the "**A Loan**") commencing from 31 December 2019. The purpose of the A Loan is to refinance existing indebtedness and/or general corporate funding requirement to support the operation and growth of the business of the Group. As at 30 June 2022, the outstanding balance of the A Loan was US\$100.0 million (HK\$780.0 million).

In March 2021, the Company entered into a facility agreement with CITIC Finance International Limited (a fellow subsidiary of the Company) in respect of an unsecured 3-year term loan facility of US\$150.0 million (HK\$1,170.0 million) (the "**B Loan**"). The proceeds of the B Loan was used for the prepayment of the US\$500.0 million (HK\$3,900.0 million) loan amounting to US\$150.0 million (HK\$1,170.0 million) on 30 March 2021. On 31 March 2022 and 30 June 2022, a partial amount of the B loan totaling US\$40.0 million (HK\$312.0 million) were prepaid by utilizing the Company's internal sources of available fund. As at 30 June 2022, the outstanding balance of the B Loan was US\$110.0 million (HK\$858.0 million).

In June 2021, a wholly-owned subsidiary of the Company entered into an unsecured 3-year committed US\$200.0 million (HK\$1,560.0 million) credit facility agreement with China CITIC Bank International Limited (a fellow subsidiary of the Company) (the "**C Loan**") commencing from 24 June 2021. The proceeds of the C Loan was mainly used for the prepayment of the remaining outstanding balance of the US\$500.0 million (HK\$3,900.0 million) loan amounting to US\$200.0 million (HK\$1,560.0 million) on 30 June 2021. On 30 June 2022, a partial amount of the C loan totaling US\$10.0 million (HK\$78.0 million) were prepaid by utilizing the Company's internal sources of available fund. As at 30 June 2022, the outstanding balance of the C Loan was US\$190.0 million (HK\$1,482.0 million).

The Group leases certain plant and machinery for its aluminium and coal mine operations under finance leases. The lease liabilities arising from these finance leases as at 30 June 2022 were HK\$16.0 million.

As at 30 June 2022, the Group's net debt to net total capital was 10.9% (31 December 2021: 20.6%). Of the Group's total debt, HK\$390.3 million was repayable within one year, including unsecured bank loan, trade finance and lease liabilities.

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 electricity hedge agreements. 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 2022, the Group had 199 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.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period. (six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE CODE

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 Listing Rules throughout the Period.

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.

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.

REVIEW OF ACCOUNTS

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

By Order of the Board
CITIC Resources Holdings Limited
Sun Yufeng
Chairman

Hong Kong, 22 July 2022

As at the date hereof, Mr. Sun Yufeng and Mr. Suo Zhengang are executive directors of the Company, Mr. Chan Kin is a non-executive director of the Company, and Mr. Fan Ren Da, Anthony; Mr. Gao Pei Ji and Mr. Look Andrew are independent non-executive directors of the Company.