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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “**Board**”) of CITIC Resources Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

Year ended 31 December	2022 HK\$ million	2021 HK\$ million	Change
Revenue	5,866.2	4,349.4	34.9%
EBITDA ¹	2,503.5	1,852.6	35.1%
Adjusted EBITDA ²	3,123.2	2,426.9	28.7%
Profit attributable to ordinary shareholders of the Company	1,335.5	1,103.4	21.0%

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)

Global economic activity is experiencing a broad-based and unexpectedly sharp slowdown, with the highest inflation in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering coronavirus disease 2019 (“**COVID-19**”) pandemic all weigh heavily on the outlook.

Notwithstanding the challenging macroeconomic environment, compared to 2021, the average Dated Brent and Ural oil prices increased by approximately 42.4% and approximately 10% to US\$100.9 per barrel and US\$76 per barrel respectively. The revenue of the Group climbed up by approximately 34.9% year-on-year. The Group recorded a profit attributable to ordinary shareholders of the Company of approximately HK\$1,335.5 million in 2022 as compared to approximately HK\$1,103.4 million in 2021. Such increase in profit attributable to ordinary shareholders of the Company was primarily attributable to the following factors:

- a satisfactory improvement in operating results of the oil and gas business of the Group in 2022, including a substantial share of profit of approximately HK\$320.1 million (2021: HK\$306.3 million) from the Group's investment in Karazhanbas oilfield and a profit attributable to ordinary shareholders of the Company with approximately HK\$593.5 million (2021: HK\$424.8 million) from the Group's investment in Hainan-Yuedong Block, China. The improvement in operating results from the oil and gas business of the Group as a whole was mainly attributable to an increase in average realised crude oil price, application of new technology and stringent ongoing costs control during the year; and
- a significant improvement in operating results of the Group's coal segment in 2022, mainly due to an increase in the average selling price of coal as compared to the year ended 31 December 2021, as well as the recording of a significant fair value gain of approximately HK\$96.1 million on derivative financial instruments of electricity hedging agreements in Australia.

FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	5,866,160	4,349,406
Cost of sales		<u>(4,031,373)</u>	<u>(3,162,643)</u>
Gross profit		1,834,787	1,186,763
Other income, gains and losses, net	4	174,958	188,531
General and administrative expenses		(304,763)	(324,906)
Other expenses, net		(69,007)	(52,671)
Finance costs	5	(141,816)	(83,822)
Provision for impairment of trade and other receivables, net		(41,394)	(91)
Share of profit of:			
An associate		102,398	116,220
A joint venture		320,147	306,299
Profit before tax	6	1,875,310	1,336,323
Income tax expense	7	<u>(475,188)</u>	<u>(222,176)</u>
Profit for the year		<u>1,400,122</u>	<u>1,114,147</u>
Attributable to:			
Ordinary shareholders of the Company		1,335,537	1,103,366
Non-controlling interests		64,585	10,781
		<u>1,400,122</u>	<u>1,114,147</u>
Earnings per share attributable to ordinary shareholders of the Company	8	HK cents	HK cents
Basic		<u>17.00</u>	<u>14.04</u>
Diluted		<u>17.00</u>	<u>14.04</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2022 HK\$'000	2021 HK\$'000
Profit for the year	<u>1,400,122</u>	<u>1,114,147</u>
Other comprehensive income		
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 year	(6,000)	(13,405)
Income tax effect	<u>1,800</u>	<u>4,022</u>
	<u>(4,200)</u>	<u>(9,383)</u>
Exchange differences on translation of foreign operations	(251,582)	77,158
Reclassification adjustments for foreign operations deregistered or disposed of, net	–	(3,967)
Share of other comprehensive income/(loss) of an associate, net of tax	66,922	(65,519)
Share of other comprehensive income of a joint venture	<u>2,161</u>	<u>1,488</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(186,699)</u>	<u>(223)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement gain on defined benefit plan:		
Changes in fair value	2,723	11,996
Income tax effect	<u>(817)</u>	<u>(3,599)</u>
	<u>1,906</u>	<u>8,397</u>
Share of other comprehensive (loss)/income of a joint venture	(21,170)	8,647
Share of other comprehensive income of an associate	<u>1,803</u>	<u>25,038</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(17,461)</u>	<u>42,082</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(204,160)</u>	<u>41,859</u>
Total comprehensive income for the year	<u><u>1,195,962</u></u>	<u><u>1,156,006</u></u>
Attributable to:		
Ordinary shareholders of the Company	1,154,612	1,136,702
Non-controlling interests	<u>41,350</u>	<u>19,304</u>
	<u><u>1,195,962</u></u>	<u><u>1,156,006</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		3,601,304	3,838,772
Right-of-use assets		75,915	83,123
Goodwill		–	24,682
Mining assets		189,405	112,049
Exploration, evaluation and development expenditure		27,737	112,627
Investment in an associate		2,784,400	2,893,101
Investment in a joint venture		2,374,903	2,073,765
Prepayments, deposits and other receivables		29,626	38,594
Time deposit		102,972	88,754
Deferred tax assets		56,823	187,832
Total non-current assets		<u>9,243,085</u>	<u>9,453,299</u>
Current assets			
Inventories		560,457	431,595
Trade receivables	10	297,358	704,889
Prepayments, deposits and other receivables		105,469	167,372
Derivative financial instruments		102,995	21,012
Cash and deposits	11	2,130,203	1,925,573
Total current assets		<u>3,196,482</u>	<u>3,250,441</u>
Current liabilities			
Accounts payable	12	106,899	135,803
Tax payable		59,136	54,113
Accrued liabilities and other payables		869,273	919,545
Derivative financial instruments		–	643
Bank and other borrowings		96,166	240,669
Lease liabilities		30,709	26,463
Provisions for long-term employee benefits		41,487	46,667
Provisions		75	1,163
Total current liabilities		<u>1,203,745</u>	<u>1,425,066</u>
Net current assets		<u>1,992,737</u>	<u>1,825,375</u>
Total assets less current liabilities		<u>11,235,822</u>	<u>11,278,674</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December

	2022 HK\$'000	2021 HK\$'000
Non-current liabilities		
Bank and other borrowings	2,486,640	3,418,480
Lease liabilities	30,898	41,102
Deferred tax liabilities	328,871	256,016
Provisions for long-term employee benefits	15,268	19,919
Provisions	<u>608,457</u>	<u>619,833</u>
Total non-current liabilities	<u>3,470,134</u>	<u>4,355,350</u>
Net assets	<u><u>7,765,688</u></u>	<u><u>6,923,324</u></u>
Equity		
Equity attributable to ordinary shareholders of the Company		
Issued capital	392,886	392,886
Reserves	<u>7,352,545</u>	<u>6,551,531</u>
	7,745,431	6,944,417
Non-controlling interests	<u>20,257</u>	<u>(21,093)</u>
Total equity	<u><u>7,765,688</u></u>	<u><u>6,923,324</u></u>

NOTES

1. BASIS OF PREPARATION

The significant accounting policies applied in the preparation of the consolidated financial statements of the Group are set out below. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and defined benefit pension plans plan assets which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

1. BASIS OF PREPARATION *(continued)*

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and also to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary in the Financial Statements to ensure consistency with the accounting policies adopted by the Group.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs which are effective for the current accounting period beginning on 1 January 2022:

Standard No.	Title
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020
Amendments to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment – Proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of the above new and revised HKFRSs in the current year has no material impact to 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 (“PAS”) 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 import of other commodity products and manufactured goods such as steel into Australia and New Zealand; and
- (d) the crude oil segment comprises the operation of oilfields and the sale of crude 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, 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.

For the year ended 31 December 2022, revenue for the import and export of commodities comprise of the import of steel products from various countries for distribution in Australia and New Zealand.

In the second half of the year, a Deed of Termination was signed to cease the import and distribution arrangement with its business partner for steel products. Sales of the Group’s steel products was last transacted in November 2022. Management is in the process of collecting the associated trade receivables and settling its outstanding liabilities for the steel operations as at year-end. There is no material impact on the Group’s profitability from the cessation of the steel import and distribution operations.

Notwithstanding the cessation of its import and distribution of the steel products, other trading activities, such as commission earned for export of commodities, have continued during the year. In addition, management is in advanced negotiations with external parties to develop new trading product lines.

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022 HK\$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,356,359	1,368,675	1,286,964	1,854,162	5,866,160
Other income, gains and losses, net	119,629	18,153	4,210	10,109	152,101
	<u>1,475,988</u>	<u>1,386,828</u>	<u>1,291,174</u>	<u>1,864,271</u>	<u>6,018,261</u>
Segment results	237,360	650,168	(2,402)	946,121	1,831,247
<i>Reconciliations:</i>					
Interest income and unallocated gains and losses, net					22,857
Unallocated expenses					(259,523)
Unallocated finance costs					(141,816)
Share of profit of:					
An associate					102,398
A joint venture					320,147
Profit before tax					<u>1,875,310</u>
Segment assets	761,797	680,012	152,980	3,442,726	5,037,515
<i>Reconciliations:</i>					
Investment in an associate					2,784,400
Investment in a joint venture					2,374,903
Unallocated assets					2,242,749
Total assets					<u>12,439,567</u>
Segment liabilities	433,149	307,431	15,911	692,479	1,448,970
<i>Reconciliations:</i>					
Unallocated liabilities					3,224,909
Total liabilities					<u>4,673,879</u>
Other segment information:					
Depreciation and amortisation	28,355	47,216	–	394,786	470,357
Unallocated amounts					16,028
					<u>486,385</u>
Impairment losses recognised in the consolidated income statement	–	–	37,062	15,691	52,753
Unallocated amounts					69,860
					<u>122,613</u>
Impairment losses reversed in the consolidated income statement	(31,200)	(8,755)	(2,658)	–	(42,613)
Capital expenditure ¹	28,511	46,790	–	345,165	420,466
Unallocated amounts					1,008
					<u>421,474</u>
Additions to right-of-use assets	<u>–</u>	<u>20,911</u>	<u>–</u>	<u>1,224</u>	<u>22,135</u>

¹ Capital expenditure consists of additions to property, plant and equipment, mining assets, exploration, evaluation and development expenditure.

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021 HK\$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	1,257,121	740,707	1,003,404	1,348,174	4,349,406
Other income, gains and losses, net	76,430	11,770	7,715	13,622	109,537
	<u>1,333,551</u>	<u>752,477</u>	<u>1,011,119</u>	<u>1,361,796</u>	<u>4,458,943</u>
Segment results	364,912	141,420	28,607	646,872	1,181,811
<i>Reconciliation:</i>					
Interest income and unallocated gains and losses, net					78,994
Unallocated expenses					(263,179)
Unallocated finance costs					(83,822)
Share of profit of:					
An associate					116,220
A joint venture					306,299
Profit before tax					<u>1,336,323</u>
Segment assets	554,361	602,759	622,664	3,759,396	5,539,180
<i>Reconciliation:</i>					
Investment in an associate					2,893,101
Investment in a joint venture					2,073,765
Unallocated assets					2,197,694
Total assets					<u>12,703,740</u>
Segment liabilities	436,538	258,612	66,916	803,860	1,565,926
<i>Reconciliation:</i>					
Unallocated liabilities					4,214,490
Total liabilities					<u>5,780,416</u>
Other segment information:					
Depreciation and amortisation	26,814	32,395	—	355,021	414,230
Unallocated amounts					18,202
					<u>432,432</u>
Impairment losses recognised in the consolidated income statement	91	31,902	—	1,039	<u>33,032</u>
Impairment losses reversed in the consolidated income statement	—	—	(1,510)	(4,668)	<u>(6,178)</u>
Capital expenditure ¹	140,752	5,329	—	516,206	662,287
Unallocated amounts					4,697
					<u>666,984</u>
Additions to right-of-use assets	<u>3,549</u>	<u>10,399</u>	<u>—</u>	<u>10,000</u>	<u>23,948</u>

¹ Capital expenditure consists of additions to property, plant and equipment, mining assets, exploration, evaluation and development expenditure.

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2022	2021
	HK\$'000	HK\$'000
Mainland China	1,743,743	1,247,524
Australia	1,256,508	978,617
Europe	855,594	520,924
Other Asian countries	1,770,043	1,214,270
Others	240,272	388,071
	<u>5,866,160</u>	<u>4,349,406</u>

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2022	2021
	HK\$'000	HK\$'000
Hong Kong	25,416	38,217
Mainland China	3,195,947	3,464,537
Australia	3,514,678	3,625,394
Kazakhstan	2,375,401	2,073,991
Other Asian countries	74,820	63,328
	<u>9,186,262</u>	<u>9,265,467</u>

The non-current assets information above is based on the location of the assets which exclude deferred tax assets.

3. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

During the year, revenue of HK\$1,743,743,000 (2021: HK\$1,247,524,000) was derived from sales to a customer of the crude oil segment, which amounted to more than 10% of the Group's revenue for the year.

During the year, revenue of HK\$722,198,000 (2021: HK\$532,381,000) and HK\$372,122,000 (2021: HK\$503,228,000) was derived from sales to two customers of the aluminium smelting segment respectively. One of these two customers amounted to more than 10% of the Group's revenue for the year.

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	42,489	18,615
Handling service fees	4,874	7,308
Sale of scrap	5,690	4,382
Reclassification adjustments for foreign operations deregistered or disposed of, net	–	3,967
Gain on disposal of items of property, plant and equipment, net	262	7,752
Government subsidies	–	2,691
Fair value gain on derivative financial instruments	96,127	7,698
The government loan forgiveness	–	64,157
Exchange (losses)/gains, net	(18,062)	54,656
Others	43,578	17,305
	<u>174,958</u>	<u>188,531</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	113,589	78,439
Interest expense on lease liabilities	1,770	2,586
	<u>115,359</u>	<u>81,025</u>
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	20,621	684
Others	5,836	2,113
	<u>141,816</u>	<u>83,822</u>

6. PROFIT BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold	4,031,373	3,162,643
Depreciation of property, plant and equipment	450,498	404,410
Depreciation of right-of-use assets	27,631	26,114
Amortisation of mining assets	8,256	1,908
Reclassification adjustments for foreign operations deregistered or disposed of, net	–	(3,967)
Gain on disposal of items of property, plant and equipment, net	(262)	(7,752)
Loss on disposal of items of exploration, evaluation and development expenditure, net	–	124
Written off of items of property, plant and equipment	–	1,039
Fair value (gain)/loss on derivative financial instruments, net	(98,362)	28,704
Exchange losses/(gains), net	18,062	(54,656)
Write-back of inventories to net realisable value*	(54)	(6,178)
(Reversal)/provision for impairment of trade receivables	(2,604)	91
Provision for impairment of exploration, evaluation and development expenditure*	–	31,902
Reversal of impairment of property, plant and equipment*	(31,200)	–
Provision for impairment of goodwill*	24,682	–
Provision for impairment of an associate*	45,178	–
Provision for impairment of other receivables, net	43,998	–
	<u>43,998</u>	<u>–</u>

* Included in "Other expenses, net" in the consolidated income statement.

7. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	163,554	61,670
Underprovision/(overprovision) in prior years	2,586	(19)
Deferred taxation	<u>309,048</u>	<u>160,525</u>
Total tax expense for the year	<u><u>475,188</u></u>	<u><u>222,176</u></u>

Assessable profits derived in Hong Kong is subject to a tax rate of 16.5% (2021:16.5%). No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year (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%).

Mainland China: The Group's subsidiaries registered in Mainland 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 the rate of 20% (2021: 20%).

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 year attributable to ordinary shareholders of the Company of HK\$1,335,537,000 (2021: HK\$1,103,366,000) and the weighted average number of ordinary shares in issue during the year, which was 7,857,727,149 (2021: 7,857,727,149) shares.

The Group had no potentially dilutive ordinary shares in issue during 2022 (2021: same).

9. DIVIDEND

	2022 HK\$'000	2021 HK\$'000
Proposed final dividend of HK6.00 cents (2021: HK4.50 cents) per ordinary share	<u>471,464</u>	<u>353,598</u>

The proposed final dividend for the year is subject to the approval of shareholders at the forthcoming annual general meeting of the Company.

10. TRADE RECEIVABLES

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

	2022 HK\$'000	2021 HK\$'000
Within one month	143,098	331,680
One to two months	212	216,475
Two to three months	85,617	82,314
Over three months	<u>68,431</u>	<u>74,420</u>
	<u>297,358</u>	<u>704,889</u>

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

11. CASH AND DEPOSITS

	2022 HK\$'000	2021 HK\$'000
Cash and bank balances	707,948	748,355
Time deposits	<u>361,346</u>	<u>706,062</u>
	1,069,294	1,454,417
Less: Time deposit with original maturity more than three months	–	(58,939)
Time deposit with original maturity more than one year	<u>(102,972)</u>	<u>(88,754)</u>
	966,322	1,306,724
Cash and cash equivalents	966,322	1,306,724
Deposits with a fellow subsidiary	1,163,881	559,910
Time deposit with original maturity more than three months	<u>–</u>	<u>58,939</u>
	2,130,203	1,925,573

12. ACCOUNTS PAYABLE

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

	2022 HK\$'000	2021 HK\$'000
Within one month	106,895	135,719
One to three months	–	61
Over three months	<u>4</u>	<u>23</u>
	106,899	135,803

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

13. EVENTS AFTER THE REPORTING PERIOD

On 15 March 2023, Alcoa had announced that the Portland Aluminium Smelter, which the Group holds a 22.5% interest, will begin to immediately reduce its overall production due to operational instability. Production at the smelter will be reduced to approximately 75% of its total capacity of 358,000 metric tons per year. Previously, the smelter had been operating at about 95% of its total capacity. As at the date of this announcement, management is still assessing the financial implications arising from the reduction in production capacity including its impact on the valuation of the associated assets and the on-going profitability of the aluminium segment which the asset relates to.

BUSINESS REVIEW

Operating Environment and Results

In 2022, the global energy and resource industry underwent drastic changes, and the landscape of energy and resource production, trading and supply-demand structure developed over decades was reshaped, and the operating environment faced by the Group was exceptionally complex and severe. Firstly, the intensified international geopolitical conflicts affected related resource countries. Meanwhile, the geographical balance of energy supply and demand in the world was broken and commodity prices fluctuated dramatically. Secondly, the global industrial and supply chains were severely impacted, which caused obstacles to the production and operation of the energy and resource industry. In addition, as the global financial market entered a new cycle of US dollar interest rate hikes and inflation spread across the world, the operation of the Group was under great pressure of cost increase and the Group's resource and energy businesses suffered at various degrees.

The Group addressed the challenges posed by the external business environment while maintaining stability and made substantive efforts to ensure safe and stable production and operation. The Group focused on the sustainable development of the Company and adhered to the bottom-line thinking. The management has adopted effective management measures to manage adverse effects and the Group has optimized its investment and expenses, and maintained stability of the employees. It also promoted the application of new technologies and techniques, strengthened safety investigations and reduced its debt level. In addition, the Group continuously builds its long-term competitive advantage by improving the overall management standard of the Company, promoting the refined management of production processes, optimizing operational arrangements, improving efficiency, strengthening costs control and enhancing the Group's risk resilience.

On the other hand, in 2022, prices of oil, aluminium and coal fluctuated sharply at high levels. Brent oil price averaged US\$100.9 per barrel for the year, increasing by approximately 42.4% year-on-year. LME aluminum ingot price averaged US\$2,858.1 per tonne for the year, increasing by 4.3% year-on-year. Coal price averaged US\$286.5 per tonne for the year, increasing by 114% year-on-year. The above commodity prices were generally favourable to the improvement of the Group's economic benefits.

Driven by the increase in commodity prices and the measures taken by the Group to address the challenging external business environment, and thanks to the efforts of all staff, the Group successfully accomplished its production and operation targets in 2022 with its operating results hitting a record high.

In 2022, the Group achieved revenue of approximately HK\$5,866.2 million, representing a year-on-year increase of approximately 34.9%; and recorded net profit attributable to ordinary shareholders of the Company of approximately HK\$1,335.5 million, representing a year-on-year increase of approximately 21.0%. As at 31 December 2022, the Group's total assets amounted to approximately HK\$12,439.6 million, and net assets attributable to ordinary shareholders of the Company were approximately HK\$7,745.4 million. The debt ratio and interest-bearing debt ratio dropped to approximately 37.6% and 25.0%, respectively. The return on net assets reached approximately 18.0%. The Company proposes to pay a final dividend for the year ended 31 December 2022 of HK6.00 cents per ordinary share (2021: HK4.50 cents).

Oil and Gas Business

In 2022, the Group's oil and gas business division weathered the political turmoil in Kazakhstan and the impact from COVID-19 pandemic. It seized the opportunity to enjoy favourable oil prices and planned production arrangements in advance. The Group explored and realised development potential through scientifically introducing various reserves and production enhancement measures, improving safety management system, promoting application of new processes and new technologies, optimizing the management of various production segments, thus enhancing the output and operating efficiency of the oil and gas business. In 2022, the Group's oil and gas business achieved operation output of 17,961,000 barrels and working interest output of 9,663,000 barrels, representing an increase of approximately 1.6% and 1.6%, respectively when compared to 2021. The oil and gas business achieved annual revenue of approximately HK\$1,854.2 million, representing an increase of approximately 37.5% year-on-year, and contributed net profit attributable to ordinary shareholders of the Company of approximately HK\$611.8 million.

- In respect of the KBM (i.e. JSC Karazhanbasmunai) oilfield, with the joint efforts of the shareholders from both China and Kazakhstan, the Group successfully took active measures to stabilize the workforce and resumed normal production at the oilfield in an orderly manner, despite the political turmoil in Kazakhstan. At the same time, the Group actively promoted the integrated governance of the first and third layers in the East Zone and the PTV2 layer in the Central Zone, and promoted the techniques of dissection, injection distribution, segment plugging and high-temperature plugging on a large scale to achieve stability while increasing production. The Group promoted the rolling exploration and expansion of the submerged mountain reservoir and the re-evaluation of the reservoir in the West Binhai Zone to continuously increase the recoverable reserves, and strengthened the production and operation management of the oilfield, making significant progress in core indicators such as production uptime of oil wells, maintenance-free period and operating time. In 2022, the KBM oilfield achieved working interest output of approximately 7,154,000 barrels and contributed profit attributable to ordinary shareholders of the Company of approximately HK\$320.1 million, representing a year-on-year increase of approximately 4.5%.

- In respect of the Yuedong oilfield, the Group made steady adjustments to development plan, and the drilling operation of new wells in D platform has commenced successfully, achieving continuous progress in production. With increasing exploration and development efforts, the Group successfully drilled the first appraisal well in the Hainan Block in 2022, securing important exploration and appraisal results and expanding reserve scale of the new block. With enhanced technological innovation efforts, the Group developed a number of applicable technologies and processes represented by thermal recovery with water plugging and composite throughput, effectively slowing down the decline rate of old wells. By continuously establishing a long-term cost reduction and efficiency improvement mechanism, refining energy consumption management and strengthening control over the operating process, operating cost was reduced. In 2022, the Yuedong oilfield achieved working interest output of approximately 2,340,000 barrels and contributed net profit attributable to ordinary shareholders of the Company of approximately HK\$593.5 million, representing a year-on-year increase of approximately 39.7%.
- In respect of the Seram oilfield in Indonesia, the Group actively promoted the Lofin-2 gas trial, explored commercial sales channels of natural gas and sought new growth points of operation benefits, striving to realize better value of the oilfield. The Group also strengthened the dynamic management of oil wells, conducted studies on the distribution of residual oil and sought for replacement potential. In 2022, the Seram oilfield achieved working interest output of approximately 170,000 barrels, and net profit attributable to ordinary shareholders of the Company of approximately HK\$18.3 million, representing a year-on-year decrease of approximately 52.8%.

Non-oil-and-gas Businesses

In 2022, taking advantage of the favorable market environment and proactively engaging in management and shareholders affairs of joint venture projects including the Portland Aluminium Smelter and CMJV (i.e. Coppabella and Moorvale coal mines joint venture), the Group urged the project operators to optimize their operation modes, increase production capacity and reduce costs. At the same time, benefiting from the increase in coal price and the fair value gain on derivative financial instruments under the Australian Power Hedging Agreement, the non-oil-and-gas businesses made a significant financial contribution to the Group. In 2022, the Group's non-oil-and-gas businesses contributed net profit attributable to ordinary shareholders of the Company of approximately HK\$705.2 million, representing a year-on-year increase of approximately 12.6%. Such increase was mainly attributable to the increases in coal price and the considerable increase in Australia group companies' net profit of approximately 71.3%, or approximately HK\$257.8 million.

- In respect of the aluminium smelting business, the Company strived to absorb the pressure of rising costs resulted from inflation. In 2022, the average selling price of aluminium increased by 4.3% and the sales volume of aluminum smelting at the Portland Aluminium Smelter was approximately 61,000 tonnes, representing an increase of approximately 3.5% year-on-year while the Australian Power Hedging Agreement realised a fair value gain of approximately HK\$96.1 million. The aluminium smelting business recorded an increase in revenue by approximately 7.9% year-on-year. However, due to the increases in production costs such as electricity and employee’s remuneration, the aluminium smelting business achieved a net profit attributable to ordinary shareholders of the Company of approximately HK\$164.7 million, representing a decline of approximately 37.4% year-on-year.

- In respect of the investment in AWC (i.e. Alumina Limited), as a result of the increase in production costs, the Group’s profit attributable to AWC under the equity method decreased significantly compared to that in last year. In 2022, AWC paid dividends of HK\$152.3 million (2021: HK\$137.1 million) to the Group. As at the end of December 2022, the market capitalisation of AWC was approximately US\$287.2 million (at the end of 2021: US\$377.4 million) at the closing price as at the end of December 2022, which was approximately US\$75.6 million below the carrying amounts of investment.

- In respect of the coal business, in 2022, the average realized selling price of coal by CMJV was approximately US\$286.5 per tonne, representing an increase of 1.1 times year-on-year. The coal business achieved a net profit attributable to ordinary shareholders of the Company of approximately HK\$454.5 million, representing an increase of approximately 361.7% year-on-year.

- In respect of the import and export trading, in the fourth quarter of 2022, the Group gradually suspended its steel trading operations in Australia and delivered the last shipment in November 2022. The Group is proactively communicating with its customers and collecting account receivables. As at the date of this announcement, there was no material obstacle in the collection of trade receivables. In 2022, the Group recorded a steel import trade volume of approximately 108,000 tonnes, with a net loss attributable to ordinary shareholders of the Company from steel trading operations of approximately HK\$27.7 million (2021: net gain of HK\$18.4 million).

FINANCIAL MANAGEMENT

In 2022, the Group managed to reduce its debt with internal generated cash flow, with its net debt to net total capital ratio reduced to approximately 6.2% (2021: 20.6%). The Group’s financial position and liquidity remained robust throughout the year.

OUTLOOK

Opportunities and challenges will coexist in 2023. There is still no sign of easing for the Russia-Ukraine conflict. International geopolitics is undergoing profound changes. Commodity prices have displayed a downward trend, while global industrial chains and supply chains remain very fragile. However, positive factors are also emerging. The recovery of the world's major economies is relatively strong, including the economic recovery of China in the post-pandemic era, which brings about rising demands that will provide strong support for the stability of global supply chains. Meanwhile, carbon emission reduction and the application of green energy are gaining increasing attention, and the future of new energy development is becoming more and more assured.

In 2023, the Group will continue to adhere to its three core objectives of “mitigating risks, improving quality and efficiency, and optimizing management”. The Group will uphold a bottom-line mindset, strengthen the integrated management of risk, compliance and internal control, improve its risk prevention and control capabilities, and plan ahead to develop advanced schemes to address risks and challenges proactively. The Group will continue to explore its operational potential, optimize production processes, refine management measures, deepen reforms and reinforce innovation, and strive to achieve a steady increase in production. The Group will also continue to optimize the management system in line with the characteristics of its business in a standardized, scientific, modern and systematic manner, improve work efficiency, enhance incentive mechanisms, build competitive advantages and achieve continuous improvement in corporate value.

In the operation and management of its existing assets, the Group will adhere to the concept of green and low-carbon development in the whole process and endeavour to save energy and reduce emissions. In the meantime, the Group will strive to explore the business opportunities in the areas of new energy and new materials. The Group will conduct research and explore new development directions around green energy and metal mineral resources. The Group is committed to promoting the low-carbon and green development of the resources and energy industries, with a view to providing reliable energy and materials to society and bringing greater returns to shareholders while achieving high-quality and sustainable development of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and Deposits

In 2022, the Group continues to maintain a strong financial position, with cash and deposits balances amounting to approximately HK\$2,130.2 million as at 31 December 2022 (31 December 2021: HK\$1,925.6 million).

Borrowings

As at 31 December 2022, the Group had total debt of approximately HK\$2,644.4 million (31 December 2021: HK\$3,726.7 million), which comprised:

- unsecured bank borrowings of approximately HK\$1,412.8 million;
- unsecured other borrowings of approximately HK\$1,170.0 million; and
- lease liabilities of approximately HK\$61.6 million

Most of the transactions in 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, as well as match the terms of the underlying transactions. Upon receipt of sales proceeds following the completion of a transaction, the related borrowings would be repaid accordingly.

The significant decrease in the Group's borrowings was mainly due to the voluntary prepayment of bank loans amounted to US\$130.0 million (equivalent to approximately HK\$1,014.0 million) from its surplus cash in 2022. The Group had also refinanced the A loan (as defined below) amounting to US\$150.0 million (equivalent to approximately HK\$1,170.0 million) with CITIC Finance International Limited (a fellow subsidiary of the Company, "**CITIC Finance**") in order to reduce the cost of funding.

The Group aims to maintain the cash and deposits and undrawn banking facilities at US\$232.7 million (equivalent to approximately HK\$1,815.1 million) at a reasonable level to meet the debt repayments and capital expenditures in the coming year.

On 29 December 2022, the Company entered into a facility agreement with CITIC Finance in respect of an unsecured 3-year revolving loan facility of US\$150.0 million (equivalent to approximately HK\$1,170.0 million) (the "**A Loan**"). The proceeds of the A Loan were used for refinancing the prepayment of the remaining balance of US\$110.0 million (equivalent to approximately HK\$858.0 million) of the C Loan (as defined below) on 29 December 2022 and the partial prepayment of US\$40.0 million (equivalent to approximately HK\$312.0 million) of the B Loan (as defined below) on 30 December 2022. As at 31 December 2022, the outstanding balance of the A Loan was US\$150.0 million (equivalent to approximately HK\$1,170.0 million).

In December 2019, the Company entered into an unsecured 4-year committed US\$200.0 million (equivalent to approximately HK\$1,560.0 million) credit facility agreement comprising of a US\$100.0 million term loan and a US\$100.0 million revolving loan in the form of a self-arranged club loan with 5 financial institutions (the “**B Loan**”) commencing from 31 December 2019. The purpose of the B Loan is to refinance existing indebtedness and/or general corporate funding requirement to support the operation and growth of the business of the Group. On 30 September 2022 and 30 November 2022, a partial repayment of the B Loan in the amount of US\$60.0 million (equivalent to approximately HK\$468.0 million) was made by utilizing the Company’s internal sources. On 30 December 2022, the remaining balance of the B Loan in the amount of US\$40.0 million (equivalent to approximately HK\$312.0 million) was fully prepaid by refinancing from a drawdown of the A Loan. As at 31 December 2022, there was no outstanding balance of the B Loan.

In March 2021, the Company entered into a facility agreement with CITIC Finance in respect of an unsecured 3-year term loan facility of US\$150.0 million (equivalent to approximately HK\$1,170.0 million) (the “**C Loan**”). The proceeds of the C Loan were used for refinancing the partial prepayment in the amount of US\$150.0 million (equivalent to approximately HK\$1,170.0 million) of an existing loan. On 31 March 2022 and 30 June 2022, a partial prepayment of the C Loan in the amount of US\$40.0 million (equivalent to approximately HK\$312.0 million) was made by utilizing the Company’s internal sources. On 29 December 2022, the remaining balance of the C Loan amounting to US\$110.0 million (equivalent to approximately HK\$858.0 million) was fully prepaid by refinancing from a drawdown of the A Loan. As at 31 December 2022, there was no outstanding balance of the C Loan.

In June 2021, a wholly-owned subsidiary of the Company entered into an unsecured 3-year committed US\$200.0 million (equivalent to approximately HK\$1,560.0 million) credit facility agreement with China CITIC Bank International Limited (a fellow subsidiary of the Company) (the “**D Loan**”), effective from 24 June 2021. The proceeds of the D Loan were mainly used for the prepayment of the remaining outstanding balance of the existing loan amounting to US\$200.0 million (equivalent to approximately HK\$1,560.0 million). On 30 June 2022 and 31 August 2022, a partial prepayment of the D Loan in the amount of US\$30.0 million (equivalent to approximately HK\$234.0 million) was made by utilizing the Company’s internal sources. As at 31 December 2022, the outstanding balance of the D Loan was US\$170.0 million (equivalent to approximately HK\$1,326.0 million).

The Group leases certain plant and machinery for its aluminium and coal mining operations under finance leases. The lease liabilities arising from these finance leases as at 31 December 2022 were approximately HK\$14.2 million (31 December 2021: HK\$21.2 million).

As at 31 December 2022, the Group’s net debt to net total capital ratio was 6.2% (31 December 2021: 20.6%). Of the Group’s total debt, approximately HK\$126.9 million was repayable within one year, including trade finance and lease liabilities.

Share capital

There was no movement in the share capital of the Company in 2022.

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, 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.

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 31 December 2022, the Group had 206 full time employees, including management and administrative staff (31 December 2021: 179).

In addition, the Group would share the expenses of the subcontractor remuneration in respect of its investments as an operator (including the Seram Block, Indonesia and Hainan-Yuedong Block, China) and jointly owned investments (PAS and CMJV and some exploration rights), involving approximately 1,548 employees in total (2021: 1,519) and amounting to approximately HK\$201.1 million (2021: HK\$177.8 million).

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.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of HK6.00 cents per ordinary share for the year ended 31 December 2022 (the “**Final Dividend**”) to shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2023. Subject to approval by shareholders at the forthcoming annual general meeting of the Company, the Final Dividend is payable to entitled shareholders on or around Tuesday, 18 July 2023.

For determining the entitlement of shareholders to the Final Dividend, the register of members of the Company will be closed from Friday, 23 June 2023 to Tuesday, 27 June 2023, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining entitlement of shareholders to the Final Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 21 June 2023.

CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has, for the year ended 31 December 2022, 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 of Hong Kong Limited (the “**Listing Rules**”), save and except for the following deviation from code provision C.2.1 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the retirement of Mr. Suo Zhengang, a former executive Director and the former Chief Executive Officer (“**CEO**”), Mr. Sun Yufeng, an executive Director and the Chairman, has assumed the additional role of CEO with effect from 30 September 2022.

The Board believes that, since Mr. Sun has demonstrated suitable management and leadership capabilities along with his thorough understanding of the Group’s business and strategy as from his appointment as an executive Director and the Chairman, vesting the roles of both the Chairman and CEO in Mr. Sun can facilitate and ensure that there will be a smooth and continuous execution of the Group’s business strategies and effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision C.2.1 of the Corporate Governance Code will not be inappropriate. In addition, under the supervision of the Board which, apart from Mr. Sun being the executive Director, comprises a non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. Further information is set out in the announcements of the Company dated 30 September 2022 and 28 October 2022.

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 year ended 31 December 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2022.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with rule 3.21 of the Listing Rules with responsibility for reviewing and providing supervision over the Group’s financial reporting process. The audit committee comprises the three independent non-executive directors of the Company.

The audit committee has reviewed the annual results of the Group for the year ended 31 December 2022 with senior management and the external auditor of the Company.

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary results announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers (“**PwC**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PwC on the preliminary results announcement.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed in note 13 to the financial information on page 17 of this announcement, the Company's positive profit alert announcement dated 27 February 2023 and the announcements of the Company dated 27 February 2023 in relation to the update on legal proceedings against CA Commodity Trading PTY Ltd and tax audit results of KBM respectively, there was no other important event or transaction affecting the Group and which is required to be disclosed by the Company to its shareholders from 1 January 2023 up to the date of this announcement.

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

Hong Kong, 29 March 2023

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