CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

FINANCIAL HIGHLIGHTS

Year ended 31 December	**2017** **HK$ million**	2016 HK$ million	Change
Revenue	**3,602.9**	2,956.7	21.9%
EBITDA [1]	**2,100.4**	1,803.7	16.4%
Adjusted EBITDA [2]	**1,660.7**	1,100.2	50.9%
Profit attributable to shareholders	**518.3**	363.0	42.8%

1 profit before tax + finance costs + depreciation + amortisation + asset impairment losses, net

2 EBITDA + (share of finance costs, depreciation, amortisation, income tax expense and non-controlling interests of a joint venture) – share of reversal of asset impairment loss of a joint venture – pre-tax fair value gain on a financial asset at fair value through profit or loss

All of the Group's segments and investments, except aluminium smelting segment, recorded profits for the year.

- Improvement in operating results of the Group's oil business, including the Karazhanbas oilfield in Kazakhstan, resulting from a higher average crude oil realised price and stringent ongoing cost control
- Fair value gain and a share of profit in respect of the Group's interest in Alumina Limited ("**AWC**")
- Better contribution from the Group's coal segment attributable to higher average selling price and sales volume of coal despite disruptions caused by inclement weather in 2Q 2017
- Share of profit recorded with respect to the Group's interest in CITIC Dameng Holdings Limited ("**CDH**")

FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT
Year ended 31 December

	Notes	**2017** **HK$'000**	2016 HK$'000
REVENUE	3	**3,602,947**	2,956,732
Cost of sales		**(3,116,691)**	(3,056,734)
Gross profit/(loss)		**486,256**	(100,002)
Other income and gains	4	**542,636**	1,327,438
Selling and distribution costs		**(19,419)**	(18,791)
General and administrative expenses		**(335,005)**	(338,596)
Other expenses, net		**(145,205)**	(79,182)
Finance costs	5	**(290,361)**	(276,240)
Share of profit/(loss) of:			
Associates		**180,096**	(29,562)
A joint venture		**772,535**	210,922
		1,191,533	695,987
Provision for impairment of items of property, plant and equipment		**(583,353)**	(226,200)
Provision for impairment of inventories		**—**	(125,763)
PROFIT BEFORE TAX	6	**608,180**	344,024
Income tax credit/(expense)	7	**(123,603)**	217
PROFIT FOR THE YEAR		**484,577**	344,241
ATTRIBUTABLE TO:			
Shareholders of the Company		**518,315**	362,985
Non-controlling interests		**(33,738)**	(18,744)
		484,577	344,241
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	8	**HK cents**	HK cents
Basic		**6.60**	4.62
Diluted		**6.60**	4.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December

	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR	**484,577**	344,241
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	**61**	(490)
Income tax effect	**(18)**	147
	43	(343)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**872,300**	6,646
Reclassification adjustment for losses included in the consolidated income statement	**—**	868,924
Income tax effect	**(261,690)**	(262,671)
	610,610	612,899
Exchange differences on translation of foreign operations	**287,183**	(371,011)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**897,836**	241,545
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Re-measurement gain on defined benefit plan:		
Changes in fair value	**5,590**	7,401
Income tax effect	**(1,677)**	(2,220)
	3,913	5,181
Share of other comprehensive loss of a joint venture	**(17,798)**	—
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**(13,885)**	5,181
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**883,951**	246,726
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,368,528**	590,967
ATTRIBUTABLE TO:		
Shareholders of the Company	**1,377,283**	637,372
Non-controlling interests	**(8,755)**	(46,405)
	1,368,528	590,967

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,860,246**	4,674,326
Prepaid land lease payments		**16,411**	16,415
Goodwill		**24,682**	24,682
Other assets		**268,600**	289,988
Investments in associates		**4,327,686**	905,841
Investment in a joint venture		**915,940**	173,942
Financial asset at fair value through profit or loss		**—**	2,880,665
Derivative financial instrument		**496,054**	—
Available-for-sale investment		**845**	784
Prepayments, deposits and other receivables		**52,910**	83,260
Deferred tax assets		**—**	319,466
Total non-current assets		**9,963,374**	9,369,369
CURRENT ASSETS			
Inventories		**642,719**	577,698
Trade and notes receivables	10	**546,212**	643,767
Prepayments, deposits and other receivables		**1,168,261**	1,453,071
Financial assets at fair value through profit or loss		**3,029**	3,029
Derivative financial instruments		**403,649**	60,826
Cash and cash equivalents		**1,405,672**	1,160,989
Total current assets		**4,169,542**	3,899,380
CURRENT LIABILITIES			
Accounts payable	11	**167,093**	130,891
Tax payable		**73**	142
Accrued liabilities and other payables		**604,982**	565,039
Derivative financial instruments		**9,553**	10,387
Bank borrowings		**386,206**	1,371,809
Finance lease payables		**8,970**	13,102
Provisions		**46,312**	44,670
Total current liabilities		**1,223,189**	2,136,040
NET CURRENT ASSETS		**2,946,353**	1,763,340
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,909,727**	11,132,709

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December

	Note	**2017** **HK$'000**	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,909,727**	11,132,709
NON-CURRENT LIABILITIES			
Bank and other borrowings		**6,602,069**	6,155,518
Finance lease payables		**3,020**	12,371
Deferred tax liabilities		**67,365**	—
Provisions		**290,323**	268,530
Total non-current liabilities		**6,962,777**	6,436,419
NET ASSETS		**5,946,950**	4,696,290
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**392,886**	392,886
Reserves	12	**5,671,287**	4,411,872
		6,064,173	4,804,758
Non-controlling interests		**(117,223)**	(108,468)
TOTAL EQUITY		**5,946,950**	4,696,290

NOTES

1. BASIS OF PREPARATION

These 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. These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain equity investments which have been measured at fair value. These 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 2017. 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.

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.

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.

If the Group loses control over a subsidiary, it derecognises (a) the assets (including goodwill) and liabilities of the subsidiary; (b) the carrying amount of any non-controlling interests; and (c) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received; (b) the fair value of any investment retained; and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014 – 2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

Relevant disclosure has been made in the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 (the "**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 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 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, fair value gain on a financial asset at fair value through profit or loss, dividend income, finance costs, share of profit/(loss) of associates and a joint venture, and provision for impairment of assets as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in associates, 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 and other borrowings, finance lease payables, 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)*

Year ended 31 December 2017 HK$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	**707,504**	**828,649**	**978,663**	**1,088,131**	**3,602,947**
Other income	**1,946**	**27**	**4,350**	**31,270**	**37,593**
	709,450	**828,676**	**983,013**	**1,119,401**	**3,640,540**
Segment results	**(169,085)**	**91,995**	**42,142**	**277,873**	**242,925**
Reconciliation:					
Interest income and unallocated gains					**437,605**
Dividend income					**67,438**
Provision for impairment of items of property, plant and equipment					**(583,353)** [1]
Unallocated expenses					**(218,705)**
Unallocated finance costs					**(290,361)**
Share of profit of:					
Associates					**180,096**
A joint venture					**772,535**
Profit before tax					**608,180**
Segment assets	**1,499,505**	**769,864**	**641,366**	**3,469,620**	**6,380,355**
Reconciliation:					
Investments in associates					**4,327,686**
Investment in a joint venture					**915,940**
Unallocated assets					**2,508,935**
Total assets					**14,132,916**
Segment liabilities	**346,647**	**240,463**	**64,551**	**310,858**	**962,519**
Reconciliation:					
Unallocated liabilities					**7,223,447**
Total liabilities					**8,185,966**
Other segment information:					
Depreciation and amortisation	**28,929**	**110,637**	**540**	**420,611**	**560,717**
Unallocated amounts					**3,943**
					564,660
Impairment losses recognised in the consolidated income statement	—	**27,441**	**6,574**	**26,422**	**60,437**
Impairment losses reversed in the consolidated income statement	—	—	—	**(24,082)**	**(24,082)**
Capital expenditure	**(1,012)**	**36,083**	**96**	**6,157**	**41,324**
Unallocated amounts					**1,615**
					42,939 [2]

1 in respect of the crude oil segment

2 Capital expenditure consists of additions to property, plant and equipment and other assets.

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016 HK$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	858,258	514,866	697,270	886,338	2,956,732
Other income	89,962	5,718	3,876	5,316	104,872
	948,220	520,584	701,146	891,654	3,061,604
Segment results	3,791	29,107	6,937	(266,652)	(226,817)
Reconciliation:					
Interest income and unallocated gains					1,070,633
Dividend income					102,245
Gain on disposal of other assets					49,688 [1]
Provision for impairment of items of property, plant and equipment					(226,200) [2]
Provision for impairment of inventories					(125,763) [3]
Unallocated expenses					(204,882)
Unallocated finance costs					(276,240)
Share of profit/(loss) of:					
An associate					(29,562)
A joint venture					210,922
Profit before tax					344,024
Segment assets	615,525	966,013	605,641	4,248,980	6,436,159
Reconciliation:					
Investment in an associate					905,841
Investment in a joint venture					173,942
Unallocated assets					5,752,807
Total assets					13,268,749
Segment liabilities	265,254	203,889	108,731	293,879	871,753
Reconciliation:					
Unallocated liabilities					7,700,706
Total liabilities					8,572,459
Other segment information:					
Depreciation and amortisation	88,980	47,204	585	714,844	851,613
Unallocated amounts					4,415
					856,028
Impairment losses reversed in the consolidated income statement	—	—	(1,168)	—	(1,168)
Capital expenditure	2,136	9,960	351	34,986	47,433
Unallocated amounts					2,443
					49,876 [4]

1 in respect of the coal segment
2 in respect of the aluminium smelting segment
3 in respect of the import and export of commodities segment and the crude oil segment
4 Capital expenditure consists of additions to property, plant and equipment and other assets.

3. **OPERATING SEGMENT INFORMATION** *(continued)*

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	HK$'000
China	**1,328,021**	907,651
Australia	**802,895**	671,311
Europe	**275,919**	406,148
Other Asian countries	**1,188,905**	929,693
Others	**7,207**	41,929
	3,602,947	2,956,732

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

(b) Non-current assets

	2017	2016
	HK$'000	HK$'000
Hong Kong	**2,265**	3,577
China	**4,169,892**	4,739,340
Australia	**4,544,686**	3,716,645
Kazakhstan	**918,284**	177,991
Other Asian countries	**58,802**	121,578
	9,693,929	8,759,131

The non-current assets information above is based on the location of the assets which exclude other assets, available-for-sale investment and deferred tax assets.

Information about major customers

During the year, revenue of HK$920,045,000 was derived from sales to a customer of the crude oil segment and HK$474,090,000 was derived from sales to a customer of the aluminium smelting segment. Revenue from each of these two customers amounted to 10% or more of the Group's revenue for the year.

In 2016, revenue of HK$705,989,000 was derived from sales to a customer of the crude oil segment and HK$666,108,000 was derived from sales to two customers of the aluminium smelting segment. Revenue from each of these three customers amounted to 10% or more of the Group's revenue for 2016.

4. OTHER INCOME AND GAINS

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

	2017	2016
	HK$'000	HK$'000
Interest income	**19,767**	19,651
Dividend income from a financial asset at fair value through profit or loss	**67,438**	102,245
Handling service fees	**3,916**	3,473
Fair value gains on:		
Derivative financial instruments	**—**	84,309
A financial asset at fair value through profit or loss *	**411,278**	1,044,952
Sale of scrap	**6,077**	3,456
Reversal of impairment of value added tax receivables	**24,082**	—
Gain on disposal of other assets	**—**	49,688
Others	**10,078**	19,664
	542,636	1,327,438

* During the year, the Group reassessed and concluded that significant influence over AWC has been demonstrated by the Group effective 30 June 2017. Consequently, the investment in AWC was reclassified from a financial asset at fair value through profit or loss to an investment in an associate on 30 June 2017. Prior to the reclassification, the investment in AWC was measured at its fair value based on the closing price of AWC shares as at the end of each reporting period with changes in fair value recognised in the consolidated income statement.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	HK$'000
Interest expense on bank and other borrowings	**281,421**	260,711
Interest expense on a finance lease	**1,481**	2,268
Total interest expense on financial liabilities not at fair value through profit or loss	**282,902**	262,979
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	**7,419**	4,329
Others	**40**	8,932
	290,361	276,240

6. PROFIT BEFORE TAX

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

	2017 HK$'000	2016 HK$'000
Cost of inventories sold	**3,116,691**	3,056,734
Depreciation	**538,581**	806,776
Amortisation of other assets	**24,884**	48,109
Amortisation of prepaid land lease payments	**1,195**	1,143
Loss on disposal of items of property, plant and equipment, net	**6,086**	16,669
Fair value losses on derivative financial instruments *	**29,535**	—
Exchange losses, net *	**33,564**	65,773
Impairment/(reversal of impairment) of other receivables, net	**29,781**	(24,536) *
Provision for impairment of items of property, plant and equipment	**583,353**	226,200
Provision for impairment of inventories	**—**	125,763

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

7. INCOME TAX

	2017 HK$'000	2016 HK$'000
Current – Hong Kong	**—**	—
Current – Elsewhere		
Charge for the year	**168**	139
Underprovision in prior years	**35**	66
Deferred	**123,400**	(422)
Total tax expense/(credit) for the year	**123,603**	(217)

The statutory rate of Hong Kong profits tax was 16.5% (2016: 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 year (2016: 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% (2016: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 30% (2016: 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% (2016: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2016: 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.

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$518,315,000 (2016: HK$362,985,000) and the weighted average number of ordinary shares in issue during the year, which was 7,857,727,149 (2016: 7,857,727,149) shares.

The calculation of the diluted earnings per share amount was based on the profit for the year 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 year, 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 years ended 31 December 2017 and 2016 in respect of a dilution. There were no dilutive potential ordinary shares arising from share options as the average share price of the Company during the years ended 31 December 2017 and 2016 did not exceed the exercise prices of the then outstanding share options.

9. DIVIDEND

	2017 **HK$'000**	2016 HK$'000
Proposed final dividend of HK2.50 cents (2016: HK1.50 cents) per ordinary share	**196,443**	117,866

The proposed final dividend for the year is subject to the approval of shareholders at the forthcoming annual general meeting of the Company. The proposed final dividend of HK1.50 cents per ordinary share for the year ended 31 December 2016, totalling HK$117,866,000, was approved by shareholders at the annual general meeting of the Company held on 23 June 2017 and was paid during the year.

10. TRADE AND NOTES RECEIVABLES

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

	2017 **HK$'000**	2016 HK$'000
Within one month	**324,727**	442,976
One to two months	**74,532**	37,390
Two to three months	**45,716**	80,326
Over three months	**101,237**	83,075
	546,212	643,767

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

11. ACCOUNTS PAYABLE

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

	2017	2016
	HK$'000	HK$'000
Within one month	**148,125**	130,891
One to three months	**—**	—
Over three months	**18,968**	—
	167,093	130,891

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

12. RESERVES

Pursuant to a special resolution passed by shareholders at the annual general meeting of the Company held on 23 June 2017, the share premium account of the Company had been reduced and cancelled by HK$9,700,000,000. Out of the credit amount arising from such reduction and cancellation, HK$9,200,000,000 was applied to offset the entire amount of the accumulated losses of the Company while the remaining HK$500,000,000 was transferred to the contributed surplus account of the Company.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2017. The report includes an emphasis of matter, without qualification.

"**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 24 to the financial statements which describes the Group's situation regarding its claim to recover certain of its inventories located at Qingdao port and the impairment provision made in the financial statements. In consideration of the above, there is material inherent uncertainty as to the carrying amount of the inventories. Should these matters be resolved, any adjustments found to be necessary may have a significant impact to the carrying amount of the respective inventories."

BUSINESS REVIEW

Crude oil

The Group's crude oil business saw a significantly improved operating result for the year, primarily the result of a higher average crude oil realised price and the implementation of ongoing cost control measures.

Both the Seram Block in Indonesia and the Yuedong oilfield in China achieved a turnaround in operating results and the Group recorded a higher share of profit in respect of its interest in CITIC Canada Energy Limited, a joint venture established with JSC KazMunaiGas Exploration Production, through which the Group owns, manages and operates the Karazhanbas oilfield in Kazakhstan.

The Group achieved stable production comparable to 2016, helped by implementing a series of optimal maintenance plans to minimise the negative influence on production caused by the continuing natural decline of existing wells. The Group's average daily oil production was 49,980 barrels (100% basis) for the year, comparable to 50,580 barrels (100% basis) for 2016.

No new wells were drilled in the Seram Block and the Yuedong oilfield during the year due to current cost control programs. The Seram Block recorded an average daily production of 2,820 barrels (100% basis), representing a drop of 25% when compared to 2016. The Yuedong oilfield maintained an average daily production of 7,960 barrels (100% basis) which was comparable to 2016.

The Karazhanbas oilfield was the largest contributor to the Group's overall oil production, reaching an average daily production of 39,200 barrels (100% basis) which was comparable to 2016.

Following the release of a lower oil reserves estimate for the Yuedong oilfield, an impairment loss was provided in respect of certain oil and gas properties. As to the Karazhanbas oilfield, since there was a change to the business model, a write-back of a prior year provision for impairment loss was made in respect of certain oil and gas properties.

Metals

The PAS was the only part of the Group's business that did not report a profit during the year, as operations continued to be adversely affected by the effects of the power outage in late 2016. In January 2017, the Group secured financial support from the State Government of Victoria and the Commonwealth Government of Australia under four year agreements to assist in funding the restart and restoration of the PAS's production capacity and ongoing operations. Pre-outage production capacity and operations were not fully restored until 4Q 2017, so the PAS was unable to benefit fully from significantly improved aluminium selling prices. As a result, the PAS recorded a loss for the year.

During the year, the Group reassessed its investment in AWC. On 30 June 2017, the Group reclassified its equity interest in AWC from a financial asset at fair value through profit or loss to an investment in an associate. As a result, the Group recorded a significant fair value gain prior to reclassification and a share of profit using the equity method after reclassification in respect of its interest in AWC.

CDH achieved a turnaround in its results with an increase in both average selling prices and sales volumes of major manganese products, driven by stronger demand from a re-energised steel sector. As a result, the Group recorded a share of profit for the year with respect to its interest in CDH.

Coal

Despite the operation of the Group's coal segment being affected by inclement weather in 2Q 2017, sales volume increased when compared to 2016. Benefiting from higher average coal selling price driven by reduced output from China, the segment recorded a better profit than in 2016.

Import and export of commodities

The Group's import and export of commodities business improved during the year as the Group increased its marketing efforts. Attributable to an increase in sales volume, the segment recorded better results when compared to 2016.

FINANCIAL MANAGEMENT

During the year, the Group arranged two term loan facilities, the proceeds of which were used to refinance its existing debt and finance its general corporate funding requirements.

OUTLOOK

The Group believes that the oil and commodities prices will at least remain steady at current levels, which should continue to benefit and support the Group's business. These market conditions will be augmented by the Group's ongoing efforts to control its costs on a sustainable basis.

A priority of the Group this year will be to seek to extend the production sharing contract for the Seram Block, which is due to expire in October 2019, and to develop plans to continue exploration of the Lofin area. The Group shall also endeavour in promoting application of new technologies to improve productivity in the Yuedong oilfield and plans to add new wells in the oilfield under a managed drilling program.

The Group will also continue to strengthen its business portfolio by targeting quality investment opportunities. The ongoing support from CITIC Limited will drive the Group to achieve its objectives.

The Group believes its actions will effectively create reasonable return for shareholders in a changing marketplace.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash

As at 31 December 2017, the Group had cash and cash equivalents of HK$1,405.7 million.

Borrowings

As at 31 December 2017, the Group had total debt of HK$7,000.3 million, which comprised:

- unsecured bank borrowings of HK$3,088.3 million;
- unsecured other borrowing of HK$3,900.0 million; and
- finance lease payables of HK$12.0 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. 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**"). The A Loan was fully prepaid by instalments during the year, with the final instalment in May 2017 using the proceeds of the D Loan (as defined on page 18).

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 "**B Loan**"). The B Loan had 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). Each of Tranche A and Tranche B had a tenor of three years commencing from its date of utilisation, being 29 June and 31 December 2015 respectively. The B Loan was fully prepaid in June 2017 using the proceeds of the E Loan (as defined on page 18).

In December 2016, the Company entered into a facility agreement with a syndicate of financial institutions in respect of an unsecured term loan facility of US$310 million (HK$2,418 million) (the "**C Loan**") to finance the repayment of an unsecured term loan facility of US$310 million entered into by the Company in March 2014. The C Loan has a tenor of three years commencing from the date of utilisation, being 30 December 2016. The outstanding balance of the C Loan as at 31 December 2017 was US$310 million.

In May 2017, the Company entered into a facility agreement with a bank in respect of an unsecured 3-year term loan facility of US$40 million (HK$312 million) (the "**D Loan**") to finance the repayment of the then outstanding balance of the A Loan and the general corporate funding requirements of the Company. The outstanding balance of the D Loan as at 31 December 2017 was US$40 million.

In June 2017, a wholly-owned subsidiary of the Company entered into a facility agreement with a subsidiary of CITIC Limited (a substantial shareholder of the Company) in respect of an unsecured term loan facility of US$500 million (HK$3,900 million) (the "**E Loan**"). The proceeds of the E Loan were used to finance the repayment of the B Loan and the general corporate funding requirements of the Company. The E Loan has a tenor of five years commencing from the date of utilisation, being 29 June 2017. The outstanding balance of the E Loan as at 31 December 2017 was US$500 million.

The Group leases certain plant and machinery for its coal mine operations. The lease is classified as a finance lease.

As at 31 December 2017, the Group's net debt to net total capital was 48.0% (31 December 2016: 57.1%). Of the total debt, HK$395.2 million was repayable within one year, including short-term revolvers, trade finance and finance lease payables.

Share capital

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

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.

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 2017, the Group had around 310 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.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have resolved to recommend the payment of a final dividend of HK2.50 cents per ordinary share of the Company for the year ended 31 December 2017 (the "**Final Dividend**") to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 3 July 2018. Subject to approval by shareholders of the Company at the forthcoming annual general meeting of the Company, the Final Dividend is payable to entitled shareholders of the Company on or around 17 July 2018.

For determining the entitlement of shareholders of the Company to receive the Final Dividend, the register of members of the Company will be closed from Thursday, 28 June 2018 to Tuesday, 3 July 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. For the purpose of ascertaining entitlement of shareholders of the Company to the Final Dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 27 June 2018.

CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has, for the year ended 31 December 2017, 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**").

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.

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 year.

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 these financial results with senior management and the external auditor of the Company.

By Order of the Board
CITIC Resources Holdings Limited
Kwok Peter Viem
Chairman

Hong Kong, 23 February 2018

As at the date hereof, Mr. Kwok Peter Viem; Mr. Suo Zhengang; Mr. Sun Yang and Ms. Li So Mui are executive directors of the Company, Mr. Chan Kin and Mr. Ma Ting Hung are non-executive directors 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.