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 2020 AND PROPOSED ADOPTION OF NEW BYE-LAWS

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 2020.

FINANCIAL HIGHLIGHTS

Year ended 31 December	**2020** **HK$ million**	2019 HK$ million	Change
Revenue	**2,850.1**	3,425.5	(16.8%)
EBITDA [1]	**257.4**	1,304.3	(80.3%)
Adjusted EBITDA [2]	**618.7**	1,723.3	(64.1%)
Profit/(loss) attributable to shareholders	**(363.8)**	600.3	N/A

1 profit/(loss) before tax + finance costs + depreciation + amortisation

2 EBITDA + (share of finance costs, depreciation, amortisation, income tax credit/expense and non-controlling interests of a joint venture) – share of reversal of asset impairment loss of a joint venture

A long-lasting outbreak of the Coronavirus disease 2019 ("**COVID-19**") pandemic since end of January 2020 led to a large variety of anti-epidemic measures, including full or partial lockdown such as restriction of road and air travel, suspension of schooling and work from home arrangements, implemented by governments around the globe. Global energy demands including crude oil had plummeted during the year. Even we have seen a bit of recovery in crude oil prices by end of 2020, the COVID-19 is not yet behind us up to the date of this announcement and we have yet seen the light at the end of the tunnel. The recovery of global economy is likely to be bumpy and slow.

In comparing with last year, the average Dated Brent and Platts Dubai crude oil prices slump by 35.4% and 33.4% to US$41.8 per barrel and US$42.3 per barrel, respectively. Revenue of the Group dropped by 16.8% year-on-year and two out of four business segments recorded segment losses in the year. The Group had recorded a loss attributable to shareholders of HK$363.8 million in the year which was mainly due to:

- a substantial share of loss of a joint venture of HK$279.9 million from the Group's investment in Karazhanbas oilfield as a result of decrease in crude oil price and sale volume of crude oil. Depreciation of Kazakhstan Tenge also led to an unrealized translation loss of United States dollar ("**US$**") dominated loans that escalated the share of loss. A share of profit of HK$615.1 million was recorded in last year;

- both aluminium smelting and coal segments recorded segment losses which were mainly due to slump in average selling prices of 8.8% year-on-year and 22.4% year-on-year, respectively, as well as contraction in sale volume of 11.3% year-on-year and 19.7% year-on-year, respectively, as a results of the COVID-19 and economic slowdown.

The above two main profit destructive drivers, were partially eased by:

- an aggregated share of profit of associates of HK$110.5 million in Alumina Limited ("**AWC**");

- a gain of HK$192.0 million on disposal of South Manganese Investment Limited (formerly known as CITIC Dameng Holdings Limited) ("**CDH**"), one of our investments in associates, in December 2020; and

- a significant saving in finance cost of HK$127.7 million, a drop of 45.9% year-on-year, which was mainly due to the Group successfully refinanced its loan at a significant lower cost, repayment of loan by internal generated cash flow during 2019 in reducing its debt and the ease of monetary policies across the globe during the year.

The Group recorded a profit attributable to shareholders of HK$67.0 million in 2H 2020 in comparing with a loss attributable to shareholders of HK$430.8 million in 1H 2020. The loss attributable to shareholders shrunk from HK$430.8 million during the period of 1H 2020 to HK$363.8 million for the year. This was mainly a combination effect of an improvement in crude oil price in 2H 2020 and the gain on disposal of CDH recorded in 2H 2020 above stated.

FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT
Year ended 31 December

	Notes	**2020** **HK$'000**	2019 HK$'000
REVENUE	3	**2,850,058**	3,425,510
Cost of sales		**(2,717,115)**	(3,058,317)
Gross profit		**132,943**	367,193
Other income and gains	4	**442,869**	304,368
Selling and distribution costs		**(11,406)**	(13,446)
General and administrative expenses		**(268,117)**	(370,755)
Other expenses, net		**(87,837)**	(64,577)
Finance costs	5	**(150,315)**	(278,056)
Share of profit/(loss) of:			
Associates		**(40,070)**	71,513
A joint venture		**(279,894)**	615,100
PROFIT/(LOSS) BEFORE TAX	6	**(261,827)**	631,340
Income tax expense	7	**(98,690)**	(236)
PROFIT/(LOSS) FOR THE YEAR		**(360,517)**	631,104
ATTRIBUTABLE TO:			
Shareholders of the Company		**(363,848)**	600,293
Non-controlling interests		**3,331**	30,811
		(360,517)	631,104
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	8	**HK cents**	HK cents
Basic		**(4.63)**	7.64
Diluted		**(4.63)**	7.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December

	2020	2019
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(360,517)**	631,104
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(328,108)**	(185,831)
Income tax effect	**98,432**	55,750
	(229,676)	(130,081)
Exchange differences on translation of foreign operations	**185,100**	(43,817)
Reclassification adjustment for foreign operations deregistered or disposed of during the year	**(23,091)**	—
Share of other comprehensive income/(loss) of associates	**22,755**	(31,628)
Share of other comprehensive loss of a joint venture	**(1,987)**	(1,501)
Reclassification adjustments for an associate disposed of during the year	**1,086**	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(45,813)**	(207,027)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement gain/(loss) on defined benefit plan:		
Changes in fair value	**(4,444)**	1,023
Income tax effect	**1,333**	(308)
	(3,111)	715
Share of other comprehensive loss of a joint venture	**(7,332)**	(8,464)
Share of other comprehensive loss of an associate	**(5,678)**	(2,577)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(16,121)**	(10,326)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(61,934)**	(217,353)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(422,451)**	413,751
ATTRIBUTABLE TO:		
Shareholders of the Company	**(442,694)**	386,926
Non-controlling interests	**20,243**	26,825
	(422,451)	413,751

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December

	Notes	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,481,533**	3,004,109
Right-of-use assets		**93,635**	102,048
Goodwill		**24,682**	24,682
Other assets		**259,725**	264,243
Investments in associates		**2,954,414**	3,982,682
Investment in a joint venture		**1,757,333**	2,046,546
Prepayments, deposits and other receivables		**58,734**	67,785
Derivative financial instrument		**—**	113,651
Time deposit		**65,538**	—
Deferred tax assets		**187,240**	86,806
Total non-current assets		**8,882,834**	9,692,552
CURRENT ASSETS			
Inventories		**385,931**	457,766
Trade receivables	10	**412,653**	374,803
Prepayments, deposits and other receivables		**166,178**	266,044
Derivative financial instruments		**71,712**	242,237
Pledged deposit		**41,706**	39,179
Cash and cash equivalents		**2,314,285**	1,595,429
Total current assets		**3,392,465**	2,975,458
CURRENT LIABILITIES			
Accounts payable	11	**113,921**	136,520
Tax payable		**502**	204
Accrued liabilities and other payables		**839,084**	711,368
Derivative financial instruments		**14,071**	7,116
Bank borrowings		**141,106**	1,152,775
Lease liabilities		**29,900**	22,060
Provisions		**50,976**	44,857
Total current liabilities		**1,189,560**	2,074,900
NET CURRENT ASSETS		**2,202,905**	900,558
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,085,739**	10,593,110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December

	2020	2019
	HK$'000	HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**11,085,739**	10,593,110
NON-CURRENT LIABILITIES		
Bank and other borrowings	**4,673,760**	3,900,000
Lease liabilities	**55,953**	69,075
Deferred tax liabilities	**90,919**	—
Provisions	**497,789**	431,286
Total non-current liabilities	**5,318,421**	4,400,361
NET ASSETS	**5,767,318**	6,192,749
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	**392,886**	392,886
Reserves	**5,414,829**	5,860,503
	5,807,715	6,253,389
Non-controlling interests	**(40,397)**	(60,640)
TOTAL EQUITY	**5,767,318**	6,192,749

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 2020. 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 Conceptual Framework for Financial Reporting 2018 (the "**Conceptual Framework**") and the following revised HKFRSs for the first time for these Financial Statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements. The nature and the impact of the Conceptual Framework are described below:

Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

(a) the aluminium smelting segment comprises the operation of the Portland Aluminium Smelter ("**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 and alumina; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres into Australia; and

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

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

Segment assets exclude investments in associates, investment in a joint venture, deferred tax assets, pledged deposit, 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, lease liabilities, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020 HK$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment revenue:					
Sales to external customers	**836,431**	**400,401**	**805,755**	**807,471**	**2,850,058**
Other income	**119,942**	**35,650**	**40,096**	**11,221**	**206,909**
	956,373	**436,051**	**845,851**	**818,692**	**3,056,967**
Segment results	**(31,594)**	**(67,459)**	**53,321**	**166,067**	**120,335**
Reconciliation:					
Interest income and unallocated gains					**235,960**
Unallocated expenses					**(147,843)**
Unallocated finance costs					**(150,315)**
Share of loss of:					
Associates					**(40,070)**
A joint venture					**(279,894)**
Loss before tax					**(261,827)**
Segment assets	**400,318**	**666,396**	**385,107**	**3,433,465**	**4,885,286**
Reconciliation:					
Investment in an associate					**2,954,414**
Investment in a joint venture					**1,757,333**
Unallocated assets					**2,678,266**
Total assets					**12,275,299**
Segment liabilities	**406,577**	**216,946**	**64,206**	**665,987**	**1,353,716**
Reconciliation:					
Unallocated liabilities					**5,154,265**
Total liabilities					**6,507,981**
Other segment information:					
Depreciation and amortisation	**12,966**	**45,502**	**2,352**	**289,846**	**350,666**
Unallocated amounts					**18,293**
					368,959
Impairment losses reversed in the consolidated income statement	—	—	**(6,245)**	**(410)**	**(6,655)**
Capital expenditure	**16,117**	**31,975**	—	**576,637**	**624,729**
Unallocated amounts					**2,562**
					627,291 [1]

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

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

Year ended 31 December 2019 **HK$'000**	**Aluminium smelting**	**Coal**	**Import and export of commodities**	**Crude oil**	**Total**
Segment revenue:					
Sales to external customers	1,033,315	643,099	742,446	1,006,650	3,425,510
Other income	180,073	—	38,725	28,039	246,837
	1,213,388	643,099	781,171	1,034,689	3,672,347
Segment results	20,042	44,428	50,908	320,167	435,545
Reconciliation:					
Interest income and unallocated gains					57,531
Unallocated expenses					(270,293)
Unallocated finance costs					(278,056)
Share of profit of:					
Associates					71,513
A joint venture					615,100
Profit before tax					631,340
Segment assets	652,781	660,199	402,435	2,929,121	4,644,536
Reconciliation:					
Investments in associates					3,982,682
Investment in a joint venture					2,046,546
Unallocated assets					1,994,246
Total assets					12,668,010
Segment liabilities	331,090	244,435	81,195	478,560	1,135,280
Reconciliation:					
Unallocated liabilities					5,339,981
Total liabilities					6,475,261
Other segment information:					
Depreciation and amortisation	9,209	43,908	2,497	320,522	376,136
Unallocated amounts					18,766
					394,902
Impairment losses reversed in the consolidated income statement	—	—	(16,069)	—	(16,069)
Capital expenditure	9,863	61,155	7	234,574	305,599
Unallocated amounts					11,710
					317,309 [1]

1 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

	2020	2019
	HK$'000	HK$'000
China	**726,371**	966,943
Australia	**719,915**	734,795
Europe	**348,485**	374,907
Other Asian countries	**1,021,724**	912,184
Others	**33,563**	436,681
	2,850,058	3,425,510

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

(b) Non-current assets

	2020	2019
	HK$'000	HK$'000
Hong Kong	**56,611**	69,029
China	**3,211,761**	3,700,260
Australia	**3,367,732**	3,520,516
Kazakhstan	**1,757,477**	2,046,707
Other Asian countries	**42,288**	4,991
	8,435,869	9,341,503

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

Information about major customers

During the year, revenue of HK$701,413,000 (2019: HK$943,558,000) 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$337,094,000 and HK$309,310,000 was derived from sales to customers of the aluminium smelting segment, each of these two customers amounted to more than 10% of the Group's revenue for the year.

4. OTHER INCOME AND GAINS

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

	2020 **HK$'000**	2019 HK$'000
Interest income	**16,430**	36,410
Handling service fees	**4,673**	4,352
Sale of scrap	**2,167**	4,143
Reversal of provision for long term employee benefits	**1,633**	—
Reversal of provision for abandonment cost	**2,830**	—
Reversal of impairment of other receivables	**—**	11,158
Write-off of accrued liabilities	**21,881**	—
Gain on disposal of investment in an associate	**192,040**	—
Reclassification adjustments for foreign operations deregistered or disposed of during the year	**24,453**	—
Reversal of provision for inventory	**410**	—
Gain on disposal of other assets	**15,112**	—
Government subsidies	**4,086**	12,472
Fair value gain on derivative financial instruments	**50,167**	31,578
Insurance claims	**—**	22,830
Compensation for inventories held at Qingdao Port	**19,143**	17,919
The government loan forgiveness	**67,585**	122,955
Reversal of impairment of trade receivables	**—**	16,069
Others	**20,259**	24,482
	442,869	304,368

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 **HK$'000**	2019 HK$'000
Interest expense on bank and other borrowings	**132,875**	249,537
Interest expense on lease liabilities	**3,451**	4,049
Total interest expense on financial liabilities not at fair value through profit or loss	**136,326**	253,586
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	**13,872**	24,470
Others	**117**	—
	150,315	278,056

6. PROFIT/(LOSS) BEFORE TAX

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

	2020 HK$'000	2019 HK$'000
Cost of inventories sold	**2,717,115**	3,058,317
Depreciation of property, plant and equipment	**334,662**	356,717
Depreciation of right-of-use assets	**30,748**	32,438
Amortisation of other assets	**3,549**	5,747
Reclassification adjustments for foreign operations deregistered or disposed of during the year, net	**(23,091)**	—
Loss on disposal of items of property, plant and equipment, net	**1,690**	1,625
Fair value gain on derivative financial instruments, net	**(43,512)**	(31,578)
Losses on write-off of financial assets at fair value through profit or loss	**—**	2,190
Exchange losses, net *	**36,825**	22,230
Write-down/(write-back) of inventories to net realisable value	**(6,655)**	6,900
Provision for/(reversal of) impairment of trade receivables, net	**2,231**	(16,069)
Compensation payable *	**21,583**	6,474

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

7. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current – Hong Kong	**—**	—
Current – Elsewhere		
Charge for the year	**8,854**	228
Underprovision in prior years	**—**	8
Deferred	**89,836**	—
Total tax expense for the year	**98,690**	236

The statutory rate of Hong Kong profits tax was 16.5% (2019: 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 (2019: 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% (2019: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 22% (2019: 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 15.6% (2019: 14%).

China: The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2019: 25%).

Kazakhstan: The Group's subsidiary incorporated in Kazakhstan was subject to corporate income tax at a rate of 20% (2019: 20%).

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

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

The calculation of the basic loss per share (2019: earnings per share) amount was based on the loss for the year attributable to ordinary shareholders of the Company of HK$363,848,000 (2019: a profit of HK$600,293,000) and the weighted average number of ordinary shares in issue during the year, which was 7,857,727,149 (2019: 7,857,727,149) shares.

The Group had no potentially dilutive ordinary shares in issue during the year and for the year ended 31 December 2019.

9. DIVIDEND

The directors do not recommend the payment of any final dividend in respect of the year (2019: Nil).

10. TRADE RECEIVABLES

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

	2020 **HK$'000**	2019 HK$'000
Within one month	**192,336**	176,531
One to two months	**68,921**	59,468
Two to three months	**69,319**	39,981
Over three months	**82,077**	98,823
	412,653	374,803

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

11. ACCOUNTS PAYABLE

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

	2020 **HK$'000**	2019 HK$'000
Within one month	**113,839**	135,370
One to three months	**—**	—
Over three months	**82**	1,150
	113,921	136,520

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

BUSINESS REVIEW

Crude oil

In the face of a turbulent market environment, the Group fully optimized and adjusted its workload, controlled capital investment and operating costs and reduced cash outflow to ensure the survival and development of the Company's crude oil business. In order to cope with low oil prices, the Group activated emergency plans and worked hard on several fronts, including reduction of operating costs using technology, reduction of procurement and service costs, as well as optimization of the crude oil sales mechanism. The Group strived to reduce production costs and improve income, with the aim to retain more cash to tackle future challenges. Moreover, while maintaining relatively stable production, the Group optimized, suspended, or postponed the drilling of new wells according to different well conditions, so that decisions on capital investments would be made on a more scientific and reasonable basis.

During the year, due to the hits from both production limit imposed by government and the pandemic, the actual annual production of the Karazhanbas oilfield was 13,376,000 barrels (100% basis), representing a decrease of 7.5% when compared to last year, which exceeded the mid year estimation on annual production. Due to the Yuedong oilfield's implementation of its development plans as well as the increase in the drilling of new wells, which offset the negative impact of the natural decline of old wells on production, its actual annual production was 2,754,000 barrels (100% basis), representing an increase of 7.6% compared to last year, met mid year estimation on annual production. In addition, Seram block in Indonesia drilled new wells during the year, its overall production was 623,180 barrels (100% basis), which was similar to last year and has almost reached the mid year estimation on annual production. During the year, the Group's overall average daily production was 45,770 barrels (100% basis), a decrease of 5.3% compared to 2019.

In terms of results, a drop in both crude oil prices and sales volume led to a large share of loss of the Karazhanbas oilfield. Although crude oil sales volume of the Yuedong oilfield increased compared to last year, however, due to a more significant drop in crude oil price, segment result has thereby recorded a decreased profit. Since part of its crude oil inventory of 2019 was sold in early 2020, the Seram block in Indonesia had a significant increase in annual sales volume compared to last year. As it captured the right sales timing according to oil price trends during the year, realized sales prices also rose. Moreover, along with the introduction of measures such as staff downsizing, which led to the increase in operation efficiency and reduction in labor costs, Seram block in Indonesia recorded a significant increased profit in segment result.

Metals

The metal market was sluggish due to the impact of the pandemic. During the year, the sales volume and selling prices of the products of the PAS declined, resulting in a decrease in revenue. In addition, as the government loan forgiveness decreased comparing to last year, and fluctuations between A$ and US$ throughout the year caused an increase in net exchange loss, the segment results of the PAS has turned from profits to losses.

During the year, the Group's share of profit in AWC using the equity method decreased when compared with last year due to the drop in alumina prices. In the latter half of this year, AWC reactivated the dividend reinvestment scheme and issued a small number of new shares, resulting in the Group's shareholding in AWC being slightly diluted to 9.61%.

During the year, because of the recorded impairment loss on its investment in an associate, CDH recorded a larger loss attributable to parent of the Company compared to 2019. Therefore, as of 22 December 2020, the Group recorded a share of loss in CDH for the period prior to its completion of the disposal of CDH's equity shares.

At the end of December 2020, the Group completed the disposal of the entire 34.39% equity interests of CDH it held at a price of HK$0.92 per share. Such transaction has brought about approximately HK$192,040,000 in gain on asset disposal and HK$1,080,613,000 cash inflow for the Group, with such amounts being used to partially offset the decline in the Group's financial results under the impact of cyclical economic downturns and contracting market demands, as well as to replenish cash flows.

Coal

During the year, as market demands were suppressed by the pandemic, coal prices substantially dropped. Project operators adjusted their production plans according to the market conditions and thus mining volume decreased. Moreover, during the second half of the year, the Chinese government tightened its trade policy with Australia by restricting the import of coal from Australia, resulting in a significant drop in coal sales, which led to a decrease in such segment revenue. Apart from the above, fluctuations between A$ and US$ caused an increase in net exchange loss, leading to a further increase in loss recorded in the segment results.

Import and export of commodities

Although the selling price of the Group's segment of import and export of commodities has fallen as compared to last year due to the impact of the macro environment, but the overall revenue and performance of this business segment have improved compared with last year, which was attributable to the addition of export of alumina to this business segment.

FINANCIAL MANAGEMENT

During the year, the Group managed to reduce its debt by internal generated cash flow, with net debt to net total capital reduced to 30.8%. The Group's financial position and liquidity remained strong throughout the year. Moody's Investors Service has maintained its affirmation on the Ba2 corporate family rating of the Group for two consecutive years in 2019 and 2020.

OUTLOOK

In 2020, the COVID-19 pandemic impacted economic activities worldwide and also disrupted our production and operation plans. Currently, the spread of the pandemic across countries all over the world has not yet been contained, and the oilfields of the Group adjusted to local conditions and gradually established and optimized plans and guidelines for epidemic prevention and control based on their own conditions. Among which, the Karazhanbas oilfield has implemented "external sealing-off and internal separation" policies to minimize the flow of personnel. "Closed-circuit management" has been implemented and shift cycle of staff has been extended at the Seram block in Indonesia, and its Jakarta office has adopted the "working from home" policy in accordance with the large-scale social restrictions imposed by the Indonesian government. The Group will continue to focus on the prevention and control of the pandemic and will allocate all resources to safeguard the health and safety of our employees. The Group will also strive to overcome the impact of the pandemic, ensure stable production and smooth operation, and do everything we can to contribute to the pandemic prevention in those communities where our projects are located.

In 2021, as the supply and demand of crude oil tends to be stable while the international crude oil prices continue to perform a upward shock, the Group is cautiously optimistic about the rebound in commodity prices. It is expected that the Brent crude oil prices will mostly fluctuate between US$55 and US$65 throughout the year. With the promotion of vaccination, the global pandemic is bound to be under control, and demand from the downstream is expected to recover. The crude oil market is expected to gradually shift from "oversupply" in 2020 to "tight-balanced". The production target of the Group in 2021 is 18,056,000 barrels (100% basis, without considering the potential production limit factors of the Karazhanbas oilfield), and capital expenditure is expected to reach HK$490,000,000, which is mainly used for oilfield exploration, development and production-related capital investment. The Group will adjust its work plan based on changes in the external environment and international oil price trends, and it will steadily proceed the work of exploring room in oil and gas reserves and production expansion, while ensuring investment efficiency.

Moving towards the first year of the "14th Five-Year Plan", the Group will on one hand, solidify its long-term mechanism for cost reduction and efficiency enhancement, improve the quality and increase the efficiency of existing projects, and arrange for operating and capital investment with an aim to enhance the value of our existing assets. At the same time, we will optimize asset structure with the goal of profit maximization, and improve operating performance of the year during market recovery.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and liquidity fund

As at 31 December 2020, the Group maintained strong liquidity with undrawn bank facilities of HK$1,852.8 million and had cash and cash equivalents of HK$2,314.3 million.

During the year, the prepayment of the A Loan (as defined below) totaling US$40.0 million (HK$312.0 million) was made prior to the final maturity date of the facility on 15 May 2020.

Borrowings

As at 31 December 2020, the Group had total debt of HK$4,900.7 million, which comprised:

- unsecured bank borrowings of HK$914.9 million;
- unsecured other borrowing of HK$3,900.0 million; and
- lease liabilities HK$85.8 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 May 2017, the Company entered into a facility agreement with a bank in respect of an unsecured 3-year term loan facility of US$40.0 million (HK$312.0 million) (the "**A Loan**"). During the year, the A Loan was fully prepaid in April 2020 by a drawdown of the C Loan (as defined below).

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 5-year term loan facility of US$500.0 million (HK$3,900.0 million) (the "**B Loan**"). The proceeds of the B Loan were used mainly to finance the repayment of a term loan of US$490.0 million (HK$3,822.0 million) signed in June 2015. As at 31 December 2020, the outstanding balance was US$500.0 million (HK$3,900.0 million).

In December 2019, the Company entered into an unsecured 4-year of committed US$200.0 million (HK$1,560.0 million) credit facility agreement composing of US$100.0 million term loan and US$100.0 million revolving loan in form of a self-arranged club loan with 5 financial institutions (the "**C Loan**") commencing from 31 December 2019. The purpose of the C Loan is to refinance existing indebtedness and/or for general corporate funding requirement to support the operation and growth of the business of the Group. As at 31 December 2020, the outstanding balance was US$100 million (HK$780 million).

The Group leases certain plant and machinery for its aluminium and coal mine operations under finance leases. The lease liabilities arising from these finance leases as at 31 December 2020 were HK$16.1 million.

As at 31 December 2020, the Group's net debt to net total capital was 30.8% (31 December 2019: 36.2%). Of the Group's total debt, HK$171.0 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 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 2020, the Group had 189 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

The Board does not recommend payment of a final dividend for the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has, for the year ended 31 December 2020, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code ("**CG 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 deviation from code provision A.5.5.

Under code provision A.5.5 of the CG Code, where the board proposes a resolution to elect an individual as an independent non-executive director at a general meeting, it should set out in the explanatory statement accompanying the notice of the relevant general meeting the reasons for the board believes the proposed independent non-executive director would still be able to devote sufficient time to the board if he will be holding his seventh (or more) listed company directorship. It was an inadvertent omission that such reason was not disclosed in the circular of the Company dated 2 April 2020 in which it set out that Mr. Fan Ren Da, Anthony ("**Mr. Fan**") is holding his seventh (or more) listed company directorship, was proposed to be re-elected at the Company's annual general meeting for 2020. Subsequently, the Company made a supplemental announcement on 12 May 2020 disclosing the reasons that notwithstanding Mr. Fan has served as directors for more than seven listed companies, he has maintained his profession in various directorships of listed companies he served, has actively participated in the Board meetings and various committees held by the Company in the past, and so his time committed for his director's duties is not affected. The Board unanimous agreed that Mr. Fan has devoted sufficient time to perform his director's duties.

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.

SUBSEQUENT EVENTS

(a) New term loan facility with a related party

In March 2021, the Company has entered into a 3-year term loan facility agreement with CITIC Finance International Limited, a fellow subsidiary of the Company's ultimate holding company. Pursuant to the loan facility, the Company was granted a total facility of US$150 million (HK$1,170 million) from the date of first draw down. As of the date of this announcement, this new loan has not been drawn.

(b) New electricity hedge agreement of the PAS

In March 2021, a new base load electricity contract was signed between the Group and the independent electricity suppliers ("**EHA3**"). The EHA3 effectively allowed the PAS to hedge the spot price for electricity for a specific load from 1 August 2021 to 31 July 2026. The counterparties to the Group under the EHA3 were AGL Energy Limited, Alinta Energy Pty Limited and Origin Energy Limited, a company listed on Australian Securities Exchange (Stock Code: ORG).

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 AND REVIEW OF ANNUAL RESULTS

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.

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 2020 as set out in the preliminary results announcement have been agreed by the Group's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary results announcement.

PROPOSED ADOPTION OF NEW BYE-LAWS

The Board announces that to provide flexibility to the Company in relation to the conduct of general meetings, the Board proposes to amend the existing bye-laws of the Company (the "**Existing Bye-laws**") to allow general meetings of the Company to be held as a hybrid meeting where Shareholders may attend by electronic means in addition to as a physical meeting where Shareholders attend in person, as well as by way of a solely electronic meeting.

The amendments also explicitly set out other related powers of the Board and the chairman of the general meetings, including making arrangements for attendance as well as ensuring the security and orderly conduct of such general meetings. The other house-keeping amendments to the Existing Bye-laws are in line with the proposed amendments. Further, there are also amendments to the Existing Bye-laws to reflect certain updates in relation to the applicable laws of Bermuda and the Listing Rules. The Board proposes to adopt a new set of bye-laws (the "**New Bye-laws**") in substitution for, and to the exclusion of, the Existing Bye-laws.

The major areas of the proposed amendments to the Existing Bye-laws that will be incorporated in the New Bye-laws are summarised below:

(1) to allow all general meetings (including an annual general meeting and any adjourned or postponed meeting) to be held as a physical meeting in any part of the world and at one or more locations, or as a hybrid meeting or an electronic meeting;

(2) to insert the definitions of "electronic meeting", "hybrid meeting", "Meeting Location", "physical meeting", and "Principal Meeting Place", and make corresponding changes to the relevant provisions of the Existing Bye-laws;

(3) to include additional details to be specified in a notice of general meeting in light of allowing general meetings to be held at one or more meeting locations, or as a hybrid meeting or an electronic meeting;

(4) to provide that the chairman of the general meeting may, with the consent of the meeting at which a quorum is present, adjourn the meeting from time to time (or indefinitely) and/or from place to place(s) and/or from one form to another (a physical meeting, a hybrid meeting or an electronic meeting);

(5) to provide for the proceedings of general meetings which are held at one or more locations, or as a hybrid meeting or an electronic meeting, and the powers of the Board and the chairman of the meeting in relation thereto;

(6) to provide that, where the directors of the Company (the "**Directors**"), in their absolute discretion, consider that it is inappropriate, impracticable, unreasonable or undesirable for any reason to hold a general meeting on the date or at the time or place or by means of electronic facilities specified in the notice calling for such meeting, they may change or postpone the meeting to another date, time and/or place, change the electronic facilities and/or change the form of the meeting (a physical meeting, a hybrid meeting or an electronic meeting) without approval from the Shareholders;

(7) to provide that votes (other than on a show of hands) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine;

(8) to make other house-keeping amendments and make consequential amendments in line with the above amendments to the Existing Bye-laws;

(9) to enable the Directors to fill the vacancy and fix the remuneration of the auditor of the Company if the office of auditor becomes vacant by the resignation or death of the auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required; and

(10) to make other general amendments to better align with the wordings in the applicable laws of Bermuda and the Listing Rules as appropriate.

The proposed adoption of the New Bye-laws is subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company to be held on 18 June 2021 (the "**Annual General Meeting**"). A circular containing, among other matters, the 2020 annual report and details relating to the adoption of the New Bye-laws, together with the notice convening the Annual General Meeting, will be despatched to the Shareholders in due course.

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

Hong Kong, 26 March 2021

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