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

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “**Board**”) of CITIC Resources Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”).

### FINANCIAL HIGHLIGHTS

Six months ended 30 June Unaudited	2021 HK\$ million	2020 HK\$ million	Change
Revenue	1,703.9	1,235.6	37.9%
EBITDA <sup>1</sup>	754.9	(138.5)	N/A
Adjusted EBITDA <sup>2</sup>	1,021.6	28.7	3,465.1%
Profit/(loss) attributable to shareholders	427.4	(430.8)	N/A

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

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

The global economy and commodity markets are recovering from the historic collapse in demand caused by the Coronavirus disease 2019 (“COVID-19”) in 2020. The global crude oil inventory surplus that built up last year is being worked off and global oil stocks reserves is returning to pre-pandemic levels in 1H 2021.

In comparing with the same period in 2020, the average Dated Brent and Platts Dubai crude oil prices boosted by 63.3% and 56.7 % to US\$65.0 per barrel and US\$63.6 per barrel, respectively. Revenue of the Group was climbed up by 37.9% year-on-year. The Group recorded a profit attributable to shareholders of HK\$427.4 million in 1H 2021 in comparing with a loss attributable to shareholders of HK\$430.8 million in 1H 2020. This was mainly due to a combination effect of a boosted-up crude oil prices and also improvement in commodity prices in 1H 2021. The substantial turnaround from a loss to a profit attributable to shareholders for the Period was primarily attributable to the following factors:

- a significant improvement in operating results of the oil business of the Group including a substantial share of profit of HK\$172.8 million from the Group investment in Karazhanbas oilfield when comparing with a record of share of loss of HK\$266.1 million in the same period of last year. The improvement in profitable operating result from the oil business of the Group as a whole was mainly attributable to an increase in average crude oil realised price and stringent ongoing costs control during the Period;
- the Group’s aluminium smelting segment recorded a turnaround operating result from a loss in 1H 2020 to a profit in 1H 2021 which was mainly due to an increase in average selling price of aluminium as compared with the same period; and
- a reduction of finance cost of the Group of HK\$45.2 million, a drop of 51.2% year-on-year, which was mainly due to the Group successfully refinanced its loan at a significant lower finance cost, debt reduction with loan prepayment by utilizing internal sources of fund in 1H 2021 as well as monetary policies globally retaining an easing basis during the Period.

## FINANCIAL RESULTS

### CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June

Unaudited

	Notes	2021 HK\$'000	2020 HK\$'000
<b>REVENUE</b>	3	<b>1,703,857</b>	1,235,649
Cost of sales		<u>(1,340,714)</u>	<u>(1,301,540)</u>
Gross profit/(loss)		<b>363,143</b>	(65,891)
Other income and gains, net	4	<b>52,547</b>	59,697
Selling and distribution costs		—	(6,410)
General and administrative expenses		<b>(122,749)</b>	(97,889)
Other expenses, net		<b>(10,152)</b>	(27,800)
Finance costs	5	<b>(43,125)</b>	(88,325)
Share of profit/(loss) of:			
Associates		<b>77,255</b>	71,296
A joint venture		<b>172,778</b>	(266,100)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>489,697</b>	(421,422)
Income tax expense	7	<u>(42,160)</u>	<u>(8,630)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u><b>447,537</b></u>	<u>(430,052)</u>
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company		<b>427,412</b>	(430,809)
Non-controlling interests		<b>20,125</b>	757
		<u><b>447,537</b></u>	<u>(430,052)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY</b>	8	<b>HK cents</b>	<b>HK cents</b>
Basic		<u><b>5.44</b></u>	<u>(5.48)</u>
Diluted		<u><b>5.44</b></u>	<u>(5.48)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Six months ended 30 June****Unaudited**

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>447,537</b>	<b>(430,052)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	<b>(15,953)</b>	(283,728)
Income tax effect	<b>4,787</b>	85,119
	<b>(11,166)</b>	(198,609)
Exchange differences on translation of foreign operations	<b>18,280</b>	(60,071)
Reclassification adjustment for a foreign operation deregistered	—	(18,163)
Share of other comprehensive loss of associates	—	(31,593)
Share of other comprehensive income of a joint venture	<b>1,694</b>	242
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<b>8,808</b>	(308,194)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>8,808</b>	(308,194)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>456,345</b>	<b>(738,246)</b>
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the Company	<b>434,131</b>	(733,286)
Non-controlling interests	<b>22,214</b>	(4,960)
	<b>456,345</b>	<b>(738,246)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021	31 December 2020
		Unaudited	Audited
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,642,600	3,481,533
Right-of-use assets		84,058	93,635
Goodwill		24,682	24,682
Other assets		257,106	259,725
Investment in an associate		2,968,582	2,954,414
Investment in a joint venture		1,931,804	1,757,333
Prepayments, deposits and other receivables		43,205	58,734
Time deposit		79,203	65,538
Deferred tax assets		191,951	187,240
		<b>9,223,191</b>	8,882,834
<b>CURRENT ASSETS</b>			
Inventories		486,639	385,931
Trade receivables	10	453,747	412,653
Prepayments, deposits and other receivables		158,120	166,178
Derivative financial instruments		52,210	71,712
Pledged deposit		42,021	41,706
Cash and cash equivalents		1,384,448	2,314,285
		<b>2,577,185</b>	3,392,465
<b>CURRENT LIABILITIES</b>			
Accounts payable	11	82,260	113,921
Tax payable		161	502
Accrued liabilities and other payables		877,888	839,084
Derivative financial instruments		15,575	14,071
Bank borrowings		312,187	141,106
Lease liabilities		26,910	29,900
Provisions		49,391	50,976
		<b>1,364,372</b>	1,189,560
<b>NET CURRENT ASSETS</b>		<b>1,212,813</b>	2,202,905
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,436,004</b>	11,085,739

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June 2021</b>	31 December 2020
	<b>Unaudited</b>	Audited
	<b>HK\$'000</b>	HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>10,436,004</b>	11,085,739
<b>NON-CURRENT LIABILITIES</b>		
Bank and other borrowings	3,414,320	4,673,760
Lease liabilities	47,331	55,953
Deferred tax liabilities	133,615	90,919
Provisions	617,075	497,789
Total non-current liabilities	4,212,341	5,318,421
<b>NET ASSETS</b>	<b>6,223,663</b>	5,767,318
<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Issued capital	392,886	392,886
Reserves	5,848,960	5,414,829
	6,241,846	5,807,715
<b>Non-controlling interests</b>	<b>(18,183)</b>	(40,397)
<b>TOTAL EQUITY</b>	<b>6,223,663</b>	5,767,318

## NOTES

### 1. BASIS OF PREPARATION

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

These Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020.

The accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2020, except for the adoption of new and revised standards with effect from 1 January 2021 as detailed in note 2 below.

These Financial Statements were approved and authorised for issue by the Board on 23 July 2021.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### 3. OPERATING SEGMENT INFORMATION

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

- (a) the aluminium smelting segment comprises the operation of the Portland Aluminium Smelter which sources alumina and produces aluminium ingots in Australia;
- (b) the coal segment comprises the operation of coal mines and the sale of coal in Australia;
- (c) the import and export of commodities segment comprises the export of various commodity products such as aluminium ingots and alumina; and the import of other commodity products and manufactured goods such as steel, and vehicle and industrial batteries and tyres into Australia; and
- (d) the crude oil segment comprises the operation of oilfields and the sale of oil in Indonesia and China.

Management monitors the results of the Group’s operating segments separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(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.

### 3. OPERATING SEGMENT INFORMATION (continued)

Segment assets exclude investment in an associate, 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.

Six months ended 30 June Unaudited HK\$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
<b>2021</b>					
<b>Segment revenue:</b>					
Sales to external customers	566,661	259,383	320,316	557,497	1,703,857
Other income	16,006	—	3,884	5,429	25,319
	<u>582,667</u>	<u>259,383</u>	<u>324,200</u>	<u>562,926</u>	<u>1,729,176</u>
<b>Segment results</b>	<b>122,061</b>	<b>(25,485)</b>	<b>10,791</b>	<b>240,309</b>	<b>347,676</b>
<i>Reconciliation:</i>					
Interest income and unallocated gains					27,228
Unallocated expenses					(92,115)
Unallocated finance costs					(43,125)
Share of profit of:					
An associate					77,255
A joint venture					172,778
Profit before tax					<u>489,697</u>
<b>2020</b>					
<b>Segment revenue:</b>					
Sales to external customers	387,595	220,333	329,082	298,639	1,235,649
Other income	1,958	33,275	2,543	6,128	43,904
	<u>389,553</u>	<u>253,608</u>	<u>331,625</u>	<u>304,767</u>	<u>1,279,553</u>
<b>Segment results</b>	<b>(84,077)</b>	<b>(25,268)</b>	<b>3,773</b>	<b>17,788</b>	<b>(87,784)</b>
<i>Reconciliation:</i>					
Interest income and unallocated gains					15,793
Unallocated expenses					(66,302)
Unallocated finance costs					(88,325)
Share of profit/(loss) of:					
Associates					71,296
A joint venture					(266,100)
Loss before tax					<u>(421,422)</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

HK\$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
<b>Segment assets</b>					
30 June 2021 (unaudited)	677,135	626,648	400,854	3,452,948	5,157,585
31 December 2020 (audited)	400,318	666,396	385,107	3,433,465	4,885,286
<b>Segment liabilities</b>					
30 June 2021 (unaudited)	521,817	266,914	54,194	656,647	1,499,572
31 December 2020 (audited)	406,577	216,946	64,206	665,987	1,353,716

### 4. OTHER INCOME AND GAINS, NET

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

	2021 HK\$'000	2020 HK\$'000
Interest income	7,094	10,235
Handling service fees	3,688	2,364
Sale of scrap	2,426	1,418
Reversal of impairment of inventories	2,070	410
Reversal of provision for long term employee benefits	—	1,633
Reversal of provision for abandonment cost	—	2,830
Government subsidies	2,669	—
Gain on disposal of items of property, plant and equipment	60	419
Gain on disposal of other assets	—	15,305
Reclassification adjustment for a foreign operation deregistered	—	18,163
Fair value gain on derivative financial instruments	12,653	1,984
Exchange gains, net	11,419	—
Others	10,468	4,936
	<u>52,547</u>	<u>59,697</u>

### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest expense on bank and other borrowings	44,456	78,160
Interest expense on lease liabilities	1,426	1,740
Total interest expense on financial liabilities not at fair value through profit or loss	<u>45,882</u>	<u>79,900</u>
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	4,467	8,425
Over provision in prior periods	(8,282)	—
Others	1,058	—
	<u>43,125</u>	<u>88,325</u>

## 6. PROFIT/(LOSS) BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000
Depreciation of property, plant and equipment	205,411	174,046
Depreciation of right-of-use assets	15,894	15,148
Amortisation of other assets	793	5,424
Gain on disposal of items of property, plant and equipment, net	(59)	(419)
Loss/(gain) on disposal of other assets	124	(15,305)
Reclassification adjustment for a foreign operation deregistered	—	(18,163)
Fair value (gain)/loss on derivative financial instruments	(12,653)	16,700 *
Exchange (gains)/losses, net	(11,419)	1,104 *
	<u>205,411</u>	<u>174,046</u>

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

## 7. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current – Hong Kong	—	—
Current – Elsewhere		
Charge for the period	175	8,631
Overprovision in prior periods	(19)	(1)
Deferred	42,004	—
	<u>42,160</u>	<u>8,630</u>

The statutory rate of Hong Kong profits tax was 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the Period (2020: 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% (2020: 30%).

**Indonesia:** The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 25% (2020: 22%). 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% (2020: 16%).

**China:** The Group's subsidiaries registered in China were subject to corporate income tax at a rate of 25% (2020: 25%).

**Kazakhstan:** The Group's subsidiary incorporated in Kazakhstan was subject to corporate income tax at a rate of 20% (2020: 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 earnings per share amount was based on the profit for the Period attributable to ordinary shareholders of the Company of HK\$427,412,000 (2020: a loss of HK\$430,809,000) and the weighted average number of ordinary shares in issue during the Period, which was 7,857,727,149 (2020: 7,857,727,149) shares.

The Group had no potentially dilutive ordinary shares in issue during the Period and for the six months ended 30 June 2020.

## 9. DIVIDEND

The Board has resolved not to pay an interim dividend for the Period (2020: Nil).

## 10. TRADE RECEIVABLES

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

	<b>30 June 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	31 December 2020 Audited HK\$'000
Within one month	289,488	192,336
One to two months	5,286	68,921
Two to three months	53,050	69,319
Over three months	105,923	82,077
	<u>453,747</u>	<u>412,653</u>

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

## 11. ACCOUNTS PAYABLE

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

	<b>30 June 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	31 December 2020 Audited HK\$'000
Within one month	74,672	113,839
One to three months	4,048	—
Over three months	3,540	82
	<u>82,260</u>	<u>113,921</u>

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

## **BUSINESS REVIEW AND OUTLOOK**

### **Review**

During the first half of 2021, the market had increasing expectations on economic recovery, buoyed by the sustained global economic recovery and wide application of COVID-19 vaccination. In addition, as economic stimulus measures have been implemented in various countries, a large amount of capital have flew into the commodity market. There were multiple factors led to the rise of oil prices. Brent crude oil prices averaged US\$65.0 per barrel in the first half of the year, representing an increase of 63.3% year-on-year. The prices of other commodities related to the Company's principal business also increased significantly. Meanwhile, the Group continued to carry out cost reduction and efficiency improvement as well as asset value enhancement work, and strived for management and technology effectiveness. As a result, the Group recorded a turnaround from loss and achieved substantial performance improvement during the first half of the year.

During the Period, except for the coal segment recorded a comparable loss compared to the same period of last year, the results of crude oil, aluminium smelting, and import and export of commodities segments all recorded profits. During the Period, the Group achieved revenue of HK\$1,703.9 million, representing an increase of 37.9% year-on-year; and recorded profit attributable to shareholders of HK\$427.4 million, turning from losses into profits year-on-year.

### **Crude oil**

During the Period, demand of the downstream is recovering as a result of gradual control of the pandemic in the world's major economies. Coupled with the steady implementation of production cut plan by the Organization of the Petroleum Exporting Countries and its allies, the crude oil market has gradually shifted from "oversupply" in 2020 to "tight-balanced". The Group seized the opportunity of rising oil prices, strived to increase production, and took advantage of the market rebound to further improve its operating results.

During the first half of the year, the Group's overall production was 8,625,000 barrels (100% basis), an increase of 264,000 barrels (100% basis) compared to the same period of 2020. Among which, the Karazhanbas oilfield has made great efforts to promote the recovery of production after the production limit, and the production has gradually restored and increased slightly by 1% compared to the same period of last year. Due to the new wells of Yuedong oilfield being put into production under the development plan and effective adjustment of workload, the production of Yuedong oilfield increased significantly by 21.4% compared to the same period of last year. The production of the two oilfields has almost reached half of the expected production for the year. In the Seram block in Indonesia, as new wells will be put into operation only in the second half of the year, coupled with the natural decline of existing oil wells, the production has dropped by 10.7% compared to the same period of last year, and the production progress is slightly lagging behind. It is expected that the total production in 2021 will be approximately 17,818,000 barrels (100% basis), 238,000 barrels less than the annual production forecast in the beginning of this year, which did not take into consideration of the impact of production limit.

In terms of results, a substantial increase in revenue of the Karazhanbas oilfield was led by a significant year-on-year increase in the realised sales price. In Yuedong oilfield, the revenue doubled compared to the same period of last year as a result of an increase in both crude oil price and sales volume. According to the production arrangement of Seram block in Indonesia, the oil lifting and sales will be arranged in the second half of the year and thus there was no sales revenue in the first half of the year. Continued stringent cost control and the rebound of international oil prices have resulted in a significant increase in the performance of the Group's crude oil business segment compared to the same period last year.

## **Metals**

During the Period, despite a strong fundamental, the high freight rates, container shortages and shipping delays continue to plague the aluminium market. The sales volume of Portland Aluminium Smelter decreased due to the limit of shipping capacity but its revenue increased significantly supported by the rebound in aluminium prices compared to the same period of last year. In addition to the fair value gain on derivative financial instruments and net exchange gains, the segment results of Portland Aluminium Smelter recorded a turnaround from loss compared to the same period of last year.

During the Period, the Group's share of profit in Alumina Limited using the equity method increased compared to the same period of 2020 due to the increase in alumina prices.

## **Coal**

As the Chinese government tightened its trade policy with Australia, the selling price of coal segment dropped compared to the same period of last year. However, the overall sales volume of this segment increased significantly compared to the same period of last year as a result of the recovery of market demand, leading to an increase in revenue. Together with the flourishing results arising from the optimization of production organization as well as cost reduction and efficiency improvement measures, the cost of sales per tonne also decreased. But due to a gain on disposal of assets and a gain on deregistration of a subsidiary recorded in the same period last year, this segment thus recorded a comparable loss when compared to the same period of last year.

## **Import and export of commodities**

During the Period, the Group's segment of import and export of commodities was affected by the rebound in commodity prices, and the selling prices increased significantly compared to the same period of last year. Coupled with the consolidation and expansion of the Group's iron ore export agency business and the disposal of the auto parts business at the end of 2020, the overall operational efficiency and profitability were greatly improved, the results of this segment thus recorded a significant increase in profit when compared with the same period of last year.

## **Outlook**

Currently, the spread of the pandemic around the globe continues, and it is still severe in certain overseas locations where the Group operates its business. While maintaining strict epidemic prevention and control measures, the Group has also gradually popularized vaccination in accordance with government guidelines. As of 30 June 2021, the Group had maintained “zero confirmed cases” at all oilfield operation sites, and Chinese employees in the Group’s overseas business locations have almost been fully vaccinated. During the second half of the year, the Group will strive to overcome the impact of the pandemic, maintain the health and safety of employees, and ensure the smooth operation of both production and operations.

Looking ahead, the Organization of the Petroleum Exporting Countries and other major oil-producing countries have eased the measures to limit production due to the increase in oil prices, in which the United States of America, a major consuming country of crude oil, also wishes for lower oil prices to control inflation. However, the rise of variants of COVID-19 virus added to the uncertainty of economic recovery and the growth of crude oil demand. On one hand, the Group will continue to implement budget control and cost reduction and efficiency improvement measures, "plan before doing", strictly control major capital expenditures. Based on its work experience in 2020, the Group will further solidify the long term mechanism of cost reduction and efficiency improvement, continuously cultivate the potential of cost reduction, improve the company's overall risk resistance ability and profitability, and take the opportunity of market recovery to further improve operating performance. On the other hand, we will strengthen our refined management, continuously promote management improvement and institutional reform, increase management efficiency and improve scientific decision-making level, and continue to strive for technology effectiveness. We will maintain and improve oilfield reserves by conducting reservoir research as well as launching and applying new technologies and new technics, so as to enhance the sustainable value of our existing assets. Meanwhile, we will also carry out research work in new fields and new projects, and strive to explore a new direction for the Company's business development.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Cash**

As at 30 June 2021, the Group maintained strong liquidity with undrawn bank facilities of HK\$1,997.6 million and had cash and cash equivalents of HK\$1,384.4 million.

During the Period, the outstanding balance of the A Loan (as defined below) totaling US\$500.0 million (HK\$3,900.0 million) were fully prepaid prior to the final maturity date of the loan facility on 29 June 2022.

### **Borrowings**

As at 30 June 2021, the Group had total debt of HK\$3,800.7 million, which comprised:

- unsecured bank borrowings of HK\$2,556.5 million;
- unsecured other borrowing of HK\$1,170.0 million; and
- lease liabilities HK\$74.2 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 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 "**A Loan**"). The proceeds of the A 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. On 31 March 2021, a partial amount of the A Loan totaling US\$300.0 (HK\$2,340.0 million) were prepaid by utilizing the Company's internal sources of available fund amounting to US\$150.0 million (HK\$1,170.0 million) and by refinancing from a loan drawdown of the C Loan (as defined below) amounting to US\$150.0 million (HK\$1,170.0 million). As at 30 June 2021, the remaining balance of the A Loan amounting to US\$200.0 million (HK\$1,560.0 million) was fully prepaid by refinancing from a loan drawdown of the D Loan (as defined below). As at 30 June 2021, the outstanding balance of the A Loan was zero.

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 "**B Loan**") commencing from 31 December 2019. The purpose of the B Loan will be financing existing indebtedness and/or general corporate funding requirement to support the operation and growth of the business of the Group. As at 30 June 2021, the outstanding balance of the B Loan was US\$100.0 million (HK\$780.0 million).

In March 2021, the Company entered into a facility agreement with CITIC Finance International Limited (a fellow subsidiary of the Company) in respect of an unsecured 3-year term loan facility of US\$150.0 million (HK\$1,170.0 million) (the "**C Loan**"). The proceeds of the C Loan was used for refinancing the prepayment of partial amount of US\$150.0 million (HK\$1,170.0 million) of the A Loan on 31 March 2021. As at 30 June 2021, the outstanding balance of the C Loan was US\$150.0 million (HK\$1,170.0 million).

In June 2021, a wholly-owned subsidiary of the Company entered into an unsecured 3-year of committed US\$200.0 million (HK\$1,560.0 million) credit facility agreement with China CITIC Bank International Limited (a fellow subsidiary of the Company) (the "**D Loan**") commencing 24 June 2021. The proceeds of the D Loan was mainly used for the prepayment of the remaining outstanding balance of the A Loan amounting to US\$200.0 million (HK\$1,560.0 million) on 30 June 2021. As at 30 June 2021, the outstanding balance of the D Loan was US\$200.0 million (HK\$1,560.0 million).

The Group leases certain plant and machinery for its aluminium and coal mine operations under finance leases. The lease liabilities arising from these finance leases as at 30 June 2021 were HK\$14.8 million.

As at 30 June 2021, the Group's net debt to net total capital was 27.9% (31 December 2020: 30.8%). Of the Group's total debt, HK\$339.1 million was repayable within one year, including unsecured bank loan, trade finance and lease liabilities.

## **Share capital**

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

## **Financial risk management**

The Group's diversified business is exposed to a variety of risks, such as market risks (including foreign currency risk, price risk, interest rate risk and inflation risk), credit risk and liquidity risk. The management of such risks is dictated by a set of internal policies and procedures designed to minimise potential adverse effects to the Group. The policies and procedures have proved effective.

The Group enters into derivative transactions, including principally forward currency contracts, forward commodity contracts, interest rate swap contracts, embedded derivatives and electricity hedge agreements. Their purpose is to manage the foreign currency risk, price risk, interest rate risk and inflation risk arising from the Group's operations and sources of finance.

## **New Investment**

There was no new investment concluded during the Period.

## **Opinion**

The Board is of the opinion that, after taking into account the existing available borrowing facilities and internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2021, the Group had 187 full time employees, including management and administrative staff.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance. Rent-free quarters are provided to some employees in Indonesia.

## **DIVIDEND**

The Board does not recommend the payment of any interim dividend for the Period. (six months ended 30 June 2020: Nil).

## **CORPORATE GOVERNANCE CODE**

The Company has applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct for dealings in the securities of the Company by its directors (the “**Securities Dealings Code**”) that is based on the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules (or on terms no less exacting than the Model Code).

All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the Period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Period.

## **REVIEW OF ACCOUNTS**

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

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

Hong Kong, 23 July 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.*