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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 2023

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 2023 (the “**Period**”).

FINANCIAL HIGHLIGHTS

Six months ended 30 June Unaudited	2023 HK\$ million	2022 HK\$ million	Change
Revenue	2,043.2	3,228.4	(36.7)%
EBITDA ¹	832.8	1,654.5	(49.7)%
Adjusted EBITDA ²	1,140.2	1,947.3	(41.4)%
Profit attributable to ordinary shareholders of the Company	383.2	893.3	(57.1)%

¹ profit before tax + finance costs + depreciation + amortisation

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

Oil prices have confounded expectations in the first quarter of 2023, with Brent oil price hitting a low of US\$72.0 per barrel. The unexpectedly low prices remain as the war in Ukraine continues with no clear end in sight. Other developments have also failed to boost prices as expected. On the other hand, China, the world's largest importer of crude oil, abandoned its zero-COVID policy in December 2022, which created expectations that Chinese oil demand would quickly return.

This shows that oil price forecasts continue to be unreliable. The economic outlook and Chinese consumption growth are key to demand expectations. Until uncertainty around these factors dissipates, there will not likely to be a clear direction in the global oil market.

During the Period, the Group recorded a profit attributable to ordinary shareholders of the Company of approximately HK\$383.2 million, representing a decrease of approximately 57.1% as compared with the same period of last year. The decrease was mainly attributable to the following factors:

- (i) a significant decrease in average selling price of crude oil and the softening of the price of commodities sold by the Group, comparing to the same period of last year; and
- (ii) a significant decrease in the share of profit of an associate.

Despite that, all of the Group's segments and investments recorded profits for the Period. Although the Group had repaid bank borrowings of approximately HK\$761.6 million during the Period, the Group continues to maintain a strong financial position with cash and deposits of approximately HK\$1,632.5 million as at 30 June 2023.

FINANCIAL RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June

Unaudited

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	2,043,222	3,228,390
Cost of sales		<u>(1,615,721)</u>	<u>(2,167,863)</u>
Gross profit		427,501	1,060,527
Other income, gains and losses, net	4	65,938	102,486
General and administrative expenses		(111,866)	(132,932)
Other expenses, net		(8,571)	(14,336)
Finance costs	5	(89,951)	(55,122)
Reversal of provision for impairment of trade and other receivables		739	9,624
Share of profit of:			
An associate		11,700	102,445
A joint venture		178,569	286,722
Profit before tax	6	474,059	1,359,414
Income tax expense	7	<u>(64,071)</u>	<u>(430,942)</u>
Profit for the period		409,988	928,472
Attributable to:			
Ordinary shareholders of the Company		383,207	893,288
Non-controlling interests		26,781	35,184
		409,988	928,472
Earnings per share attributable to ordinary shareholders of the Company	8	HK cents	HK cents
Basic		<u>4.88</u>	<u>11.37</u>
Diluted		<u>4.88</u>	<u>11.37</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June

Unaudited

	2023 HK\$'000	2022 HK\$'000
Profit for the period	<u>409,988</u>	<u>928,472</u>
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	–	13,060
Exchange differences on translation of foreign operations	(114,685)	(151,155)
Share of other comprehensive income/(loss) of a joint venture	<u>7,617</u>	<u>(5,994)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(107,068)</u>	<u>(144,089)</u>
Other comprehensive loss for the period, net of tax	<u>(107,068)</u>	<u>(144,089)</u>
Total comprehensive income for the period	<u><u>302,920</u></u>	<u><u>784,383</u></u>
Attributable to:		
Ordinary shareholders of the Company	287,503	762,512
Non-controlling interests	<u>15,417</u>	<u>21,871</u>
	<u><u>302,920</u></u>	<u><u>784,383</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023	31 December 2022
	Notes	Unaudited HK\$'000	Audited HK\$'000
Non-current assets			
Property, plant and equipment		3,371,980	3,601,304
Right-of-use assets		58,669	75,915
Mining assets		182,066	189,405
Exploration, evaluation and development expenditure		27,763	27,737
Investment in an associate		2,796,100	2,784,400
Investment in a joint venture		2,561,089	2,374,903
Prepayments, deposits and other receivables		29,116	29,626
Time deposit		110,933	102,972
Deferred tax assets		31,979	56,823
		<hr/>	<hr/>
Total non-current assets		9,169,695	9,243,085
Current assets			
Inventories		351,498	560,457
Trade receivables	10	413,828	297,358
Prepayments, deposits and other receivables		130,145	105,469
Derivative financial instruments		126,395	102,995
Cash and deposits		1,632,467	2,130,203
		<hr/>	<hr/>
Total current assets		2,654,333	3,196,482
Current liabilities			
Accounts payable	11	88,024	106,899
Tax payable		109,555	59,136
Accrued liabilities and other payables		746,029	869,273
Dividend payable		471,516	–
Bank and other borrowings		–	96,166
Lease liabilities		24,980	30,709
Provisions for long-term employee benefits		42,112	41,487
Provisions		75	75
		<hr/>	<hr/>
Total current liabilities		1,482,291	1,203,745
		<hr/>	<hr/>
Net current assets		1,172,042	1,992,737
		<hr/>	<hr/>
Total assets less current liabilities		10,341,737	11,235,822

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2023	31 December 2022
	Unaudited	Audited
	HK\$'000	HK\$'000
Non-current liabilities		
Bank and other borrowings	1,826,760	2,486,640
Lease liabilities	27,086	30,898
Deferred tax liabilities	267,286	328,871
Provisions for long-term employee benefits	15,069	15,268
Provisions	608,392	608,457
	<hr/>	<hr/>
Total non-current liabilities	2,744,593	3,470,134
	<hr/>	<hr/>
Net assets	7,597,144	7,765,688
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Equity attributable to ordinary shareholders of the Company		
Issued capital	392,886	392,886
Reserves	7,168,584	7,352,545
	<hr/>	<hr/>
	7,561,470	7,745,431
Non-controlling interests	35,674	20,257
	<hr/>	<hr/>
Total equity	7,597,144	7,765,688
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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 2022.

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 2022, except for the adoption of new and revised standards with effect from 1 January 2023 as detailed in note 2 below.

These Financial Statements were approved and authorised for issue by the Board on 27 July 2023.

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 HKFRS17	Insurance contracts
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform - pillar two model rules ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates

¹ The deferred tax exemption and disclosure requirement of the fact that the exemption has been applied, is effective immediately. The other disclosure requirements are effective for annual periods beginning on or after 1 January 2023.

Several amendments apply for the first time in 2023, 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 and manufactured goods such as steel into Australia and New Zealand; and
- (d) the crude oil segment comprises the operation of oilfields and the sale of crude oil in Indonesia and China.

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

Segment assets exclude investment in an associate, investment in a joint venture, deferred tax assets, cash and deposits and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

For the six months ended 30 June 2022, revenue for the import and export of commodities comprise of the import of steel products from various countries for distribution in Australia and New Zealand.

In the second half of 2022, a Deed of Termination was signed to cease the import and distribution arrangement with its business partner for steel products. Sales of the Group's steel products was last transacted in November 2022.

Notwithstanding the cessation of its import and distribution of the steel products, other trading activities, such as commission earned for export of commodities, have continued for the year ended 31 December 2022. In addition, management is in advanced negotiations with external parties to develop new trading product lines. During the Period, management is actively seeking to obtain the rights of sales for crude oil from our joint venture and also exploring the possibility of obtaining the rights of sales for alumina from our associate.

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June
Unaudited
HK\$'000

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2023					
Segment revenue:					
Sales to external customers	770,240	539,350	–	733,632	2,043,222
Other income, gains and losses, net	32,489	3,142	1,736	3,239	40,606
	<u>802,729</u>	<u>542,492</u>	<u>1,736</u>	<u>736,871</u>	<u>2,083,828</u>
Segment results	682	70,998	3,779	335,118	410,577
<i>Reconciliation:</i>					
Interest income and unallocated gains and losses, net					25,332
Unallocated expenses					(62,168)
Unallocated finance costs					(89,951)
Share of profit of:					
An associate					11,700
A joint venture					178,569
Profit before tax					<u>474,059</u>

	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
2022					
Segment revenue:					
Sales to external customers	736,090	658,647	877,886	955,767	3,228,390
Other income, gains and losses, net	85,658	2,742	3,051	2,828	94,279
	<u>821,748</u>	<u>661,389</u>	<u>880,937</u>	<u>958,595</u>	<u>3,322,669</u>
Segment results	228,059	354,258	19,178	523,403	1,124,898
<i>Reconciliation:</i>					
Interest income and unallocated gains and losses, net					8,207
Unallocated expenses					(107,736)
Unallocated finance costs					(55,122)
Share of profit of:					
An associate					102,445
A joint venture					286,722
Profit before tax					<u>1,359,414</u>

3. OPERATING SEGMENT INFORMATION (Continued)

HK\$'000	Aluminium smelting	Coal	Import and export of commodities	Crude oil	Total
Segment assets					
30 June 2023 (unaudited)	<u>770,794</u>	<u>712,496</u>	<u>5</u>	<u>3,257,398</u>	<u>4,740,693</u>
31 December 2022 (audited)	<u>761,797</u>	<u>680,012</u>	<u>152,980</u>	<u>3,442,726</u>	<u>5,037,515</u>
Segment liabilities					
30 June 2023 (unaudited)	<u>420,968</u>	<u>323,105</u>	<u>6,833</u>	<u>609,985</u>	<u>1,360,891</u>
31 December 2022 (audited)	<u>433,149</u>	<u>307,431</u>	<u>15,911</u>	<u>692,479</u>	<u>1,448,970</u>

4. OTHER INCOME, GAINS AND LOSSES, NET

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

	2023 HK\$'000	2022 HK\$'000
Interest income	39,130	10,260
Handling service fees	–	2,867
Sale of scrap	2,186	3,029
Gain on disposal of items of property, plant and equipment	37	740
Fair value gain on derivative financial instruments	23,400	84,843
Exchange losses, net	(7,265)	(6,468)
Others	<u>8,450</u>	<u>7,215</u>
	<u>65,938</u>	<u>102,486</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest expense on bank and other borrowings	74,442	36,134
Interest expense on lease liabilities	<u>764</u>	<u>900</u>
Total interest expenses	75,206	37,034
Other finance charges:		
Increase in discounted amounts of provisions arising from the passage of time	10,914	11,901
Others	<u>3,831</u>	<u>6,187</u>
	<u><u>89,951</u></u>	<u><u>55,122</u></u>

6. PROFIT BEFORE TAX

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

	2023 HK\$'000	2022 HK\$'000
Depreciation of property, plant and equipment	240,760	223,568
Depreciation of right-of-use assets	19,127	15,599
Amortisation of other assets	8,912	766
Gain on disposal of items of property, plant and equipment, net	(37)	(738)
Fair value gain on derivative financial instruments	(23,400)	(84,843)
Exchange losses, net	<u><u>7,265</u></u>	<u><u>6,468</u></u>

7. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the period	28,570	161,493
Underprovision/(overprovision) in prior periods	16	(6)
Deferred taxation	<u>35,485</u>	<u>269,455</u>
Total tax expense for the period	<u><u>64,071</u></u>	<u><u>430,942</u></u>

The statutory rate of Hong Kong profits tax was 16.5% (2022: 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 (2022: 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% (2022: 30%).

Indonesia: The corporate tax rate applicable to the subsidiary which is operating in Indonesia was 25% (2022: 25%). The Group's subsidiary owning a participating interest in the oil and gas properties in Indonesia was subject to branch tax at the effective tax rate of 15% (2022: 15%).

Mainland China: The Group's subsidiaries registered in Mainland China were subject to corporate income tax at a rate of 25% (2022: 25%).

Kazakhstan: The Group's subsidiary incorporated in Kazakhstan was subject to corporate income tax at a rate of 20% (2022: 20%).

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount was based on the profit for the Period attributable to ordinary shareholders of the Company of approximately HK\$383,207,000 (2022: HK\$893,288,000) and the weighted average number of ordinary shares in issue during the Period, which was 7,857,727,149 (2022: 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 2022.

9. DIVIDEND

The Board has resolved not to pay an interim dividend for the Period (2022: Nil).

The final dividend of HK6.00 cents per ordinary share for the year ended 31 December 2022, totalling HK\$471,464,000, was approved by shareholders at the annual general meeting of the Company held on 16 June 2023 and was paid on 18 July 2023.

10. TRADE RECEIVABLES

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

	30 June 2023 Unaudited HK\$'000	31 December 2022 Audited HK\$'000
Within one month	413,828	143,098
One to two months	–	212
Two to three months	–	85,617
Over three months	–	68,431
	<u>413,828</u>	<u>297,358</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 as at the end of the reporting period, based on the invoice date, is as follows:

	30 June	31 December
	2023	2022
	Unaudited	Audited
	HK\$'000	HK\$'000
Within one month	84,323	106,895
One to three months	2,812	–
Over three months	889	4
	<u>88,024</u>	<u>106,899</u>

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

BUSINESS REVIEW AND OUTLOOK

Review

Operating Environment

In the first half of 2023, pandemic containment policies were relaxed in China, and the global economy gradually came out of the shadow of the Covid-19 pandemic. The Russia-Ukraine conflict and the US interest rate hike were ongoing, the global supply chain and industrial chain remained fragile and were still seeking a balance. The expectation of global recession exerted a negative impact on the demand side, Europe and other economies were gradually adapting to the new energy landscape, and the Organization of the Petroleum Exporting Countries (“OPEC”) continued to curtail production to support the oil price, while commodity prices returned to a stable range. The Group’s resource and energy businesses were affected to varying degrees, and in particular, the product sales prices were under relatively high pressure.

During the Period, international oil prices, aluminium prices and coal prices declined significantly year-on-year. Brent oil price averaged US\$79.9 per barrel for the first half of the year, decreasing by approximately 25.8% year-on-year. LME aluminium ingot price averaged US\$2,443.3 per tonne for the Period, decreasing by approximately 24.4% year-on-year. Coal price averaged US\$249.5 per tonne for the Period, decreasing by approximately 25.5% year-on-year. The above commodity prices resulted in a year-on-year decline in the Group’s economic benefits, which nevertheless remained at a reasonable range as a result of the stable production and operation.

Operating Results and Analysis

Under this operating environment, the Group has strived for the high-quality development of the Company, focused on the three core tasks of “resolving risks, improving quality and efficiency, and optimising management”, insisted on improving the mechanism to enhance operation, persisted with reforms and empowerment to tap its potential, and the Company has achieved a safe and stable production operation during the first half of the year. Firstly, the Group took various measures to intensively carry out measures to enhance quality and efficiency and to raise the team’s sense of commitment, and it took the initiative to draw up plans and introduce new technologies and processes to solve practical issues of production. Secondly, the Group planned the long-term sustainable development of the Company with key programmes and projects, strengthened scientific and technological researches, optimised the production structure, improved the quality of operations, and ensured that production tasks would be accomplished smoothly by all means. Thirdly, the Group gradually built up a competitive advantage in management by comprehensively enhancing its management structure and standard, adhering to a pragmatic approach, emphasising on problem solving and improving work efficiency.

In the first half of 2023, the Group achieved revenue of approximately HK\$2,043.2 million, representing a year-on-year decrease of approximately 36.7%, under the impact of the decline in commodity prices and the suspension of its steel trading operations; and recorded net profit attributable to ordinary shareholders of the Company of approximately HK\$383.2 million, representing a year-on-year decrease of approximately 57.1%. As of 30 June 2023, the Group's total assets amounted to approximately HK\$11,824.0 million and net assets attributable to ordinary shareholders of the Company were approximately HK\$7,561.5 million. The Group continued to proactively curtail its US-dollar denominated loans, bringing down its gearing ratio to approximately 35.7% and deliver an annualised return on net assets of approximately 10.0%. The Group's operating results remained stable and in line with expectations, and its assets position was among the best in its history.

Oil and Gas Business

During the Period, the Group's oil and gas business division was under the impact of, among others, the ongoing tension of the Russia-Ukraine conflict and the inflation in resource countries. The Group scientifically formulated measures to increase reserve and production volume, intensified safety management and promoted application of new processes and new technologies, thus maintaining the output and economic benefits of the oil and gas business to be in a reasonable range. In the first half of 2023, the Group's oil and gas business achieved operating output of 8,740,000 barrels and working interest output of 4,672,000 barrels, representing a decrease of approximately 1.9% and 2.8%, respectively, as compared with the same period of last year. The oil and gas business achieved revenue for the first half of 2023 of approximately HK\$733.6 million, representing a decrease of approximately 23.2% year-on-year, and contributed profit attributable to ordinary shareholders of the Company of approximately HK\$425.5 million.

Non-oil-and-gas Businesses

During the Period, on the basis of the termination of steel trading operations at the end of last year, the Group has actively dealt with the follow-up matters. The Group proactively promoted the engagement of the non-oil-and-gas business team in the management and shareholders' affairs of the Portland Aluminium Smelter ("PAS") and Coppabella and Moorvale coal mines joint venture projects ("CMJV"), facilitating the optimisation of the operation modes, increasing production capacity and reducing costs. During the Period, the Group's non-oil-and-gas business contributed profit attributable to ordinary shareholders of the Company of approximately HK\$65.9 million, representing a year-on-year decrease of approximately 83.4% which was mainly attributable to the decrease in the prices of aluminium and coal.

Outlook

New challenges and opportunities will arise in the second half of 2023. There might be demand-side recovery in light of the advanced stage of the US interest rate hike, the unclear signs of economic recession and the steady growth in the world's major economies. China's economic recovery would be conducive to the stability of the global supply chain and industrial chain, and there is currently no basis for further decrease in commodity prices while the active production curtailment by the OPEC is expected to support oil prices.

In 2023, the Group will continue to uphold the mindset of insisting on the bottom-line, intensify the safety risk investigation, respond to potential risks in accordance with the law and regulations and strengthen the integration of risk management, compliance and internal control. The Group will also continue to promote the application of new technologies and processes, optimize production processes and refine management measures, striving to achieve a steady increase in production. The Group will endeavor to build a management system in line with the characteristics of its business, improve work efficiency and achieve continuous improvement in corporate value. In the meantime, we will strive to explore the business opportunities in the areas of new energy and materials and search for new development directions, achieving greater returns to shareholders of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and deposits

As at 30 June 2023, the Group maintained strong liquidity with undrawn bank facilities of approximately HK\$1,716.0 million (31 December 2022: HK\$1,815.1 million) and had cash and deposits in total amount of approximately HK\$1,632.5 million (31 December 2022: HK\$2,130.2 million), comprising cash and cash equivalent of approximately HK\$775.2 million and deposits with a fellow subsidiary of approximately HK\$857.3 million.

Borrowings

As at 30 June 2023, the Group had total debt of approximately HK\$1,878.9 million (31 December 2022: HK\$2,644.4 million), which comprised:

- unsecured bank borrowings of approximately HK\$656.8 million;
- unsecured other borrowing of approximately HK\$1,170.0 million; and
- lease liabilities of approximately HK\$52.1 million.

Most of the transactions of the Group's import and export of commodities business are debt funded. However, in contrast to term loans, these borrowings are self-liquidating, transaction specific and of short durations, and matching the terms of the underlying transaction. Upon the receipt of sale proceeds following the completion of a transaction, the related borrowings are repaid accordingly.

The significant decrease in the Group's borrowings was mainly due to the prepayment of bank loans in the amount of US\$85.0 million (equivalent to approximately HK\$663.0 million) from its surplus cash in 2023.

On 29 December 2022, the Company entered into a facility agreement with CITIC Finance International Limited (a fellow subsidiary of the Company, "**CITIC Finance**") in respect of an unsecured 3-year revolving loan facility of US\$150.0 million (equivalent to approximately HK\$1,170.0 million) (the "**A Loan**"). The proceeds of the A Loan were used for refinancing the prepayment of the remaining outstanding balance of the then existing loans in the aggregate amount of US\$150 million (equivalent to approximately HK\$1,170.0 million). As at 30 June 2023, the outstanding balance of the A Loan was US\$150.0 million (equivalent to approximately HK\$1,170.0 million).

In June 2021, a wholly-owned subsidiary of the Company entered into an unsecured 3-year committed US\$200.0 million (equivalent to approximately HK\$1,560.0 million) credit facility agreement with China CITIC Bank International Limited (a fellow subsidiary of the Company) (the "**B Loan**"), effective from 24 June 2021. The proceeds of the B Loan were mainly used for the prepayment of the remaining outstanding balance of the then existing loan amounting to US\$200.0 million (equivalent to approximately HK\$1,560.0 million). On 30 June 2022, 31 August 2022, 30 April 2023 and 30 June 2023, partial prepayments of the B Loan in the aggregate amount of US\$115.0 million (equivalent to approximately HK\$897.0 million) were made by utilizing the Company's internal sources. As at 30 June 2023, the outstanding balance of the B Loan was US\$85.0 million (equivalent to approximately HK\$663.0 million). On 30 June 2023, the Company exercised the loan extension option to extend the repayment date to 30 June 2026.

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 2023 were HK\$16.6 million (31 December 2022: HK\$14.2 million).

As at 30 June 2023, the Group's net debt to net total capital was 3.2% (31 December 2022: 6.2%). Among the Group's total debt, approximately HK\$25.0 million (31 December 2022: HK\$126.9 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 2023, the Group had 202 full time employees (30 June 2022: 199), including management and administrative staff.

In the first half of 2023, the remuneration of these full-time employees was approximately HK\$77.0 million (30 June 2022: HK\$81.7 million). In addition, the Group would share the expenses of the subcontractor remuneration of its investments as an operator (including the Seram Block, Indonesia and Hainan-Yuedong Block, China) and jointly owned investments (PAS and CMJV and certain exploration rights), involving approximately 1,800 employees in total (30 June 2022: 1,800) and amounting to approximately HK\$146.2 million (30 June 2022: HK\$102.8 million).

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

DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2022: 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, save and except for the following deviations from code provision C.2.1 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the period from 1 January 2023 to 18 April 2023, Mr. Sun Yufeng, a former executive director of the Company, held the roles of both the chairman of the Board (the "Chairman") and chief executive officer of the Company (the "CEO"). Following the resignation of Mr. Sun Yufeng as an executive director of the Company, Chairman and CEO on 18 April 2023, the roles of both the Chairman and CEO have been vested in the same person, namely Mr. Hao Weibao who was appointed as an executive director of the Company on the same date.

Vesting the role of CEO in Mr. Sun, who was then an executive director of the Company and the Chairman, could facilitate and ensure that there would be a smooth and continuous execution of the Group's business strategies and effectiveness of its operation. In respect of the vesting of both the roles of the Chairman and CEO in Mr. Hao, in view of Mr. Hao's personal profile, extensive relevant industry knowledge and working experience in multinational corporations, the Board has confidence in vesting both roles of the Chairman and CEO in Mr. Hao and believes that it will allow for more effective planning and execution of business strategies of the Group. Therefore, the Board considers that the deviations from the code provision C.2.1 of the Corporate Governance Code will not be inappropriate. In addition, under the supervision of the Board which, apart from an executive director, comprises a non-executive director and three independent non-executive directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

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 of the Company 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.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, there was no other important event or transaction affecting the Group and which is required to be disclosed by the Company to its shareholders from 1 July 2023 up to the date of this announcement.

By Order of the Board
CITIC Resources Holdings Limited
Hao Weibao
Chairman

Hong Kong, 27 July 2023

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