

2019 Annual Results

**Macro Economic Factors impact Earnings
Strengthening Competitiveness in the Trough**



中信資源
CITIC Resources

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FY 2019 Financial Highlights

2019 Financial Highlights

(HK\$M)	<u>FY 2019</u>	<u>FY 2018</u>	<u>Change</u>
Revenue	3,425.5	4,427.3	-22.6%
EBITDA⁽¹⁾	1,304.3	2,070.9	-37.0%
Adjusted EBITDA⁽²⁾	1,723.3	2,433.9	-29.2%
Profit attributable to shareholders	600.3	905.3	-33.7%
Earnings per share (HK cents)⁽³⁾	7.64	11.52	

Notes:

(1) Profit before tax + finance costs + depreciation + amortisation + asset impairment losses

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

(3) Profit attributable to shareholders / weighted average number of ordinary shares in issue during the year

Crude Oil Segment Performance

<i>In CRH's equity</i>	<u>Yr 2019</u>	<u>Yr 2018</u>	<u>Yr 2017</u>	<u>Yr 2016</u>
Yuedong Oilfield				
Production (mbbls)	1,918	2,156	2,173	2,194
Sales Volume (mbbls)	1,893	2,156	2,190	2,106
Average realised price (US\$/bbl)	63.9	69.2	54.0	43.2
Seram Block				
Production (mbbls)	241	268	495	665
Sales Volume (mbbls)	184	282	491	676
Average realised price (US\$/bbl)	43.9	55.9	43.9	34.2
Karazhanbas Oilfield				
Production (mbbls)	7,228	7,220	7,151	7,104
Sales Volume (mbbls)	6,687	6,336	6,793	7,136
Average realised price (US\$/bbl)	61.1	67.2	50.7	39.0
Total Production	9,387	9,644	9,819	9,963

Segment Revenue

Business segments (HK\$M)	<u>Yr 2019</u>	<u>Yr 2018</u>	<u>Change</u>
Aluminium smelting	1,033.3	1,088.1	-5%
Coal	643.1	891.4	-28%
Import & export of commodities	742.4	1,154.4	-36%
Crude oil⁽¹⁾	1,006.7	1,293.4	-22%
Seram Block	63.1	122.8	-49%
Yuedong oilfield	943.6	1,170.5	-19%
Total	3,425.5	4,427.3	-22.6%

Segment Results

Business segments (HK\$M)	Yr 2019	Yr 2018	Change
Aluminium smelting	20.0	(104.8)	Record Profit
Coal	44.4	211.8	-79%
Import & export of commodities	50.9	51.7	-2%
Crude oil	319.8	506.7	-37%
Seram Block	8.6	56.8	-85%
Yuedong oilfield	311.2	449.9	31%
Segment results	435.1	665.4	
Manganese ⁽¹⁾	(69.7)	114.2	Record Loss
Alumina ⁽²⁾	141.2	521.0	-73%
Crude oil (Karazhanbas oilfield) ⁽³⁾	615.1	563.3	+9%
Total	686.6	1,863.9	

Notes:

(1) As share of profit of an associate

(2) As share of profit of an associate

(3) As share of profit of a joint venture

Latest Financial Position and Ratios

(HK\$M)	<u>2019-12-31</u>	<u>2018-12-31</u>	<u>Change</u>
Cash and cash equivalents	1,595.4	1,921.2	(17.0%)
Total assets	12,668.0	13,679.7	(7.4%)
Total debt⁽¹⁾	5,143.9	6,219.3	(17.3%)
Equity attributable to shareholders	6,253.4	6,141.5	+1.80%
Current ratio⁽²⁾	1.4 times	1.4 times	
Gearing ratio⁽³⁾	82.3%	101.3%	
Net Gearing Ratio⁽⁴⁾	56.7%	70.0%	
Net asset value per share (HK\$)⁽⁵⁾	0.80	0.78	

Notes:

(1) Bank and other borrowings + finance lease payables

(2) Current assets / current liabilities

(3) Total debt / equity attributable to shareholders x 100%

(4) (Total debt–Cash) / Equity attributable to shareholders x 100%

(5) Equity attributable to shareholders / number of ordinary shares in issue at end of period

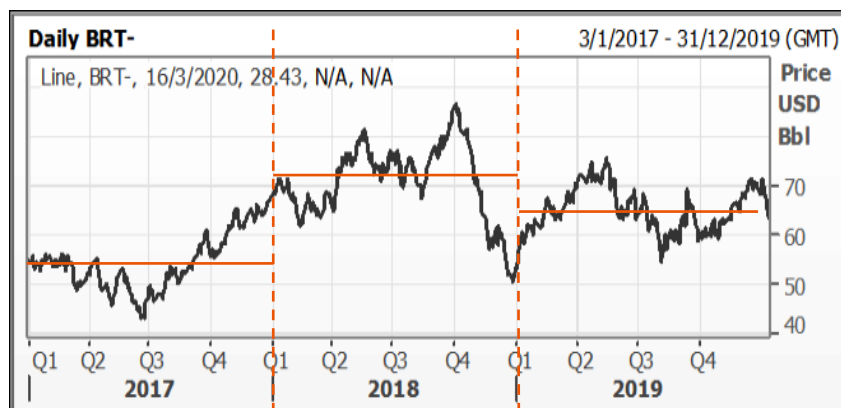
FY 2019 Business Performance

Market Overview

- In 2019, global economic growth experienced significant slowdown, along with the accumulation of geopolitical risks, the increase of volatility in financial markets and the increase in trade tensions. External macroeconomic environment, especially the volatility of commodities and crude oil prices, had been the major factors affecting the Group's operating results.
- The international crude oil market had been in a tug-of-war state. The Brent oil price fluctuated between US\$60 and US\$70, and the annual average price is US\$64.7, down by 9.1%.
- Average LME spot aluminium price in 2019 was US\$1,781/t, down 15.5%; Coal prices was also lower than that in 2018.

Brent Oil Price Trend

US\$/bbl	2017	2018	2019
	<u>54USD</u>	<u>71USD</u>	<u>65USD</u>



LME Spot Aluminium Price Trend

US\$/t	2017	2018	2019
	<u>1,968USD</u>	<u>2,108USD</u>	<u>1,781USD</u>



Stable business performance

1205.HK



Overall oil production remained stable



New wells drilling recommenced in Yuedong and Seram



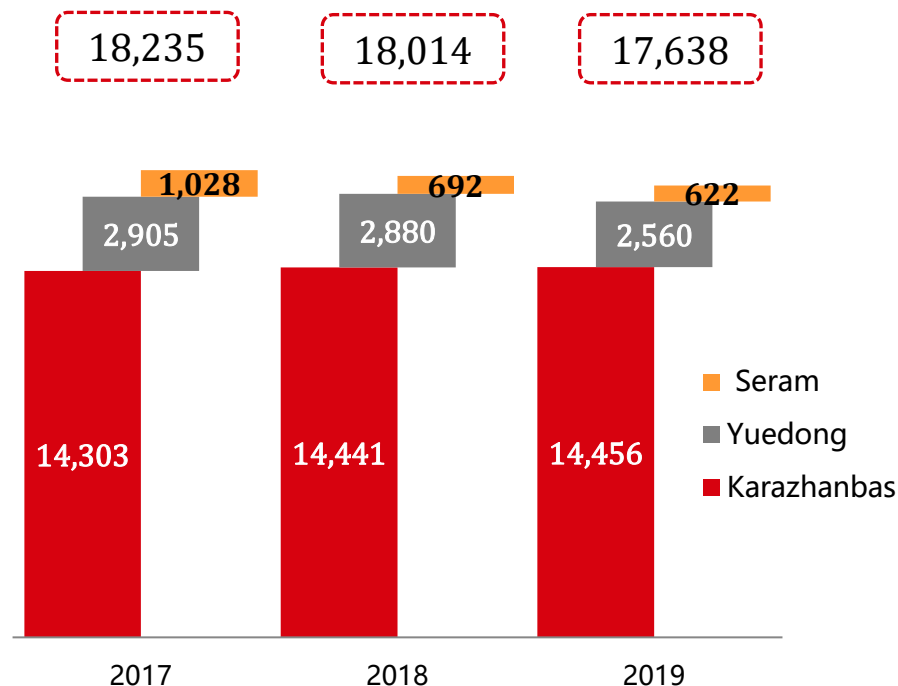
Smooth transition of new Seram PSC

Oil - Overall Production Remained Stable

- The Group continued to implement optimal maintenance plans, to minimise the negative impact on oil production caused by the continuing natural decline of existing wells, and maintained the production stable.
- CRH's total share of production reached 9,387 mbbls (CRH's equity; 2018: 9,644 mbbls) , down 2.7%.
- Average daily production from the three oilfields reached 25,718 bbls (CRH's equity; 2018: 26,440 bbls) , down 2.7%.

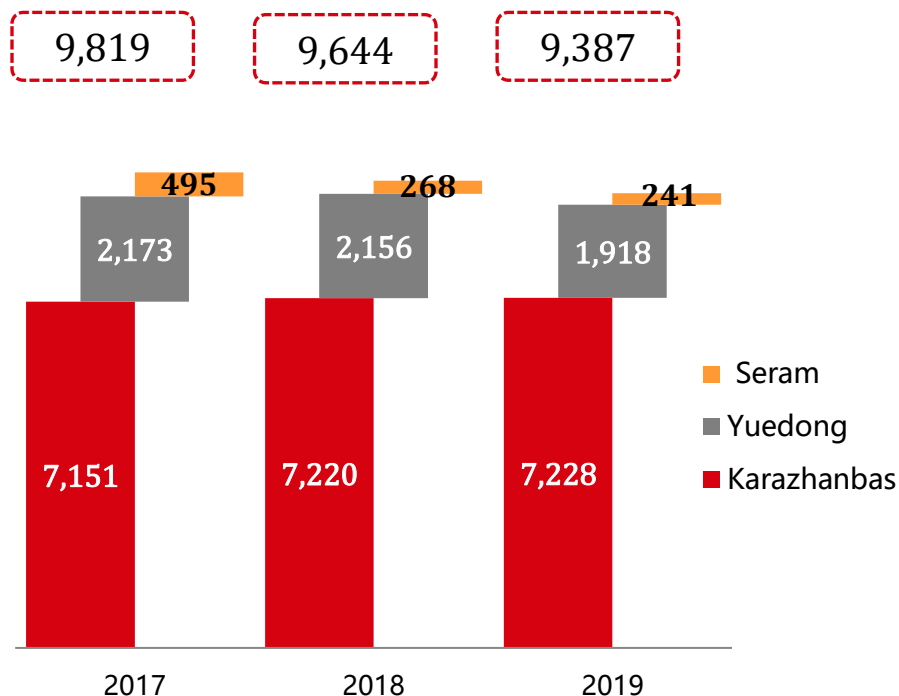
Total Production (100% Basis)

mbbls



Total Production (CRH's share)

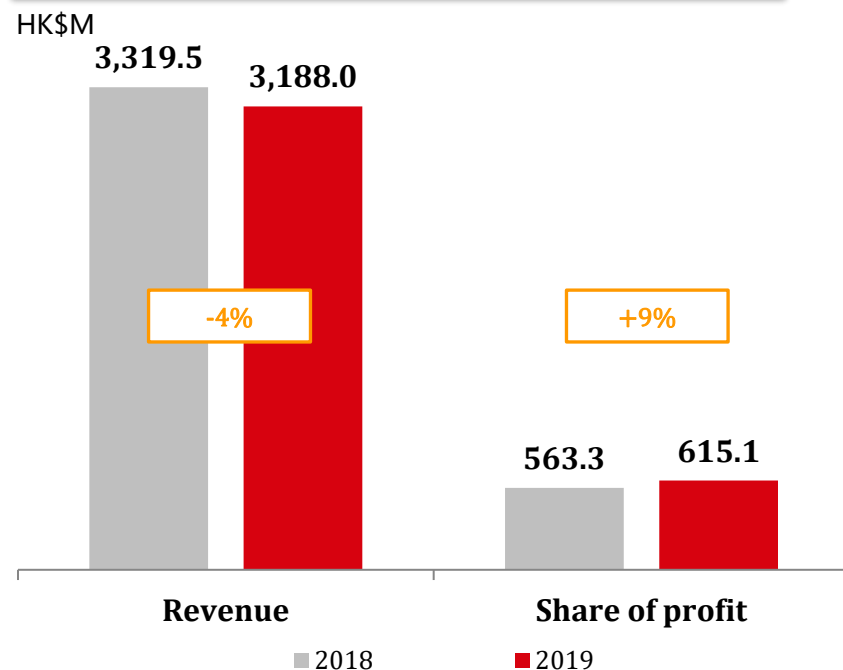
mbbls



Oil - Karazhanbas Oilfield

- Total production reached 14,456 mbbls (100% basis; 2018: 14,441 mbbls). Average daily production stood at 39,610 bbls (100% basis; 2018: 39,600 bbls), comparable.
- Average crude oil realised price was US\$61.1/bbl (2018: US\$67.2/bbl), down 9%.
- Revenue amounted to HK\$3,188.0M (CRH's share; 2018: HK\$3319.5M), down 4%.
- Segment results recorded a profit of HK\$615.1M (CRH's share; 2018: HK\$563.3M), up 9%.

Revenue (50% Basis) and Share of Profit of a Joint Venture



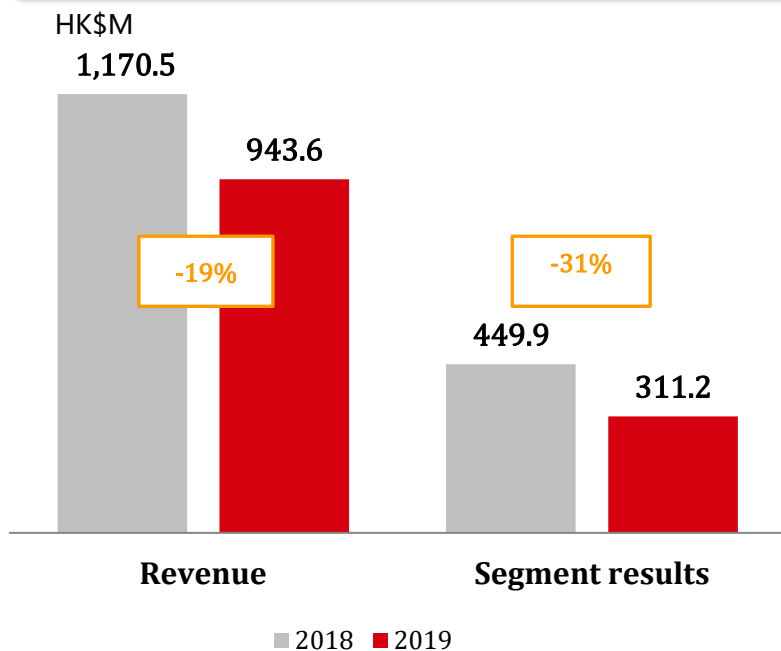
Overview of Performance in 2019

- Sales volume increased by 6%, but average crude oil realised price decreased by 9%, so revenue decreased by 4%.
- Cost of sales per barrel increased by 2%, in which there is 1% increase in direct operating costs and 5% increase in DD&A.
- Despite the costs increase, a 11% devaluation of KZT had a favourable impact on the costs payable by KBM in KZT.
- Selling and distribution costs per barrel decreased by 18%. Export duty and rent tax per barrel decreased by 18% and 22%, respectively, in line with decreases in average oil prices.
- At the end of the year, a write-back of a prior year provision for impairment was made, which The Group's share was HK\$273.3 million.

Oil - Yuedong Oilfield

- Total production maintained at 2,560 mbbls (100% basis; 2018: 2,880 mbbls). Yuedong oil field recommenced new well drilling program in the fourth quarter of 2019. The production of new wells partially mitigate the adverse effect from the natural decline of existing wells. Average daily production recorded 7,010 bbls (100% basis; 2018: 7,890 bbls), down 11.2%.
- Average crude oil realised price was US\$63.9/bbl (2018: US\$69.2/bbl), down 8%.
- Revenue amounted to HK\$943.6M (CRH's share; 2018: HK\$1,170.5M), down 19%.
- Segment results recorded a profit of HK\$311.2M (CRH's share; 2018: HK\$449.9M), down 31%.

Revenue and Segment Results (CRH's share)



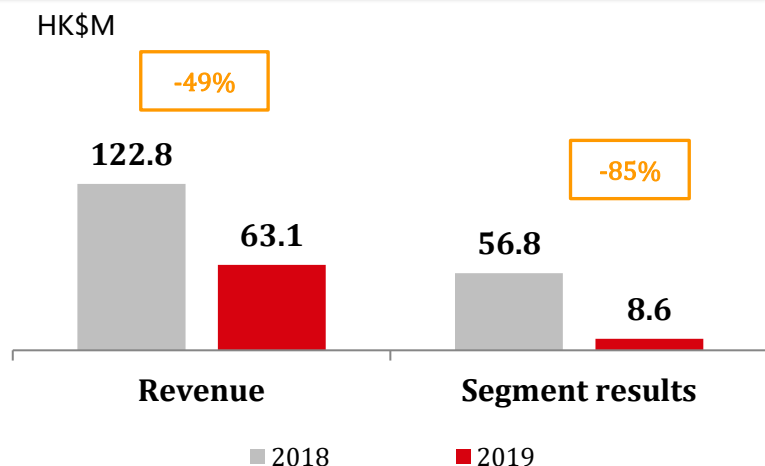
Overview of Performance in 2019

- A 8% decrease in the average crude oil realised price coupled with a 12% decrease in sales volume led to a 19% decrease in revenue.
- Cost of sales per barrel slightly decreased by 2%, of which DD&A decreased by 7% due to a upward revision of estimated proved developed oil reserves; and devaluation of RMB against HKD by 4%. However, direct operating costs per barrel increased by 6% mainly due to increase in costs to minimise the negative impact on oil production caused by sand-attack.
- Drilling program has been recommenced since 4Q 2019.

Oil - Seram Block

- Total production recorded 622 mbbls (100% basis; 2018: 692 mbbls), down 10.1%. This is due to a steeper natural decline of existing wells and no development wells being drilled before the new PSC taking effect. Average daily production was 1,700 bbls (100% basis; 2018: 1,900 bbls), down 10.5%.
- Average crude oil realised price was US\$ 43.9/bbl (2018: US\$55.9/bbl), down 21%.
- Revenue recorded HK\$63.1M (CRH's share; 2018: HK\$122.8M), down 49%.
- Segment results recorded a profit of HK\$8.6M (CRH's share; 2018: HK\$56.8M), down 85%.

Revenue and Segment Results (CRH's share)

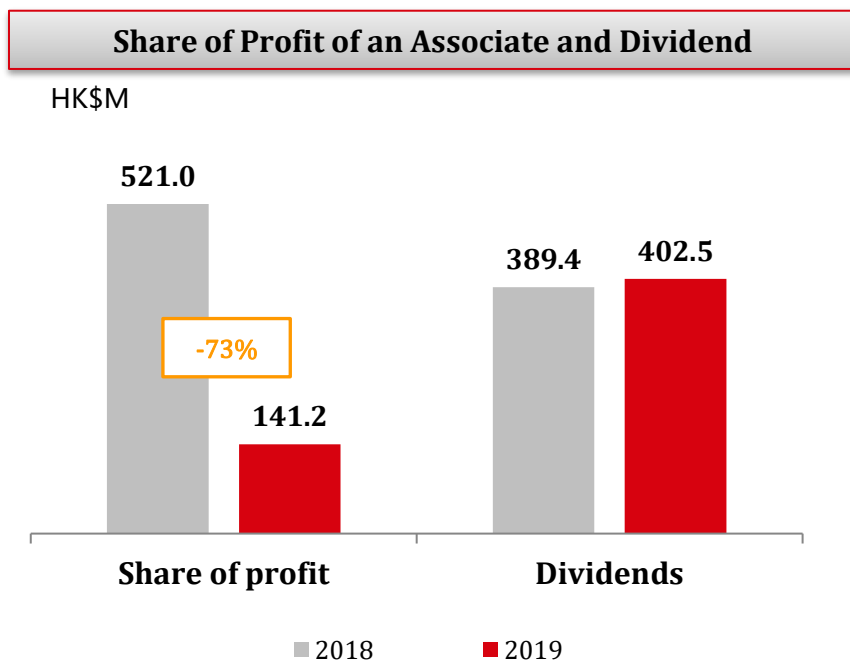


Overview of Performance in 2019

- The sales volume and average realised crude oil price decreased by 35% and 21% respectively, resulting a 49% decrease in revenue.
- Cost of sales per barrel decreased by 40%, of which DD&A decreased by 93% attributable to low carrying amount of oil and gas properties of CITIC Seram as its original PSC expired during the year.
- New wells drilling recommenced in the first quarter of 2020; and the technical and economic assessment of natural gas resources in Lofin area has also commenced. We plan to commence the gas test and trial production in 2020.

Metals - Bauxite Mining and Alumina Refining

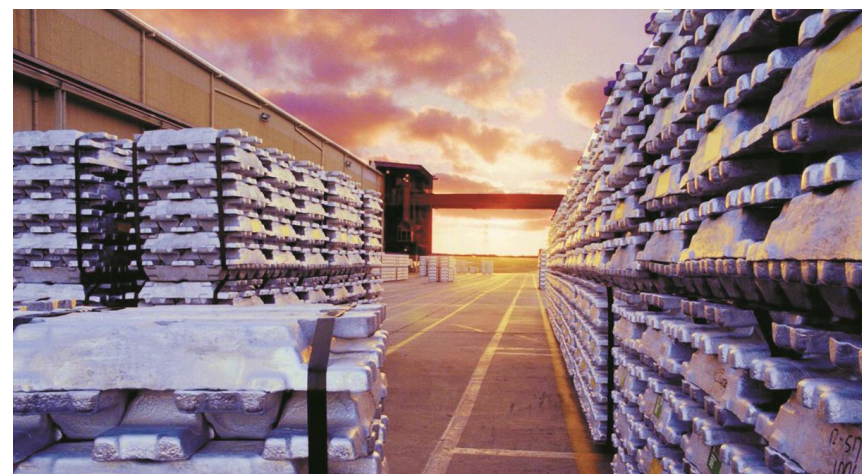
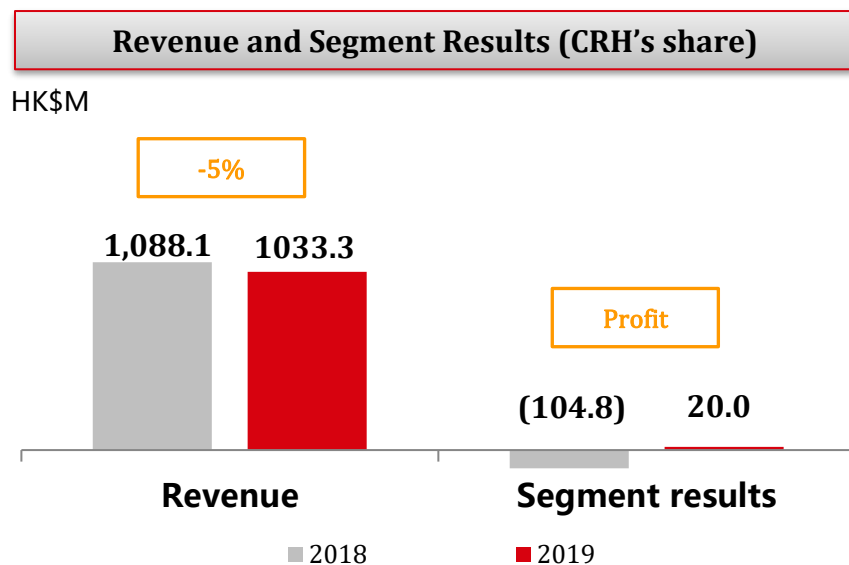
- The Group retains a 9.6846% equity interest in Alumina Limited (“**AWC**”, stock code: AWC)
- For the year, the Group recorded a decline in share of profit, which was a result of decrease in average selling price of alumina and a share of USD116.2 million of restructuring and other expenses incurred during the year attributable to AWC by Alcoa World Alumina and Chemicals joint venture.
- The Group recorded a share of profit of HK\$141.2M (2018: share of profit HK\$521.0M), down 73%.
- During 2019, the Group received a dividend of HK\$402.5M (2018: HK\$389.4M).



Alumina Limited

Metals - Aluminium Smelting

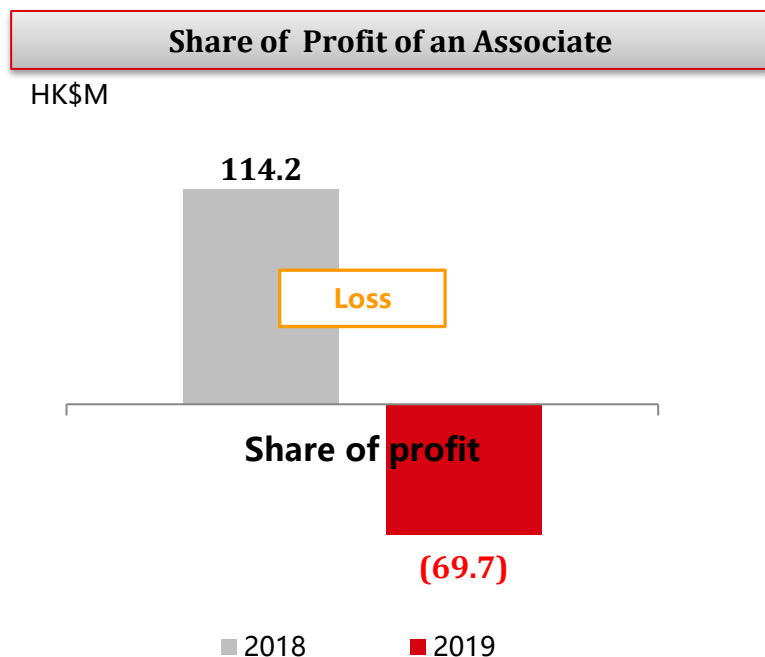
- The Group holds a 22.5% participating interest in the Portland Aluminium Smelter (the “PAS”) joint venture.
- The average selling price decreased by 19%, as a result of slower economic growth in China, and the threats of Sino-US trade conflict. Despite a 18% increase in sales volume, the revenue had a decrease of 5% as compared to 2018.
- The negative impact from fall in the average selling price was mitigated by a 14% decrease in cost of sales per tonne, mainly driven by a lower alumina cost. Together with insurance claim and forgiveness of a loan from the government, the segment achieved a turnaround profit in the result of the year.
- Revenue recorded HK\$1,033.3M (CRH’s share; 2018: HK\$1,088.1M), down 5%.
- Segment results recorded a loss of HK\$20.0M (CRH’s share ; 2018: loss of HK\$104.8M), record profit.



Portland Smelter

Metals - Manganese

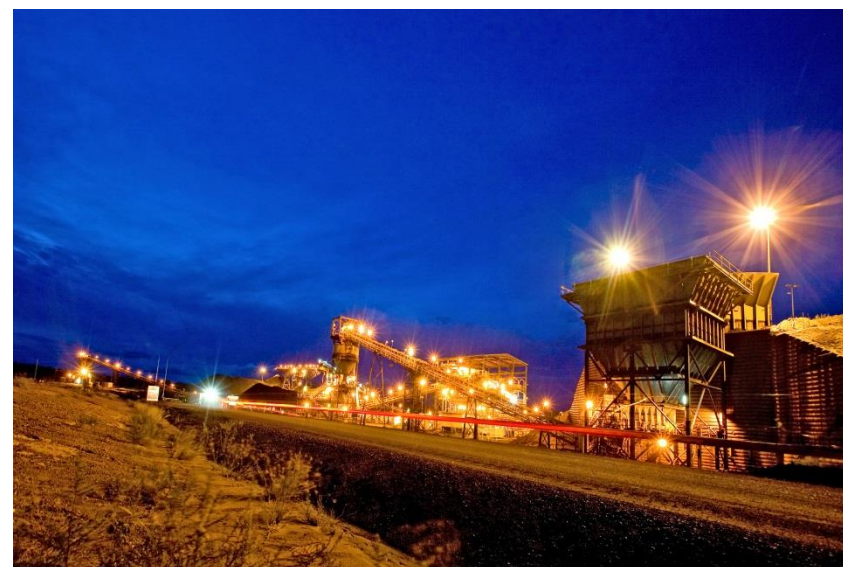
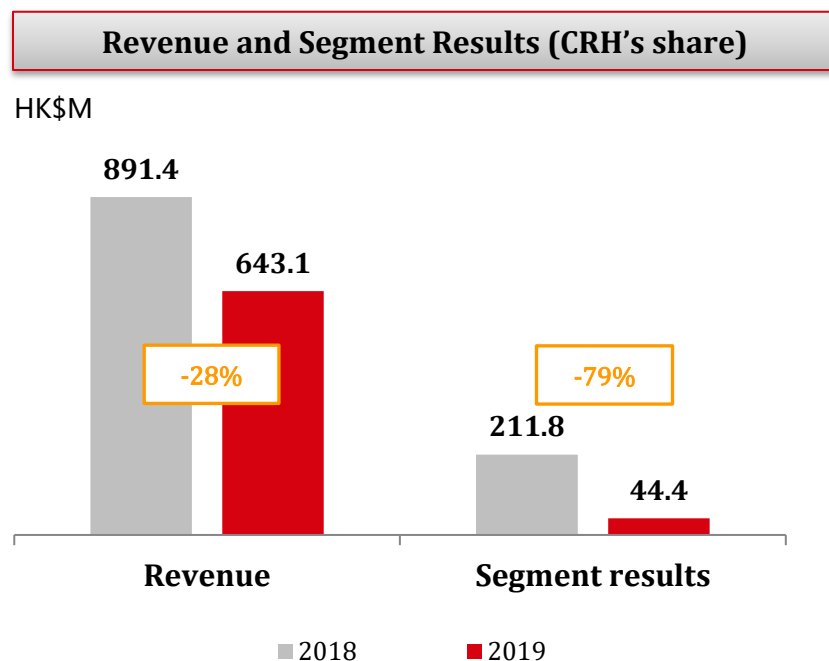
- The Group owns a 34.39% equity interest in CITIC Dameng Holdings Ltd. (“CDH”, stock code: 1091.HK).
- Resulting from squeezed demand in China, the average selling prices of CDH’s major manganese products greatly decreased, in which the price of electrolytic manganese metal products decreased by 13%.
- The Group’s recorded a share of loss of HK\$69.7M (2018: a profit of HK\$114.2M), recorded loss.



Daxin Mine of CDH

Coal

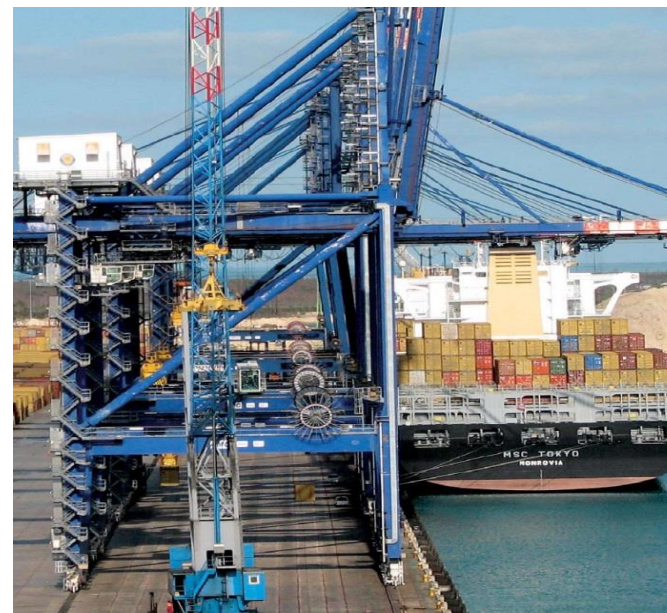
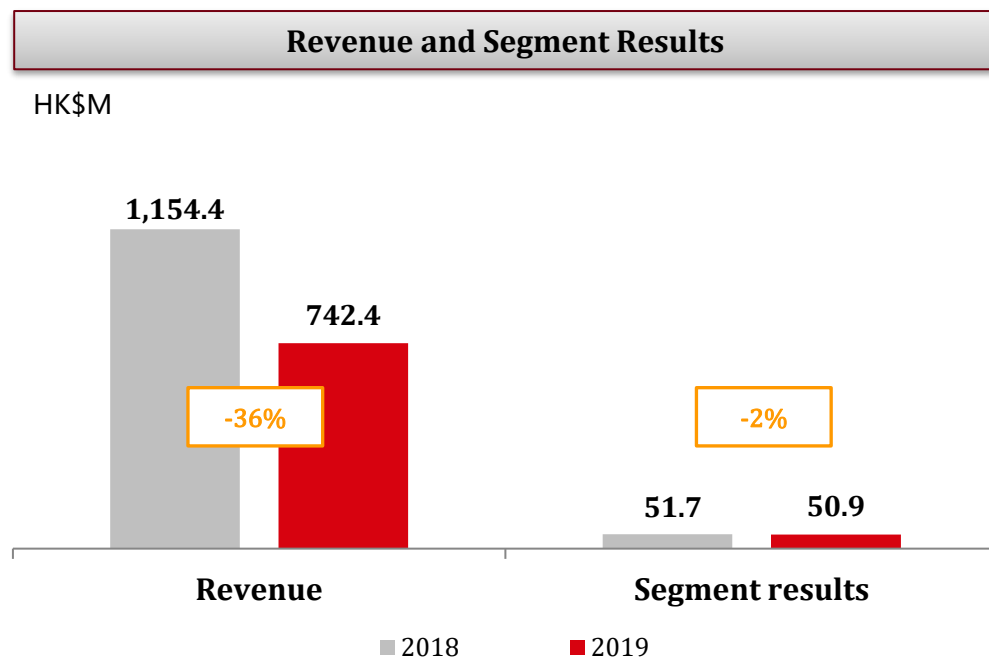
- The Group holds a 14% participating interest in Coppabella and Moorvale Joint Venture (“**CMJV**”).
- Average selling price and sales volume of coal fell by 9% and 21% respectively, resulting from global economic slowdown and uncertainty related to Sino-US trade conflict.
- Revenue recorded HK\$643.1M (CRH’s share; 2018: HK\$891.4M) , down 28%.
- Segment results recorded a profit of HK\$44.4M (CRH’s share; 2018: HK\$211.8M), down 79%.



The coal handling and preparation plant
in Coppabella Mine

Import and Export of Commodities

- Market and operating conditions remained difficult for the segment during the year. Due to a drop of both commodities prices and sales volume as well as the non-recurring sales of Remaining Copper in 2018, the segment recorded a decrease in both revenue and results when compared to 2018.
- Revenue recorded HK\$742.4M (2018: HK\$1,154.4M), down 36%.
- Segment results recorded a profit of HK\$50.9M (2018: HK\$51.7M), down 2%.

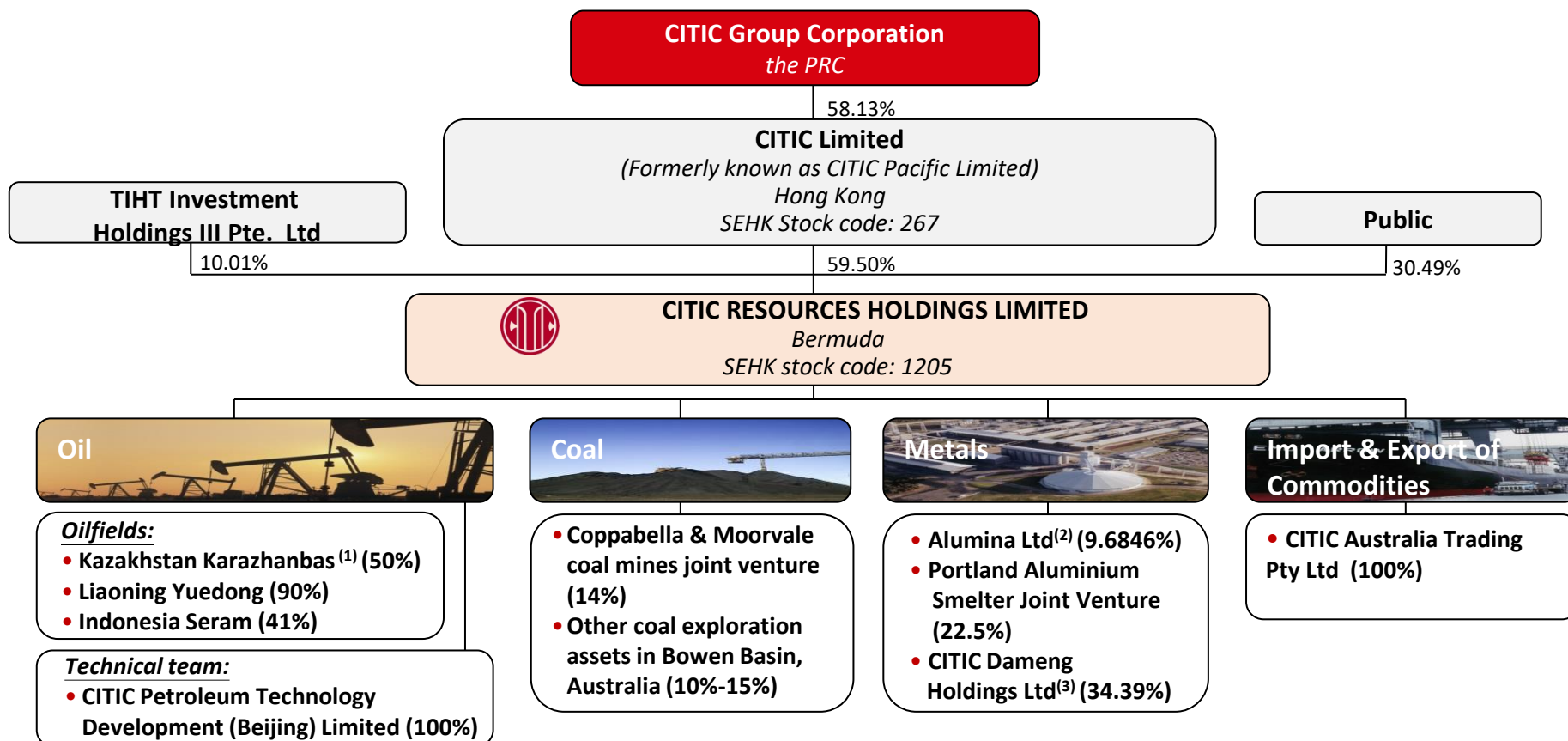


Outlook

- In 2020, the double hits from coronavirus disease pandemic and the failure to reach an agreement on a deeper production cut among OPEC+ members led to an imbalance of supplies and demands in crude oil market, oil prices hence decreased dramatically. Brent oil price once fell below US\$25, and now still fluctuates under US\$30. However, the Group believes that the oil market will eventually recover and reach a reasonable level of US\$50-60 in the long run.
- Facing the current severe market environment, the Group plans to strictly control capital expenditures and cut unnecessary expenses to ensure stable cash flow and the steady realization of production and operation goals:
 - ✓ Conduct stress tests and formulate plans for operations under low oil prices, exercise more stringent cost control throughout the entire business process, strive to mitigate the effects from both the coronavirus disease pandemic and the unfavourable market environment;
 - ✓ Proceed new well drilling program in Yuedong Oilfield and Seram Oilfield in a prudent manner, adjust the development progress and optimize the development plan, and strive to implement new well production goals within the year. At the same time, strengthen oil reserve management, stabilize existing well production, and make best efforts to maintain annual production within a relatively stable range;
 - ✓ Commence the technical and economic assessments of natural gas resources in Lofin area, observe for a right timing to implement gas test and strive to materialise commercial values sooner.
 - ✓ Continue to identify high-quality assets with the back of CITIC Limited, seek cooperation opportunities prudently, and strengthen our competitiveness.

- To cope with the current severe market environment, the Group plans to strictly control capital expenditures and cut unnecessary expenditures to ensure stable cash flow, and ensure the steady realization of production and operation goals, :
- Conduct stress tests and formulate response plans at low oil prices, and tighten the cost control of the entire process of each business more strictly to minimize the impact of the epidemic and unfavorable market environment on the Group as much as possible;
- According to the actual situation, the new well drilling in Yuedong Oilfield and Indonesia's Seram Oilfield Oseil Block should be prudently promoted, the development progress of the development plan should be optimized and adjusted, and the new well production target should be completed within the year. At the same time, strengthen reservoir management, stabilize old well production, and go all out to maintain annual production within a relatively stable range;
- Conscientiously do a good job in the technical and economic evaluation of natural gas resources in the Lofin block of Seram Oilfield, Indonesia, and implement gas test operations in a timely and steady manner in accordance with the trend of oil prices, and strive to achieve commercial value at an early date;
- Relying on the comprehensive advantages of the parent company CITIC Co., Ltd., it carefully seeks cooperation opportunities and consolidates its competitiveness in the market with low-grain and high-quality assets.

Appendix - Company Structure and Business



- (1) An indirect interest in 50% of the issued voting shares of KBM (which represent 47.3% of the total issued shares of KBM) and 50% of the participation rights in each of ATS and TMS
- (2) Alumina Ltd is listed on ASX (stock code: ASX: AWC)
- (3) CITIC Dameng Holdings Ltd ("CDH") is listed on the SEHK (stock code : 1091.HK). In 2015, the Group's equity interest in CDH was diluted from 38.98% to 34.36% following the issue of new shares by CDH, and increased marginally to 34.39% upon the cancellation of shares repurchased by CDH

Appendix - Latest Tax Regime in Kazakhstan

- Export duty:
 - Charged according to export volume
 - Decreased from US\$80/t to US\$60/t in April 2015, and further reduced to US\$40/t in January 2016
 - Charged at progressive rates by reference to Brent oil prices starting from March 2016
 - Example: Export duty of US\$35/t when Brent price ranges between US\$35/bbl and US\$40/bbl
- Rent tax:
 - Charged on export revenue
 - Linked to world oil price
- Mineral extraction tax (MET):
 - Tax rates depending on annual production volume
 - KBM is qualified for a reduced MET rate of 0.5%
- Other major taxes include (if applicable):
 - Corporate Income Tax
 - Excess Profit Tax (EPT)

Export Duty	
World oil price (US\$/bbl)	Tax (US\$/t)
25 (including 25)- 30	10
30 (including 30)- 35	20
35(including 35) - 40	35
40(including 40) – 45	40
45 (including 45) – 50	45
50 (including 50) – 55	50
Rent Tax	
World oil price (US\$/bbl)	Tax rate
Up to 20 (including 20)	0%
20 -30 (including 30)	0%
30-40 (including 40)	0%
40- 50 (including 50)	7%
50- 60 (including 60)	11%



THANK YOU!



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