

2019 Interim Results

Be Vigilant in Peacetime To Prepare for Challenge



中信资源
CITIC Resources

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1H 2019 Financial Highlights

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(HK\$M)	<u>1H 2019</u>	<u>1H 2018</u>	<u>Change</u>
Revenue	1,828.4	2,145.2	-14.8%
EBITDA⁽¹⁾	743.2	1,015.8	-26.8%
Adjusted EBITDA⁽²⁾	1,114.0	1,322.9	-15.8%
Profit attributable to shareholders	362.1	529.1	-31.6%
Earnings per share (HK cents)	4.61	6.73	

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)

Crude Oil Segment Performance

<i>In CRH's equity</i>	<u>1H 2019</u>	<u>1H 2018</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Yuedong Oilfield					
Production (mbbls)	1,011	1,074	2,156	2,173	2,194
Sales Volume (mbbls)	983	1,087	2,156	2,190	2,106
Average realised price (US\$/bbl)	65.3	68.0	69.2	54.0	43.2
Seram Block					
Production (mbbls)	123	137	268	495	665
Sales Volume (mbbls)	-	139	282	491	676
Average realised price (US\$/bbl)	-	64.7	55.9	43.9	34.2
Karazhanbas Oilfield					
Production (mbbls)	3,586	3,581	7,220	7,151	7,104
Sales Volume (mbbls)	3,638	3,410	6,336	6,793	7,136
Average realised price (US\$/bbl)	62.9	67.5	67.2	50.7	39.0
Total Production	4,720	4,792	9,644	9,819	9,963

Segment Revenue

Business segments (HK\$M)	<u>1H 2019</u>	<u>1H 2018</u>	<u>Change</u>
Aluminium smelting	575.7	635.2	-9%
Coal	318.5	420.9	-24%
Import & export of commodities	430.4	439.1	-2%
Crude oil⁽¹⁾	503.8	649.9	-22.5%
Seram Block	-	70.3	-100%
Yuedong oilfield	503.8	579.6	-13%
Total	1,828.4	2,145.2	-15%

Note:

(1) After the adoption of HKFRS11 in January 2013, the share of crude oil sales from the Karazhanbas oilfield is no longer consolidated to the revenue of the Group

Segment Results

Business segments (HK\$M)	1H 2019	1H 2018	Change
Aluminium smelting	(43.4)	24.9	亏损
Coal	9.2	98.4	-91%
Import & export of commodities	29.9	29.5	+1%
Crude oil	172.1	305.3	-44%
Seram Block	(20.5)	44.9	亏损
Yuedong oilfield	192.6	260.4	-26%
Segment results	167.8	458.1	-63%
Manganese ⁽¹⁾	29.6	31.2	-5%
Alumina ⁽²⁾	164.6	183.3	-10%
Crude oil (Karazhanbas oilfield) ⁽³⁾	277.8	254.1	+9%
Total	635.4	926.7	-31%

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>30-Jun-2019</u>	<u>31-Dec-2018</u>	<u>Change</u>
Cash and cash equivalents	2,047.8	1,921.2	+6.6%
Total assets	13,307.9	13,679.7	-2.7%
Total debt⁽¹⁾	5,582.8	6,216.6	-10.2%
Equity attributable to shareholders	6,253.4	6,141.5	+1.8%
Current ratio⁽²⁾	1.4 times	1.4 times	
Gearing ratio⁽³⁾	89.3%	101.2%	
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*

1H 2019 Business Performance

Business performance relatively stable

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Oil business remained relatively stable



Non-oil business' profits shunk



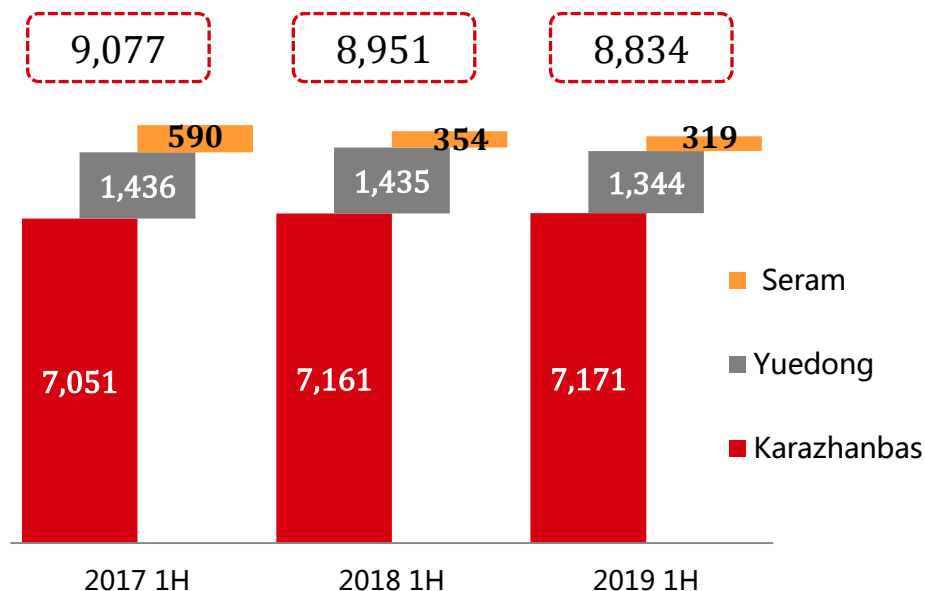
Sufficient Cash and Lower Leverage

Oil - Overall Production Remained Stable

- Facing challenging business environment, the Group has strived to tighten its costs while steadily launched adjustment plan of development in the oil fields, so as to stabilize the production as well as its operating results.
- CRH's total share of production reached 4,720 mbbbls (CRH's equity; 1H 2018: 4,792 mbbbls) , down 2%.
- Average daily production from the three oilfields reached 26,077 bbls (CRH's equity; 1H 2018: 26,500 bbls) , down 2%.

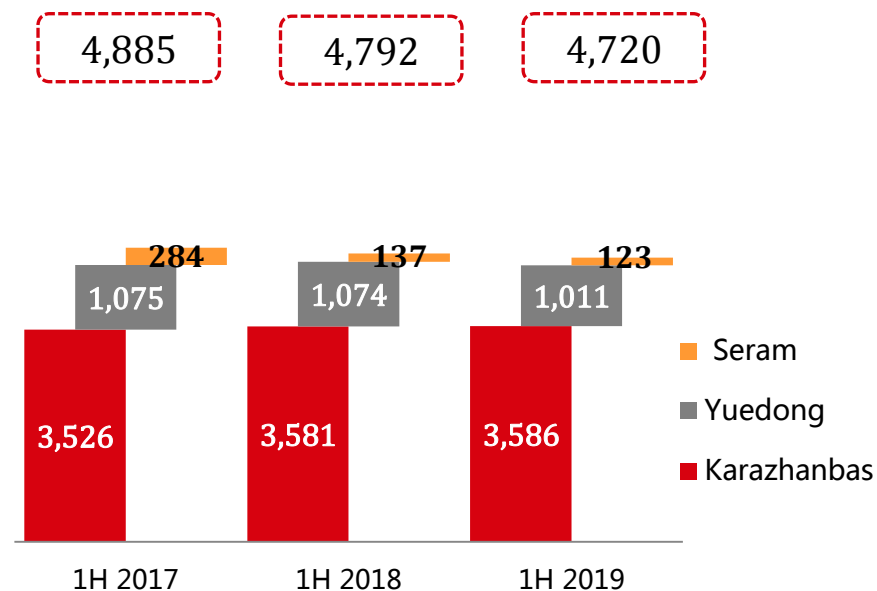
Total Production (100% Basis)

mbbbls



Total Production (CRH's share)

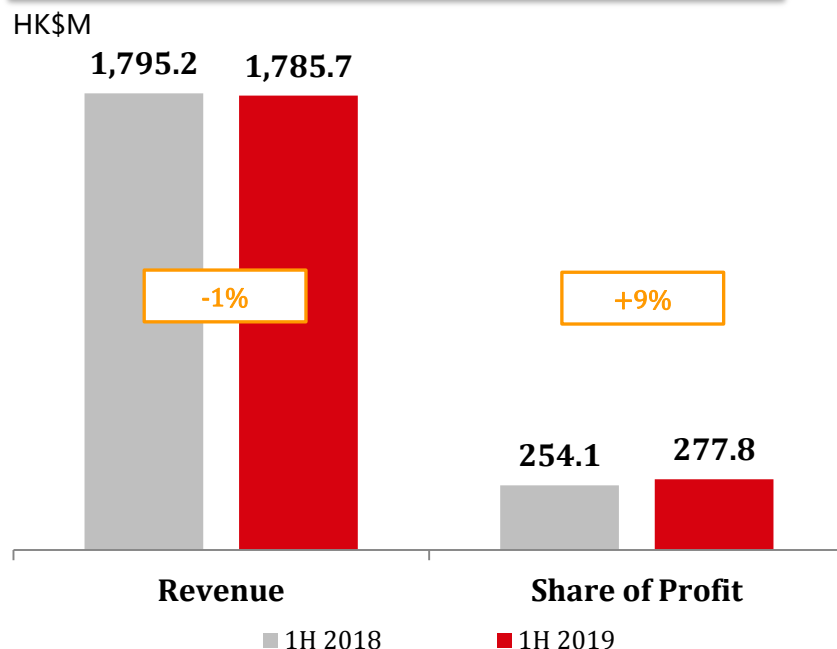
mbbbls



Oil - Karazhanbas Oilfield

- Total production reached 7,171 mbbbls (100% basis; 1H 2018 : 7,161 mbbbls). Average daily production stood at 39,620 bbls (100% basis; 1H 2018 : 39,560 bbls), remain stable.
- Average crude oil realised price was at US\$62.9/bbl (1H 2018 : US\$67.5/bbl), down 7%.
- Revenue recorded HK\$1,785.7M (CRH's equity; 1H 2018 : HK\$1,795.2M), down 1%.
- Share of profit recorded HK\$277.8M (1H 2018 : 254.1M), up 9% .

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



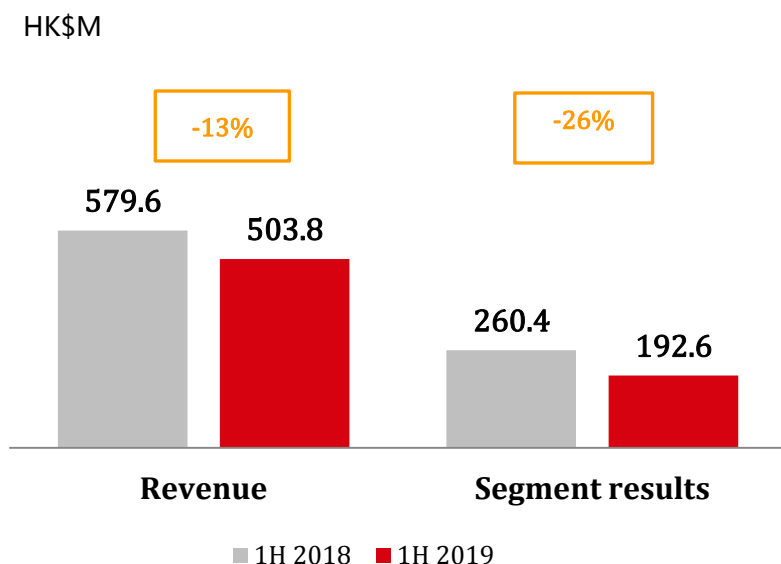
Overview of Performance in 1H 2019

- sales volume increased by 7%, but average crude oil realised price decreased by 7%, as a result, revenue decreased by 1%.
- Cost of sales per barrel decreased 4%, in which the direct operating costs decreased by 8%, and DD&A increased by 6%.
- A 14% devaluation of Kazakhstan Tenge had a favourable impact on the costs payable by KBM in KZT.
- Compared to 1H 2018, selling and distribution costs per barrel decreased by 10%. As export duty and rent tax are charged at progressive rates which are determined by reference to average oil prices, export duty per barrel and rent tax per barrel decreased by 9% and 10% respectively.

Oil - Yuedong Oilfield

- Total production reached 1,344 mbbls (100% basis; 1H 2018: 1,435 mbbls). Due to sand attack to the old wells, production in the Yuedong oilfield is inevitably decreased. Average daily production recorded 7,424 bbls (100% basis; 1H 2018 : 7,930 bbls), down 6%.
- Average crude oil realised price was US\$65.3/bbl (1H 2018 : US\$68.0/bbl), down 5%.
- Revenue amounted to HK\$503.8M (CRH's share; 1H 2018 : HK\$579.6M), down 13%.
- Segment results recorded a profit of HK\$192.6M (CRH's share; 1H 2018 : HK\$260.4M), down 26%.

Revenue and Segment Results (CRH's share)



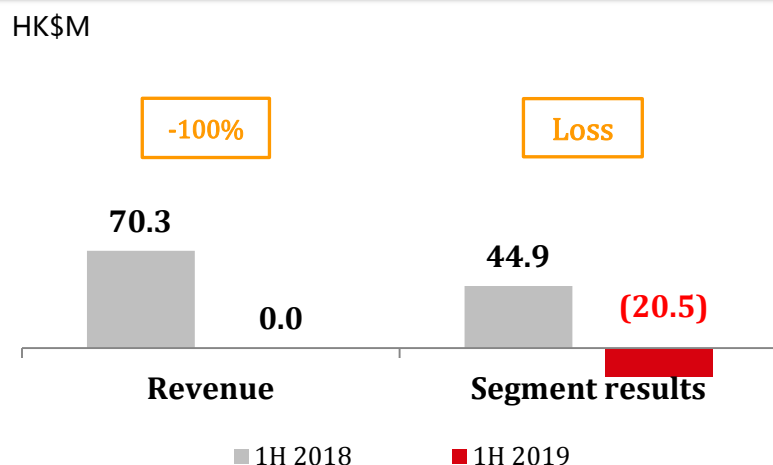
Overview of Performance in 1H 2019

- Revenue decreased by 13%, due to a 10% decrease in sales volume, and 4% decrease in average crude oil realised price.
- Cost of sales per barrel increased by 7%, mainly due to 23% increase in DD&A.
- Tincy Group will continue to carry out necessary repairs and maintenance works to maintain the production level of existing wells. Meanwhile, Tincy Group will also endeavour in promoting application of new technologies and plans to add new wells under a managed drilling program.

Oil - Seram Block

- Total production recorded 319 mbbls (100% basis; 1H 2018: 354 mbbls). This is due to the continuing natural decline of existing wells and no new development wells being drilled. Average daily production was 1,764 bbls (100% basis; 1H 2018: 1,960 bbls), down 10%.
- During the period, there has been no crude oil sold due to the expected sale of accumulated inventories before the end of PSC, taking into account cost of sales and inventory levels.
- Segment results recorded a loss of HK\$20.5M (CRH's share; 1H 2018: profit of HK\$44.9M).

Revenue and Segment Results (CRH's share)

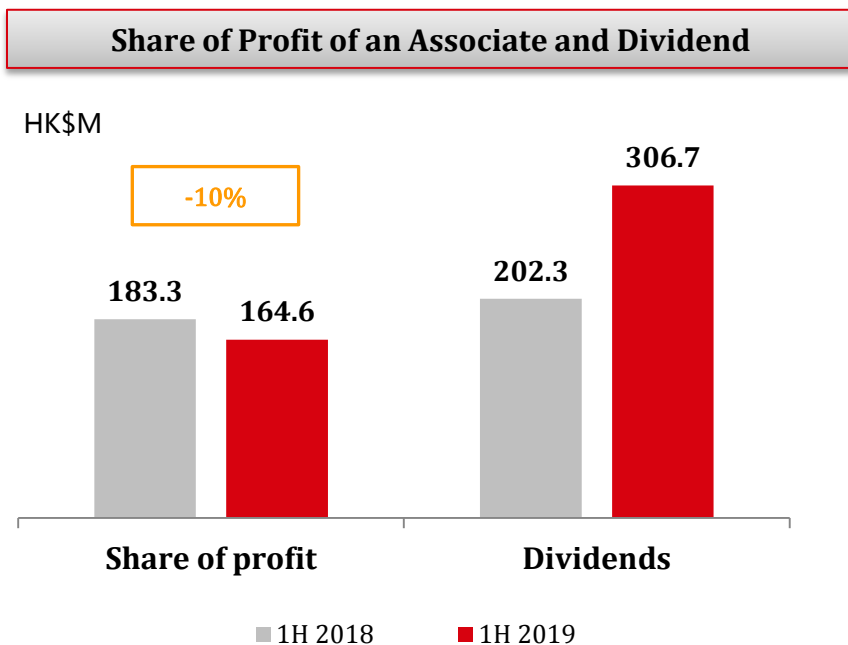


Overview of Performance in 1H 2019

- A significant drop in total production due to the continuing natural decline of existing wells.
- There has been no crude oil sold due to the expected sale of accumulated inventories before the end of PSC, as a result, there is no revenue.
- The Group encountered the challenge brought by the significant production decrease in the Seram Block, and planned to commence development drilling in Oseil area in Q4 2019 under the amended and restated PSC.
- The Group also planned to reenter exploration activities in the Lofin area.

Metals - Bauxite Mining and Alumina Refining

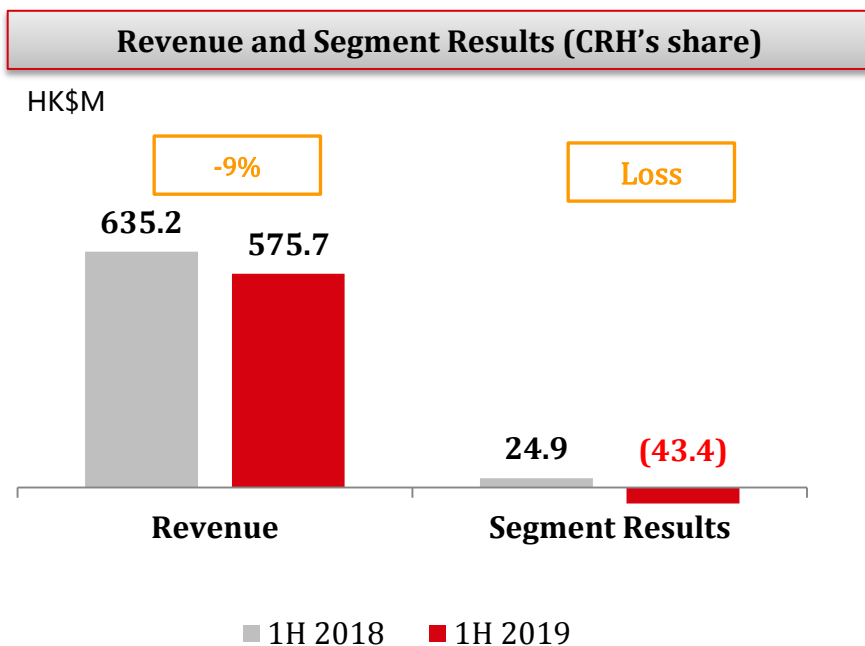
- The Group retains a 9.6846% equity interest in Alumina Limited (“AWC”, stock code: AWC).
- During the period, the Group recorded a share of profit of HK\$164.6M (1H 2018: HK\$183.3M), down 10%. The drop in share of profit is due to the decrease in average selling price of alumina.
- During the period, the Group received a dividend of HK\$306.7M (1H 2018: HK\$202.3M).



Alumina Limited

Metals - Aluminium Smelting

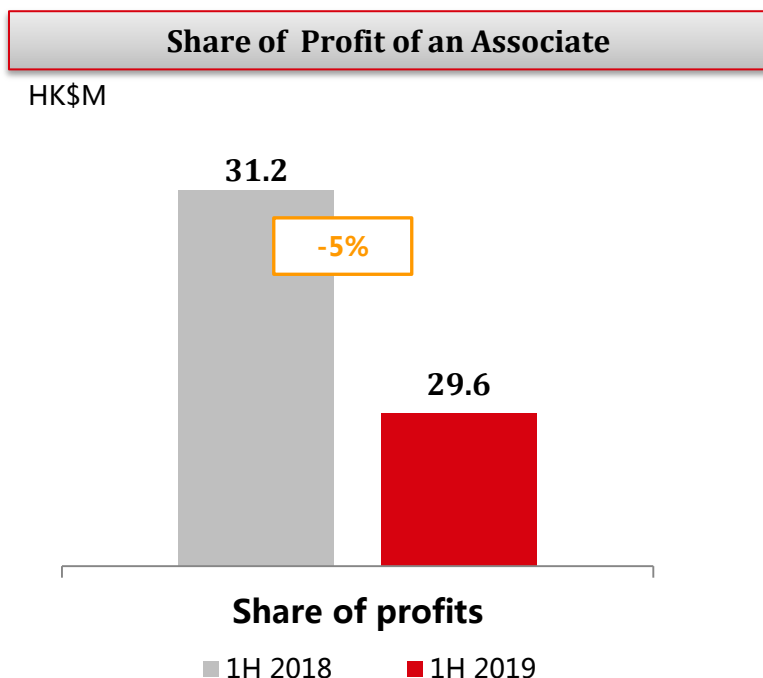
- The Group holds a 22.5% participating interest in the Portland Aluminium Smelter (the “PAS”) joint venture.
- Sales volume increased by 14%. But average selling price of aluminium decreased by 20% as a result of the growth in China unwound by US-China trade negotiations.
- Revenue was at HK\$575.7M (CRH’s share; 1H 2018: HK\$635.2M), down 9%.
- Segment results recorded a loss of HK\$43.4M (CRH’s share ; 1H 2018: a profit of HK\$24.9M).



Portland Aluminium Smelter

Metals - Manganese

- The Group owns a 34.39% equity interest in CITIC Dameng Holdings Ltd. (“CDH”, stock code: 1091.HK).
- Due to an increase in both average selling prices and sales volume of some major manganese products, CDH recorded an increase in profit from normal operations.
- The Group’s share of profit recorded HK\$29.6M (1H 2018: HK\$31.2M), down 5%. In 1H 2018, CDH recorded a relocation compensation from the local government in China.

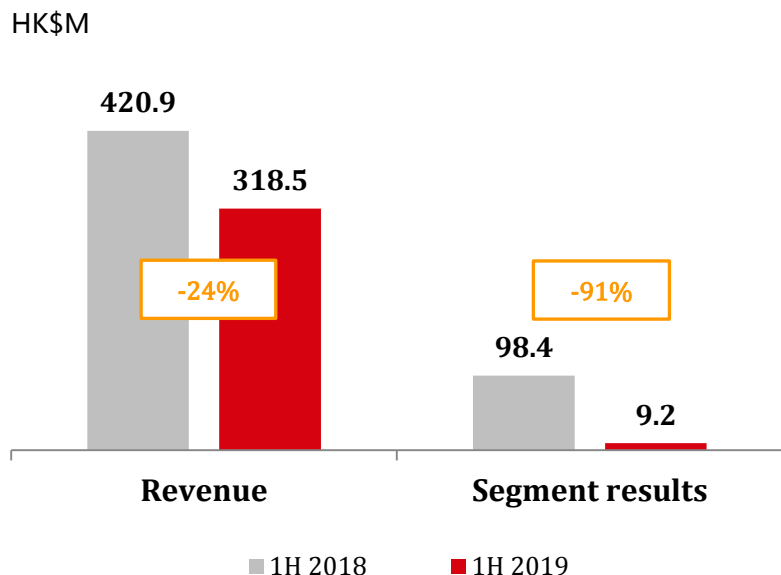


Daxin Mine of CDH

Coal

- The Group holds a 14% participating interest in Coppabella and Moorvale Joint Venture (“**CMJV**”).
- Selling price and sales volume of coal fell by 8% and 17% respectively due to global economic slowdown and uncertainty related to US-China trade negotiations.
- There was an increase in cost of sales per tonne resulting from a higher stripping ratio in 1H 2019, the segment recorded a decrease in revenue, gross margin and results for the period.
- Revenue was at HK\$318.5M (CRH’s share; 1H 2018: HK\$420.9M) , down 24%.
- Segment results recorded a profit of HK\$9.2M (CRH’s share; 1H 2018: HK\$98.4M), down 91%.

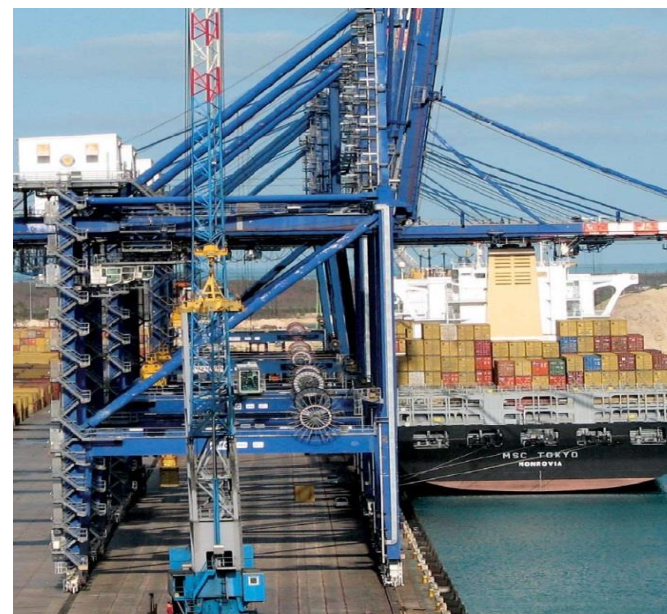
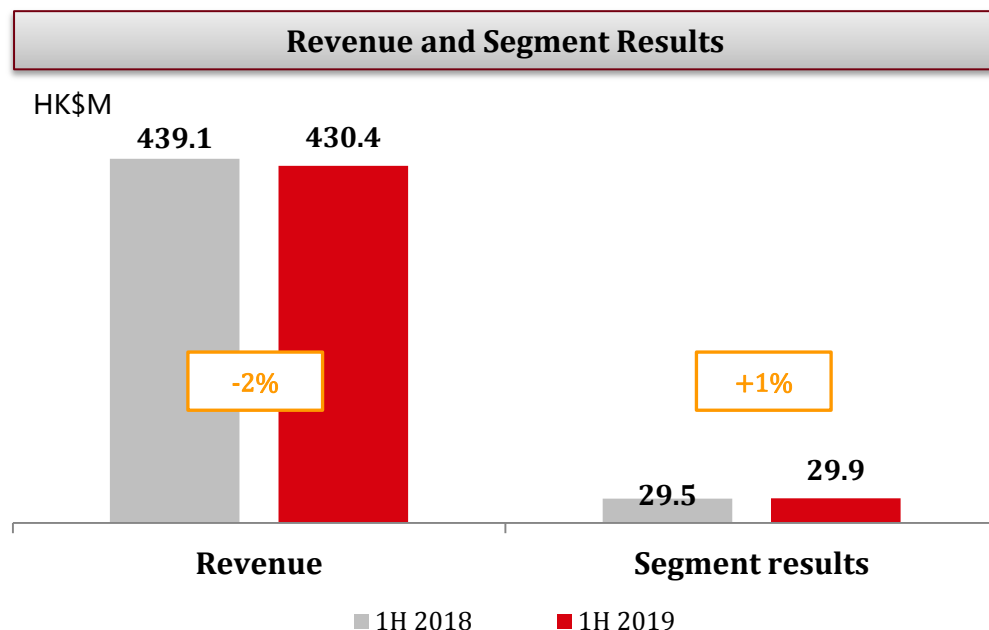
Revenue and Segment Results (CRH’s share)



The coal handling and preparation plant
in Coppabella Mine

Import and Export of Commodities

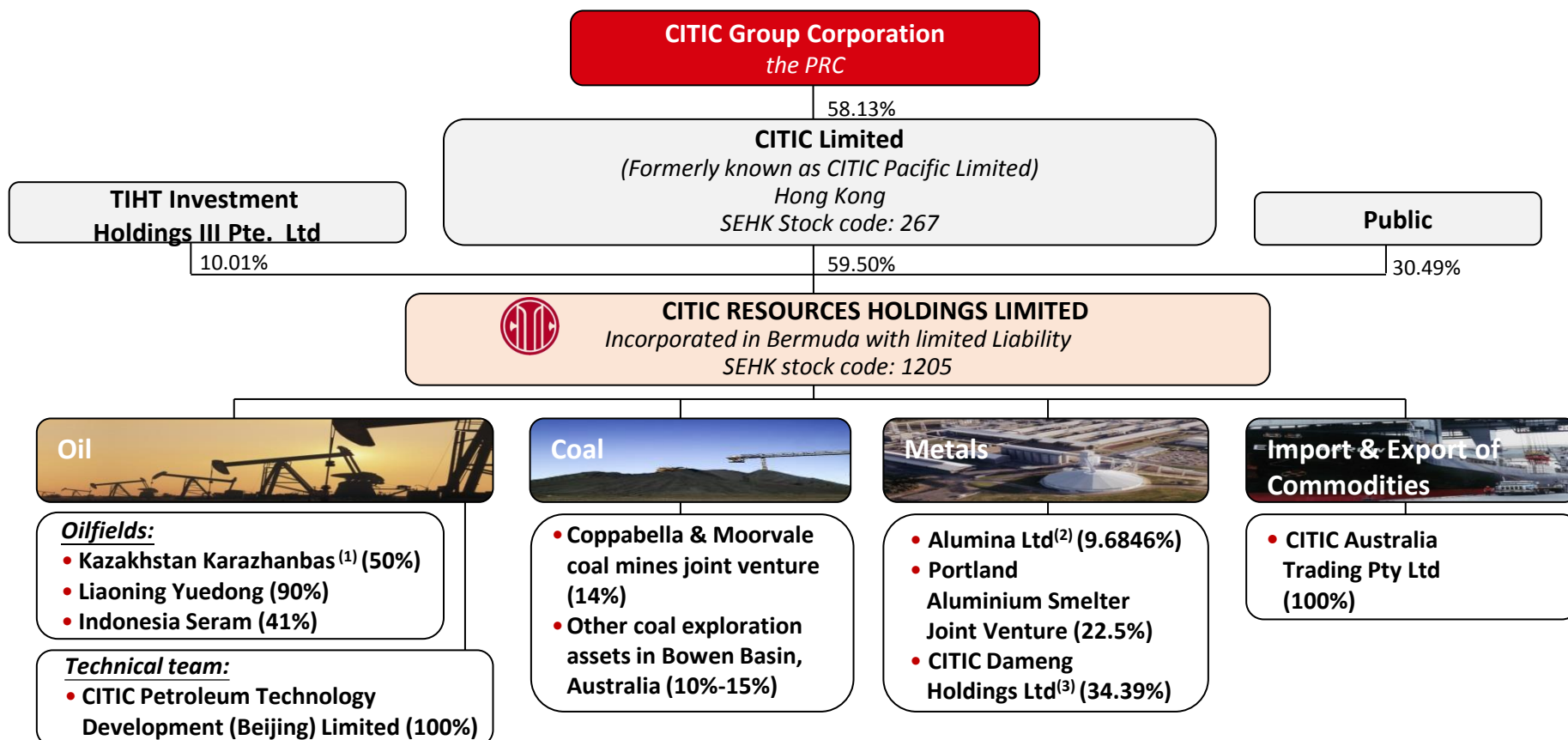
- Market and operating conditions remained difficult for the segment during the period. Though commodities prices decreased, attributable to an increase in sales volume, the segment result remained stable.
- Revenue recorded HK\$430.4M (1H 2018: HK\$439.1M), down 2%.
- Segment results recorded a profit of HK\$29.9M (1H 2018: HK\$29.5M), up 1%.



Outlook

- At the beginning of the year, the managements of the Group has been vigilant in peacetime, considered potential risks, and formulated a full-year budget plan based on possible changes in the economic situation. Therefore, to encounter the challenges brought by external environment, we are still confident to achieve the financial and operational targets. In the second half of 2019:
 - ✓ The Group will continue to adhere to our cost control measures and strive to improve the operational efficiency.
 - ✓ The Group will take advantage of our sufficient capital to increase the production of the Seram block, reenter exploration activities in the Lofin block, and adding new wells under a managed drilling program in the Yuedong oilfield.
- The Group will explore rooms to increase its crude reserves and enhance sustainable development of its existing business, and continue to bring returns for our shareholders with the ongoing supports of all of our shareholders, in particular, our parent company, the CITIC Limited.

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\$20/t when Brent price ranges between US\$30/bbl and US\$35/bbl
- Rent tax:
 - Charged on export revenue
 - Linked to world oil price
- Mineral extraction tax (MET):
 - Tax rates depending on annual production volume
 - KBM has passed all criteria qualifying 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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