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

(incorporated in Bermuda with limited liability)
(Stock Code: 1205)

ANNOUNCEMENT

ADDITIONAL INFORMATION IN RESPECT OF AN IMPAIRMENT TO THE OIL AND GAS PROPERTIES DISCLOSED IN THE 2017 ANNUAL REPORT

Background

Reference is made to the 2017 annual report (the “**Annual Report**”) of CITIC Resources Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) published on 29 March 2018.

The board of directors of the Company (the “**Board**”) wishes to provide additional information to shareholders of the Company and potential investors regarding an impairment loss of HK$583,353,000 (the “**Impairment Loss**”) provided in 2017 in respect of certain oil and gas properties of the Yuedong oilfield as disclosed in the Annual Report. The Impairment Loss arose primarily due to a decrease in the total oil reserves estimate of the Yuedong oilfield.

Additional Information

The Group owns a 90% interest in Tincy Group Energy Resources Limited which holds the right to explore, develop and produce petroleum from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, China until 2034. The Yuedong oilfield is the principal field within the Hainan-Yuedong Block. At the end of each reporting period, the Group is required to perform an impairment assessment on its principal oil and gas properties, including the Yuedong oilfield, as to whether an impairment indicator exists. In that respect, the recoverable amount of the oil and gas properties is estimated.

According to Hong Kong Accounting Standard No.36 “Impairment of Assets”, the recoverable amount is the higher of its value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Given the nature of the Group’s activities, the recoverable amount used in assessing the impairment charges is value in use. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of the Yuedong oilfield, the Group estimates value in use using a discounted cash flow model (the "**Model**") to determine the recoverable amount of its oil and gas properties and to assess the impairment loss of these assets. The major assumptions used in the Model include discount rate, future production volume, estimated crude oil realised price, capital expenditure and operating expenditure. The most critical assumptions are discount rate, estimated oil reserves and future oil prices. At the end of each reporting period, the Group engages an independent oil and gas consulting firm (the "**Consulting Firm**") to provide the oil reserves estimates which are determined in accordance with the standards of the Petroleum Resources Management System.

As at 31 December 2017, the Group used a pre-tax discount rate of 13.22% (2016: 13.05%) in the Model to calculate the present value of the cash flow projections of the Yuedong oilfield for the years from 2018 to 2034.

Production volume of the Yuedong oilfield was assumed based on the estimated oil reserves and future production plan. According to the Consulting Firm, the total oil reserves estimate as at 31 December 2017 decreased by 22.9% as compared to 2016.

Future oil prices were assumed with reference to the latest Dated Brent crude oil price estimates and long term price forecasts available in the market and reduced by certain discounts. In 2017, the estimated Brent price per barrel was US$65 for 2018 and US$70 for the years thereafter until 2034. The discount per barrel used in the Model was US$3 for 2018 and US$3.75 for the years thereafter until 2034. In 2016, the estimated Brent price per barrel was US$50 for 2017, US$60 for 2018 and US$70 for the years thereafter until 2034. The discount per barrel used in the Model was US$3 for the years from 2017 to 2034.

The capital expenditure and operating expenditure for the years from 2018 to 2020 were assumed based on management's experience and future production plan under the current conditions and development of the Yuedong oilfield. For the years from 2021 to 2034, the expenditures were assumed to have a stable increase from year to year after taking into account current plans to add new wells in the coming years under a managed drilling program while the Group will also endeavour in promoting application of new technologies to improve the productivity.

The decrease of the total oil reserves was considered an impairment indicator of the oil and gas properties of the Yuedong oilfield. As a result, based on the outcome of the Model, the Impairment Loss was provided in 2017.

General

Except as stated above, all other information disclosed in the Annual Report remains unchanged.

By Order of the Board
CITIC Resources Holdings Limited
Kwok Peter Viem
Chairman

Hong Kong, 21 August 2018

As at the date hereof, Mr. Kwok Peter Viem; Mr. Suo Zhengang; Mr. Sun Yang and Ms. Li So Mui 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.