

# 2018 Annual Results

**Robust Growth in Net Profit**



**中信資源**  
**CITIC Resources**

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# FY 2018 Financial Highlights

# 2018 Financial Highlights

<b>(HK\$M)</b>	<b><u>FY 2018</u></b>	<b><u>FY 2017</u></b>	<b><u>Change</u></b>
<b>Revenue</b>	<b>4,427.3</b>	<b>3,602.9</b>	<b>+22.9%</b>
<b>EBITDA<sup>(1)</sup></b>	<b>2,070.9</b>	<b>2,100.4</b>	<b>-1.4%</b>
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>2,433.9</b>	<b>1,660.7</b>	<b>+46.6%</b>
<b>Profit attributable to shareholders</b>	<b>905.3</b>	<b>518.3</b>	<b>+74.7%</b>
<b>Earnings per share (HK cents)</b>	<b>11.52</b>	<b>6.60</b>	

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 - pre-tax fair value gain on a financial asset at fair value through profit or loss

# Latest Financial Position and Ratios

<b>(HK\$M)</b>	<b><u>31-Dec-2018</u></b>	<b><u>31-Dec-2017</u></b>	<b><u>Change</u></b>
<b>Cash and cash equivalents</b>	<b>1,921.2</b>	<b>1,405.7</b>	<b>+36.7%</b>
<b>Total assets</b>	<b>13,679.7</b>	<b>14,132.9</b>	<b>-3.2%</b>
<b>Total debt<sup>(1)</sup></b>	<b>6,219.3</b>	<b>7,000.3</b>	<b>-11.2%</b>
<b>Equity attributable to shareholders</b>	<b>6,141.5</b>	<b>6,064.2</b>	<b>+1.3%</b>
<b>Current ratio<sup>(2)</sup></b>	<b>1.4 times</b>	<b>3.4 times</b>	
<b>Gearing ratio<sup>(3)</sup></b>	<b>101.3%</b>	<b>115.4%</b>	
<b>Net Gearing Ratio <sup>(4)</sup></b>	<b>70.0%</b>	<b>92.3%</b>	
<b>Net asset value per share (HK\$)<sup>(5)</sup></b>	<b>0.78</b>	<b>0.77</b>	

*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

# Segment Revenue

<b>Business segments (HK\$M)</b>	<b><u>FY 2018</u></b>	<b><u>FY 2017</u></b>	<b><u>Change</u></b>
<b>Aluminium smelting</b>	<b>1,088.1</b>	<b>707.5</b>	<b>+53.8%</b>
<b>Coal</b>	<b>891.4</b>	<b>828.6</b>	<b>+7.6%</b>
<b>Import &amp; export of commodities</b>	<b>1,154.4</b>	<b>978.7</b>	<b>+18.0%</b>
<b>Crude oil<sup>(1)</sup></b>	<b>1,293.4</b>	<b>1,088.1</b>	<b>+18.9%</b>
<b>Seram Block</b>	<b>122.9</b>	<b>168.1</b>	<b>-26.9%</b>
<b>Yuedong oilfield</b>	<b>1,170.5</b>	<b>920.0</b>	<b>+27.2%</b>
<b>Total</b>	<b>4,427.3</b>	<b>3,602.9</b>	<b>+22.9%</b>

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)	FY 2018	FY 2017	Change
Aluminium smelting	(104.8)	(169.1)	亏损减少
Coal	211.8	92.0	+130.2%
Import & export of commodities	51.7	42.1	+22.8%
Crude oil	506.7	277.9	+82.3%
Seram Block	56.8	30.0	+89.3%
Yuedong oilfield	449.9	247.9	+81.5%
<b>Segment results</b>	<b>665.4</b>	<b>242.9</b>	<b>+173.9%</b>
Manganese <sup>(1)</sup>	114.2	47.5	+140.4%
Alumina <sup>(2)</sup>	521.0	132.6	+292.9%
Crude oil (Karazhanbas oilfield) <sup>(3)</sup>	563.3	772.5	-27.1%
<b>Total</b>	<b>1,863.9</b>	<b>1,195.5</b>	<b>+55.9%</b>

*Notes:*

(1) As share of profit of an associate

(2) As share of profit of an associate (excluding "fair value gain" recorded in 1H 2017)

(3) As share of profit of a joint venture

# FY 2018 Business Performance



# Market Overview

- During the year, trade protectionism disputes cast a shadow over global economy recovery, global economy slowed down in the second half of 2018. Higher crude oil price and commodity prices created a good market environment for the Company.
- Oil prices that had shown steady growth till October then dropped quite sharply for the rest of the year. The average Brent oil price was US\$71.2/bbl, representing an increase of US\$17 or a 31.6% increase compared to 2017.
- Average LME spot aluminium price was US\$2,108/t, up 7.1%; Coal prices maintained at a similar level compared to 2017, which was higher than those in the past few years.

**Brent Oil Price Trend**



**LME Spot Aluminium Price Trend**



# Strong business performance

1205.HK



**Oil business experienced strong growth**



**Outstanding performance for non-oil business**



**The renewal of the PSC in the Seram Block**

# Oil - Overall Production Remained Stable

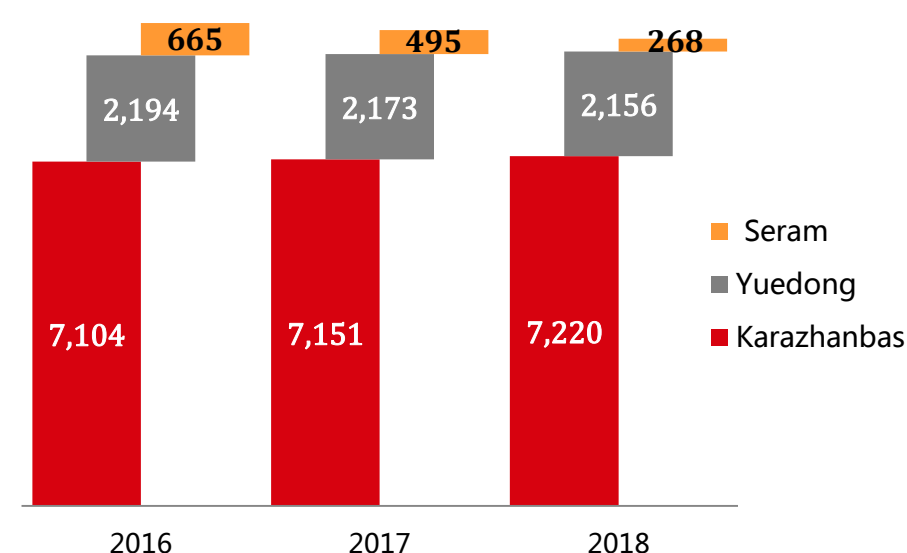
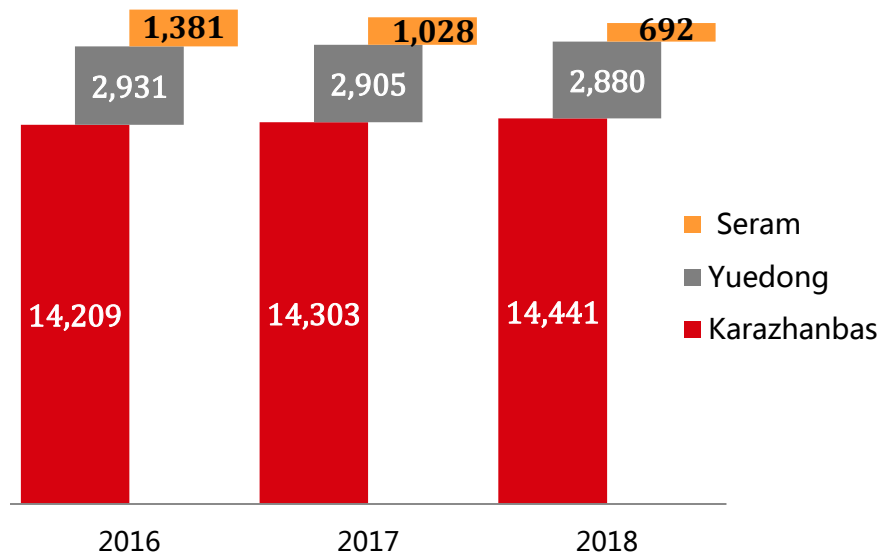
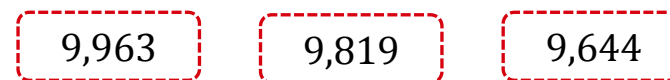
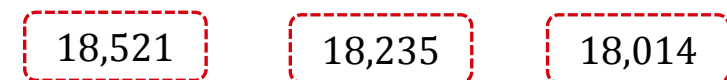
- The Group continued to implement optimal maintenance plans, to minimise the negative impact on oil production caused by the continuing natural decline of existing wells, and maintained the production stable.
- CRH's total share of production reached 9,644 mbbls (CRH's equity; 2017: 9,819 mbbls) , down 2%.
- Average daily production from the three oilfields reached 26,440 bbls (CRH's equity; 2017: 26,910 bbls) , down 2%.

**Total Production (100% Basis)**

**Total Production (CRH's share)**

mbbls

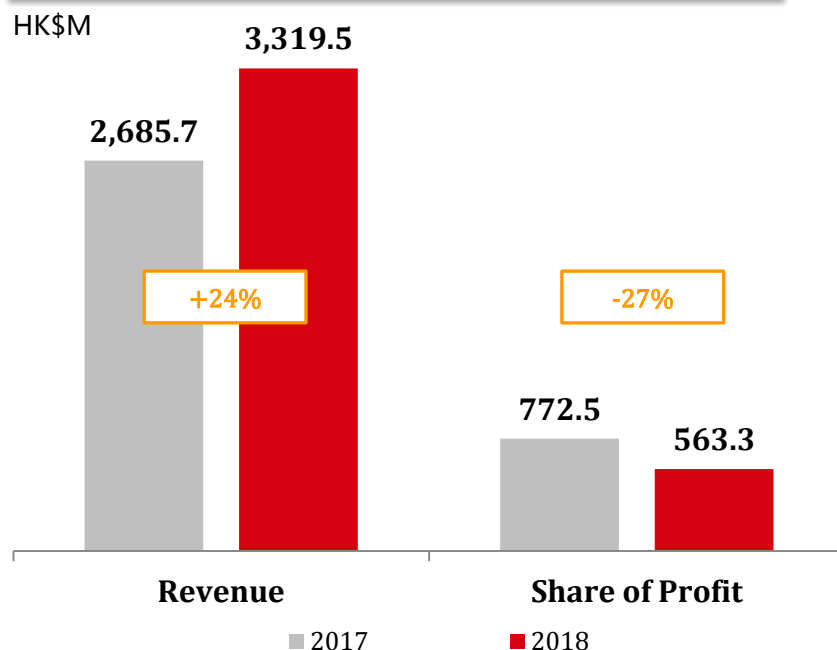
mbbls



# Oil - Karazhanbas Oilfield

- Total production reached 14,441 mbbls (100% basis; 2017: 14,303 mbbls), up 1%. Average daily production stood at 39,600 bbls (100% basis; 2017: 39,200 bbls), up 1%.
- Average crude oil realised price was at US\$67.2/bbl (2017: US\$50.7/bbl), up 33%.
- Revenue recorded HK\$3,319.5M (50% basis; 2017: HK\$2,685.7M), up 24%.
- Share of profit recorded HK\$563.3M (2017: 772.5M), down 27% .

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



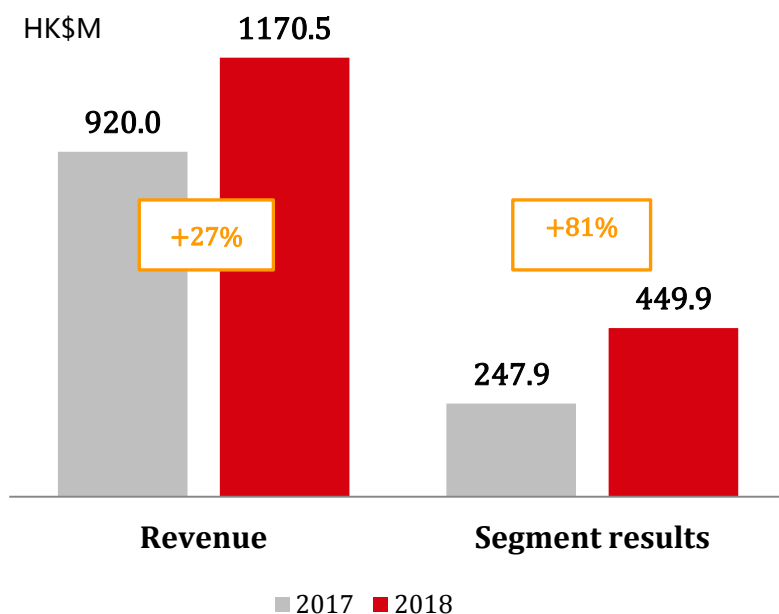
**Overview of Performance in 2018**

- sales volume decreased by 7%, but average crude oil realised price increased by 33%, and revenue increased by 24%.
- Cost of sales per barrel increased 9%, due to 2% increase in direct operating costs and 32% increase in DD&A.
- A 6% devaluation of Kazakhstan Tenge had a favourable impact on the costs payable by KBM in KZT.
- Selling and distribution costs per barrel increased by 48%, due to 46% increase in Export duty and 92% increase in rent tax.
- At the end of 2018, a write-back of a prior year provision for impairment loss was made, increased the Group's share of profit by HK\$183.6M.

# Oil - Yuedong Oilfield

- Total production maintained at 2,880 mbbbls (100% basis; 2017: 2,905 mbbbls). By applying newly developed technologies, the Group was able to minimise the negative impact on oil production caused by both the continuing natural decline of existing wells and no new production wells being drilled since 2016 under current cost control programs. Average daily production recorded 7,890 bbls (100% basis; 2017: 7,960 bbls), down 0.9%.
- Average crude oil realised price was US\$69.2/bbl (2017: US\$54.0/bbl), up 28%.
- Revenue amounted to HK\$1,170.5M (CRH's share; 2017: HK\$920M), up 27%.
- Segment results recorded a profit of HK\$449.9M (CRH's share; 2017: HK\$247.9M), up 81%.

Revenue and Segment Results (CRH's share)



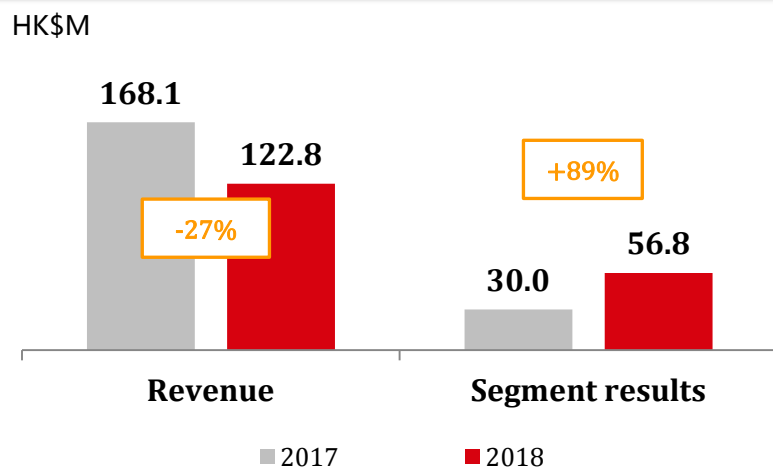
Overview of Performance in 2018

- Sales volume decreased by 2%, average crude oil realised price increased by 28%, and so revenue greatly increased.
- Cost of sales per barrel increased by 9%, mainly due to 11% increase in DD&A and 7% increase in direct operating costs.
- Ongoing stringent cost control
- A plan to add new wells under a managed drilling program.

# Oil - Seram Block

- Total production recorded 692 mbbbls (100% basis; 2017: 1,028 mbbbls), down 33%. This is due to a steeper natural decline of existing wells and no development wells being drilled. Average daily production was 1,900 bbls (100% basis; 2017: 2,820 bbls), down 33%.
- Average crude oil realised was US\$ 55.9/bbl (2017: US\$43.9/bbl), up 27%.
- Revenue recorded HK\$122.8M (CRH's share; 2017: HK\$168.1), down 27%.
- A reduction of its 10% participating interest in the PSC from 51% to 41% and a gain on the disposals of partial interest of HK\$ 15.9M.
- Segment results recorded a profit of HK\$56.8M (CRH's share; 2017: HK\$30.0M), up 89%.

## Revenue and Segment Results (CRH's share)



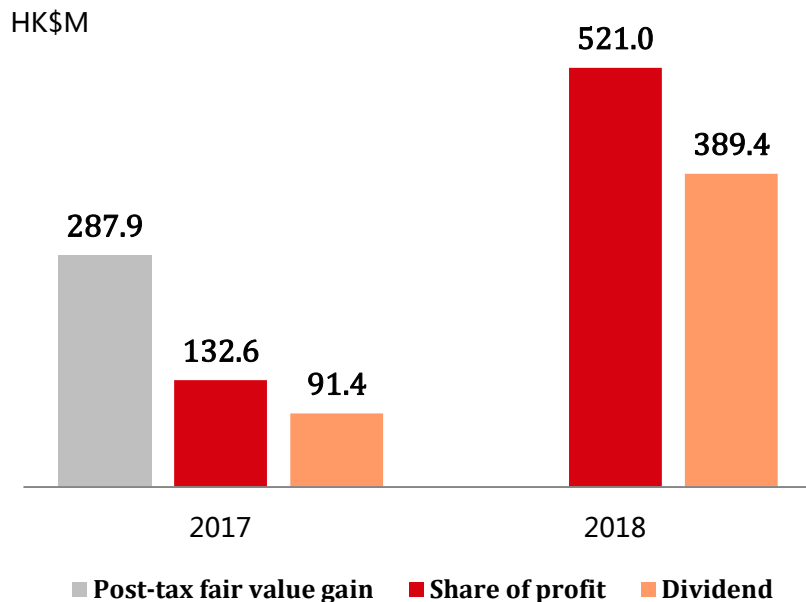
## Overview of Performance in 2018

- A significant drop in total production and equity production.
- Average crude oil increased by 27%, sales volume decreased by 43%, and revenue greatly decreased.
- Cost of sales per barrel increased by 9%, due to a 43% increase in direct operating costs and a 12% decrease in DD&A.
- After PSC extension, the Group will consider resuming the exploration of the Lofin area and promote sustainable growth.

# Metals - Bauxite Mining and Alumina Refining

- The Group retains a 9.6846% equity interest in Alumina Limited (“**AWC**”, stock code: AWC)
- The Group’s equity interest in AWC was reclassified on 30 Jun 2017, from a financial asset at fair value through profit or loss to an investment in an associate.
- The Group recorded a share of profit of HK\$521.0M (2017: post-tax fair value gain HK\$287.9M and share of profit HK\$132.6).
- During 2018, the Group received a dividend of HK\$389.4M (2017: HK\$91.4M).

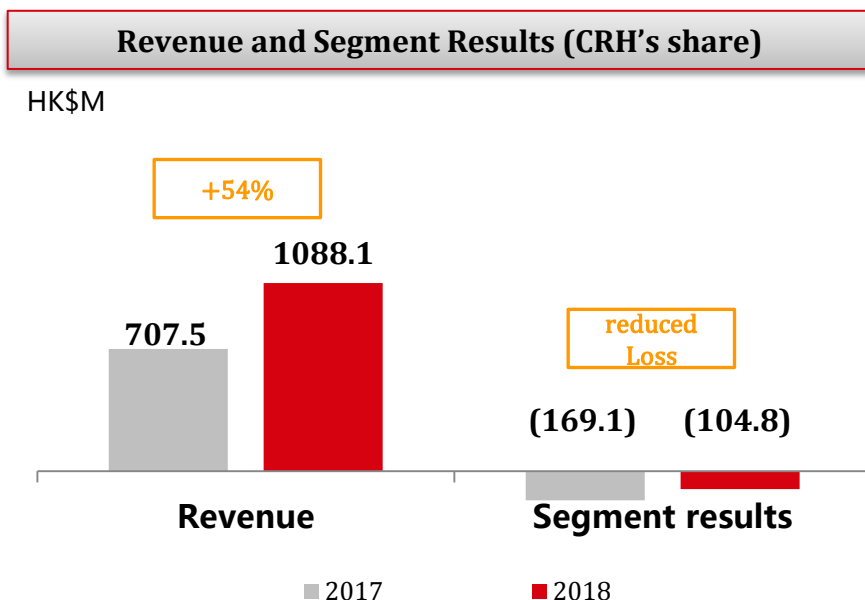
Share of Profit of an Associate,  
Fair Value Gain and Dividend



Alumina Limited

# Metals - Aluminium Smelting

- The Group holds a 22.5% participating interest in the Portland Aluminium Smelter (the “PAS”) joint venture.
- The PAS has fully restored its production capacity to pre-outage level since 4Q 2017, resulting in an increase of 40% in sales volume.
- Average selling price of aluminium increased by 10% attributable to the decline in China’s output.
- Revenue stood at HK\$1,088.1M (CRH’s share; 2017: HK\$707.5M), up 54%.
- Segment results recorded a loss of HK\$104.8M (CRH’s share ; 2017: loss of HK\$169.1M), reduced loss .

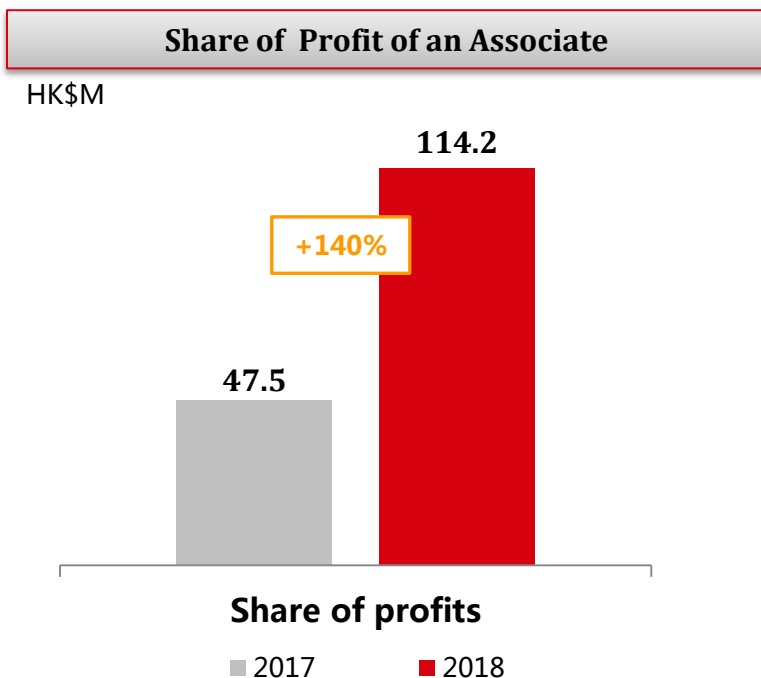


Portland Aluminium Smelter



# Metals - Manganese

- The Group owns a 34.39% equity interest in CITIC Dameng Holdings Ltd. (“CDH”, stock code: 1091.HK).
- Due to under supply in China Mainland, the average selling prices of some of the major manganese products increased by 20%.
- The Group’s share of profit recorded HK\$114.2M (2017: HK\$47.5M), up 140%.



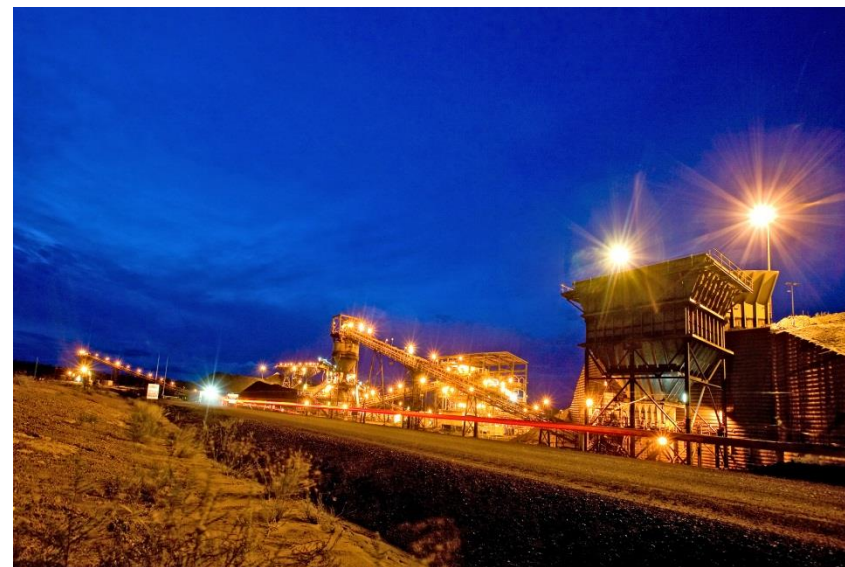
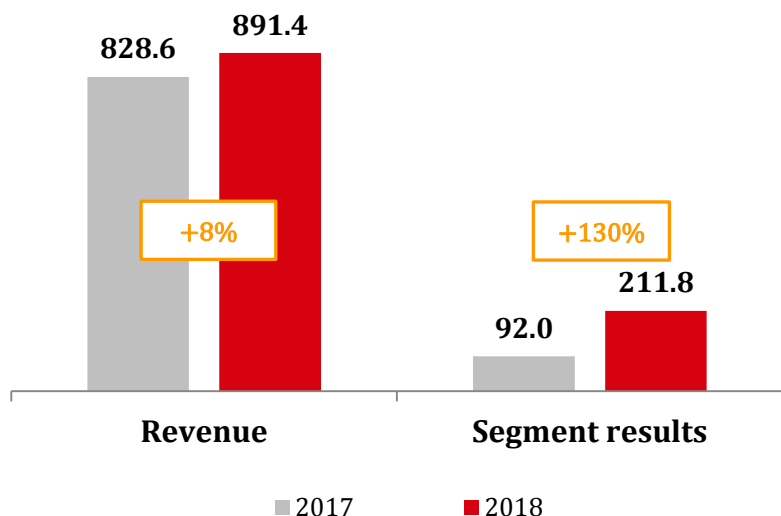
Daxin Mine of CDH

# Coal

- The Group holds a 14% participating interest in Coppabella and Moorvale Joint Venture (“**CMJV**”).
- Driven by the recovery of commodity market, the average coal selling prices increased by 8%, while the sales volume is comparable to 2017.
- Revenue stood at HK\$891.4M (CRH’s share; 2017: HK\$828.6M) , up 8%.
- Segment results recorded a profit of HK\$211.8M (CRH’s share; 2017: HK\$92.0M), up 130%.

## Revenue and Segment Results (CRH’s share)

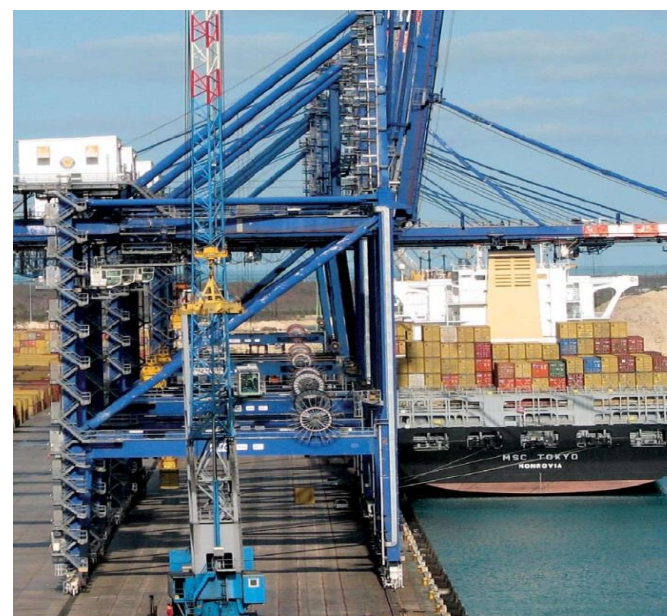
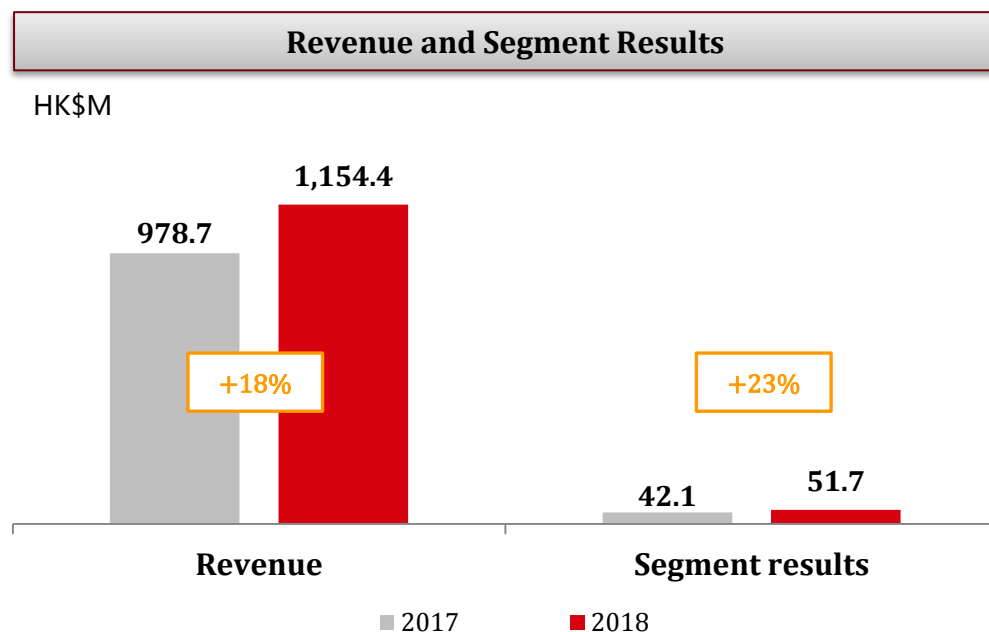
HK\$M



The coal handling and preparation plant in Coppabella Mine

# Import and Export of Commodities

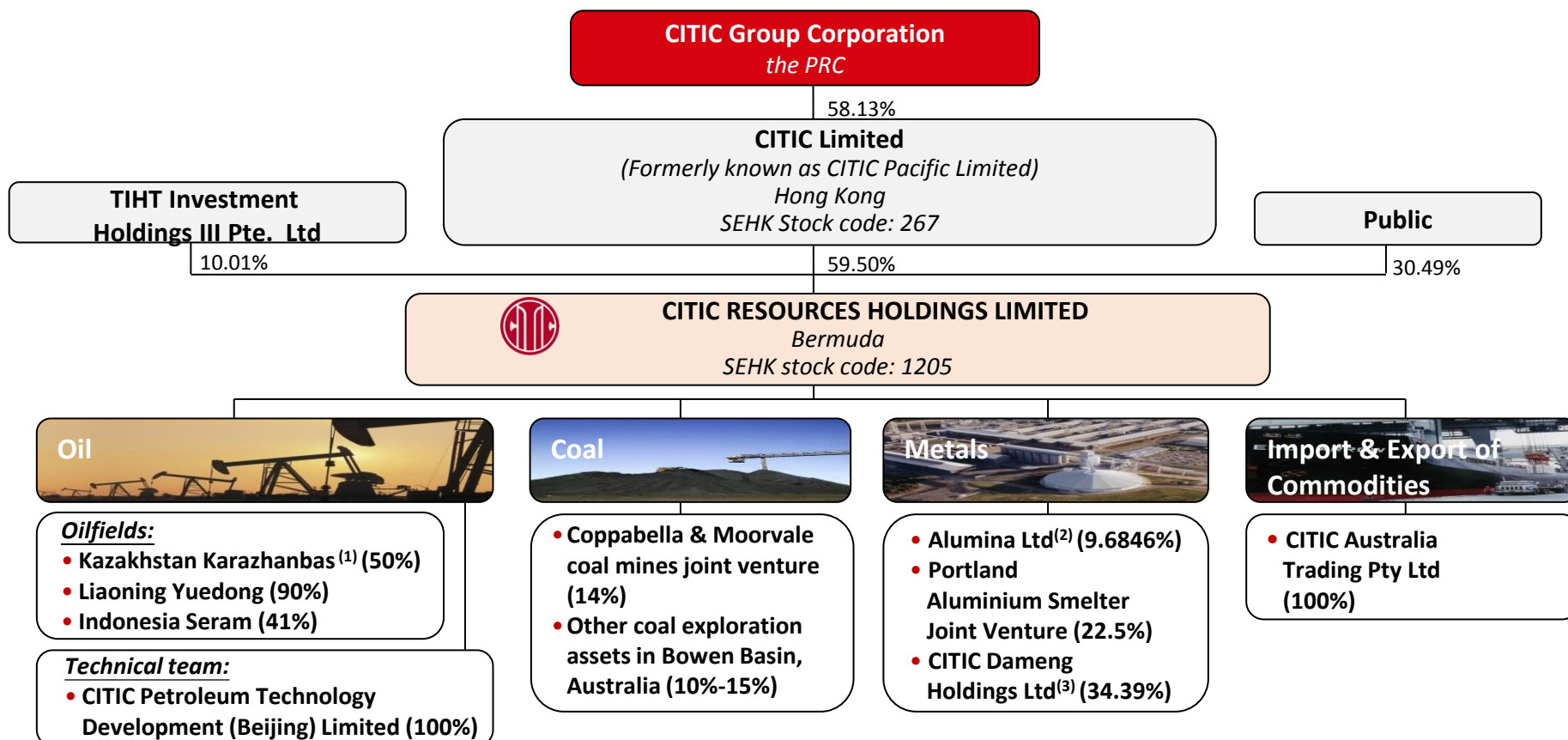
- During the year, the Group further strengthened its marketing strategy. Benefited from the increase in commodities prices, revenue, gross profits and segment results all improved compared to 2017.
- Revenue recorded HK\$1,154.4M (2017: HK\$978.7M), up 18%.
- Segment results recorded a profit of HK\$51.7M (2017: HK\$42.1M), up 23%.



# Outlook

- In 2019, the Group will continue to closely monitor the changing market environment. Based on steady production and business objectives, we will further optimize the potential of existing assets in order to enhance our stock assets value.
  - ✓ The Group will consider resuming the exploration of the Lofin area of the Seram Block.
  - ✓ The Group will endeavour in promoting application of new technologies to improve productivity in the Yuedong oilfield and plans to add new wells under a managed drilling program.
- The Group will also look for opportunities to increase our high quality assets. By leveraging the strong comprehensive advantages of our parent company CITIC Limited, we will capture opportunities for collaboration and optimise our portfolio. Looking ahead, we aim to build a listed company with sustainable development potential and create considerable returns for our shareholders.

# 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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