

# 2018 Interim Results

**Robust Growth in Net Profit**



**中信資源**  
**CITIC Resources**

# Disclaimer

This material is a presentation of information about the activities of CITIC Resources Holdings Limited (“**CRH**”, the “**Company**”, “**中信资源**” or “**公司**”) and its subsidiaries (collectively, the “**Group**” or “**集團**”) as at the date of this presentation. Information is given in summary form and does not purport to be complete. Such information is not intended to be and should not in any way be treated or regarded as advice or recommendation to shareholders, bankers or potential investors of CRH.

In particular, this presentation and the associated slides and discussion contain forward-looking statements, projections, forecasts and estimates including, but not limited to, those regarding energy and commodities prices, production and estimated reserves. Such forward-looking statements, projections, forecasts and estimates reflect various assumptions by the management of the Company and have been included solely for illustrative purposes. By their nature, forward-looking statements, projections, forecasts and estimates involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. No representations are made as to the accuracy of such statements, projections, forecasts and estimates, the reasonableness of any assumptions underlying such statements, projections, forecasts and estimates or with respect to any other information contained or referred to herein. Actual results may materially differ from those expressed in such statements, projections, forecasts and estimates, depending on a variety of factors including, but not limited to, the timing of bringing new wells, mines and other resources on stream operations, future levels of industry product supply and demand and pricing, operational problems, changes in general economic conditions, political stability, changes in laws and governmental regulations, exchange rate fluctuations, technology improvements, changes in public expectations and other changes in business conditions, the actions of competitors, natural disasters and adverse weather conditions, wars and acts of terrorism or sabotage, and other factors discussed elsewhere in this presentation.

This presentation may not in whole or in part be in any way copied, reproduced or redistributed to any other person and you agree to keep the contents herein confidential, save and except such information which has been publicly announced by us by way of an announcement in accordance with applicable legal and regulatory requirements. No representation or warranty, express or implied, is made and no reliance should be placed on the accuracy, fairness or completeness of the information presented herein. This document is not and should not be treated or regarded as an offer for sale of securities of CRH inside or outside Hong Kong or the United States or elsewhere.

# 1H 2018 Financial Highlights

# 1H 2018 Financial Highlights

<b>(HK\$M)</b>	<b>1H 2018</b>	<b>1H 2017</b>	<b>Change</b>
<b>Revenue</b>	<b>2,145.2</b>	<b>1,531.5</b>	<b>+40.1%</b>
<b>EBITDA<sup>(1)</sup></b>	<b>1,015.8</b>	<b>838.5</b>	<b>+21.2%</b>
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>1,322.9</b>	<b>680.7</b>	<b>+94.3%</b>
<b>Profit attributable to shareholders</b>	<b>529.1</b>	<b>185.0</b>	<b>+186.0%</b>
<b>Earnings per share (HK cents)</b>	<b>6.73</b>	<b>2.35</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) - 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>30-Jun-2018</u></b>	<b><u>31-Dec-2017</u></b>	<b><u>Change</u></b>
<b>Cash and cash equivalents</b>	<b>1,678.3</b>	<b>1,405.7</b>	<b>+19.4%</b>
<b>Total assets</b>	<b>13,909.3</b>	<b>14,132.9</b>	<b>-1.6%</b>
<b>Total debt<sup>(1)</sup></b>	<b>6,757.9</b>	<b>7,000.3</b>	<b>-3.5%</b>
<b>Equity attributable to shareholders</b>	<b>6,041.1</b>	<b>6,064.2</b>	<b>-0.4%</b>
<b>Current ratio<sup>(2)</sup></b>	<b>4.1 times</b>	<b>3.4 times</b>	
<b>Gearing ratio<sup>(3)</sup></b>	<b>111.9%</b>	<b>115.4%</b>	
<b>Net Gearing Ratio<sup>(4)</sup></b>	<b>84.1%</b>	<b>92.3%</b>	
<b>Net asset value per share (HK\$)<sup>(5)</sup></b>	<b>0.77</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>1H 2018</u></b>	<b><u>1H 2017</u></b>	<b><u>Change</u></b>
<b>Aluminium smelting</b>	635.2	209.5	+203.2%
<b>Coal</b>	420.9	333.6	+26.2%
<b>Import &amp; export of commodities</b>	439.1	472.8	-7.1%
<b>Crude oil<sup>(1)</sup></b>	649.9	515.6	+26.1%
Seram Block	70.3	70.6	-0.4%
Yuedong oilfield	579.6	445.0	+30.3%
<b>Total</b>	<b>2,145.2</b>	<b>1,531.5</b>	<b>+40.1%</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)	1H 2018	1H 2017	Change
Aluminium smelting	24.9	(153.2)	亏转盈
Coal	98.4	50.8	+93.7%
Import & export of commodities	29.5	14.4	+104.9%
Crude oil	305.3	67.3	+353.6%
Seram Block	44.9	40.1	+12.0%
Yuedong oilfield	260.4	27.2	+857.4%
<b>Segment results</b>	<b>458.1</b>	<b>(20.7)</b>	<b>亏转盈</b>
Manganese <sup>(1)</sup>	31.2	23.5	+32.8%
Alumina <sup>(2)</sup>	183.3	N/A	N/A
Crude oil (Karazhanbas oilfield) <sup>(3)</sup>	254.1	90.5	+180.8%
<b>Total</b>	<b>926.7</b>	<b>93.3</b>	<b>+893.2%</b>

*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

# 1H 2018 Business Performance



# Market Overview

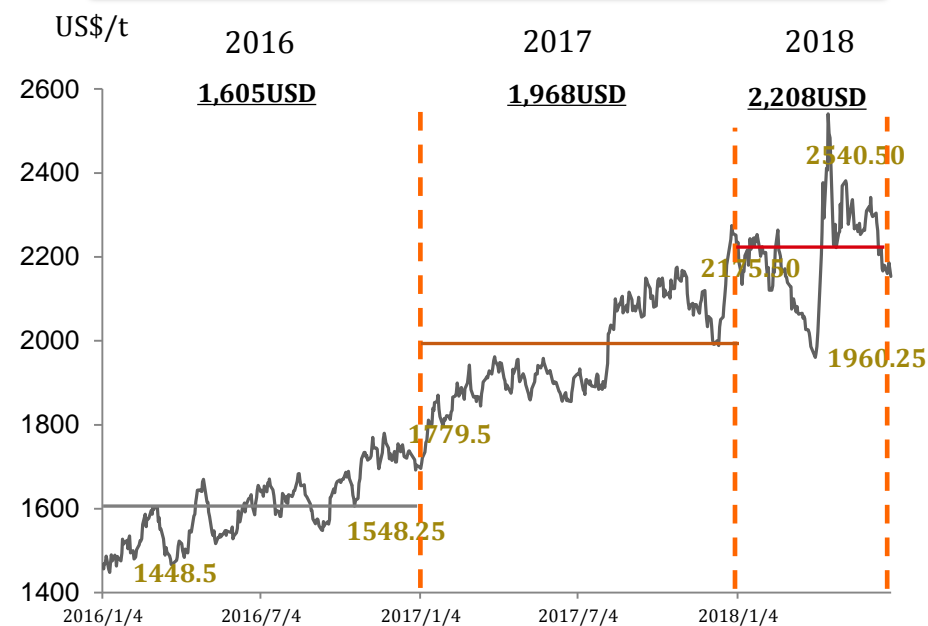
- Sectors such as oil, coal and aluminum showed different degree of growth in 1H 2018 attributable to a sustained economy recovery
- Oil prices continued the uptrend in 2017 with average Brent oil price stood at US\$70/bbl, representing an increase of US\$20/bbl or a 40% compared to 1H 2017
- Aluminium prices increased with average LME spot aluminium price of US\$2,208/t, up18%; Coal prices maintained at a similar level compared to 1H 2017, which was higher than those in the past few years
- Current market conditions is favourable to the Group's business operation and development

**Brent Oil Prices**



—— 布伦特油价

**LME Spot Aluminium Prices**



—— 伦敦现货铝价

# Strong business performance

1205.HK



**Oil business experienced strong growth**



**Considerable return from AWC**



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



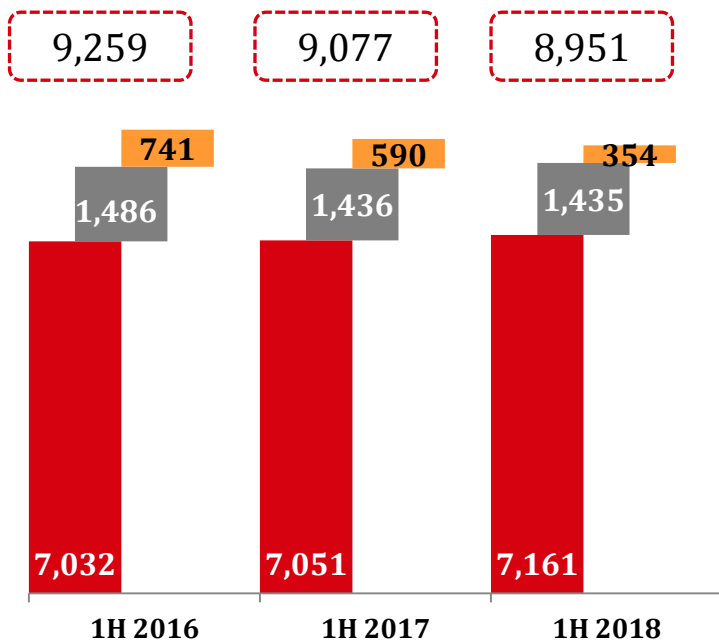
**Upgraded corporate family rating**

# Oil - Overall Production Remained Stable

- The Group continued to implement optimal maintenance plans and endeavor to address its stable production objectives despite its stringent cost and capital expenditure controls
- CRH's total share of production reached 4,792mbbls (CRH's share; 1H 2017: 4,886mbbls), down 2%
- Average daily production from the three oilfields reached 26,500bbls (CRH's share; 1H 2017: 27,010bbls), down 2%

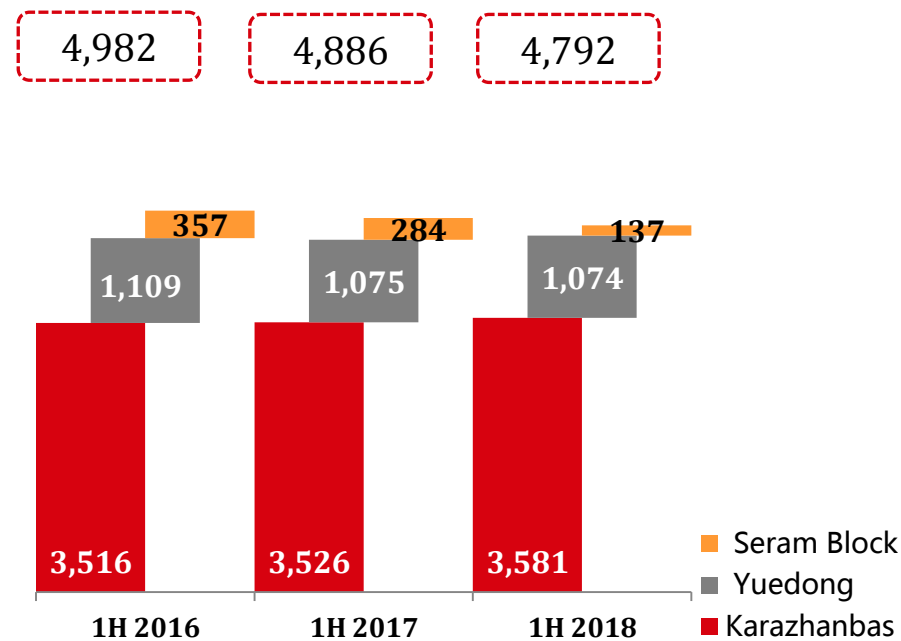
**Total Production (100% Basis)**

Mbbls



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

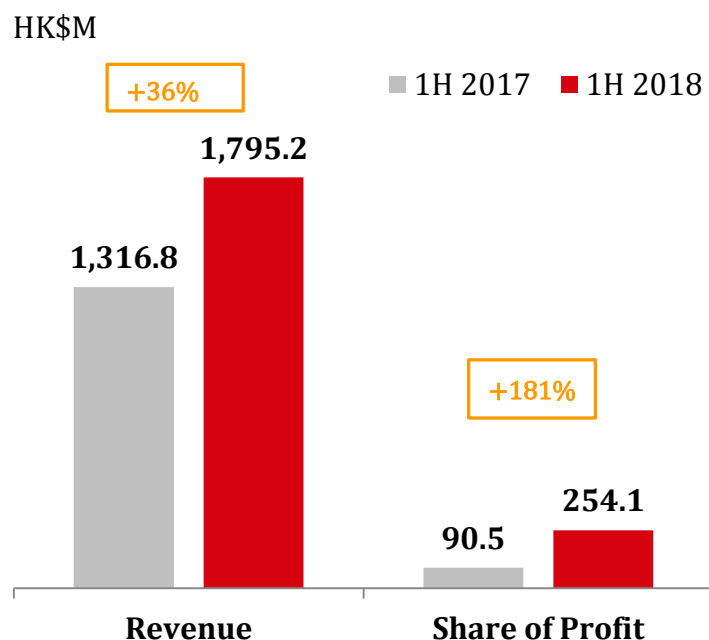
Mbbls



# Oil - Karazhanbas Oilfield

- Total production reached 7,161mbbls (100% basis; 1H 2017: 7,051mbbls), up 2%
- Average daily production stood at 39,560bbls (100% basis; 1H 2017: 39,000bbls), up 2%
- Average crude oil realised prices was at US\$67.5/bbl (1H 2017: US\$46.5/bbl), up 45%
- Revenue recorded HK\$1,795.2m (50% Basis; 1H 2017: HK\$1,316.8m), up 36%
- Share of profit recorded HK\$254.1m (1H 2017: HK\$90.5m), up 181%

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



## Overview of Performance in 1H 2018

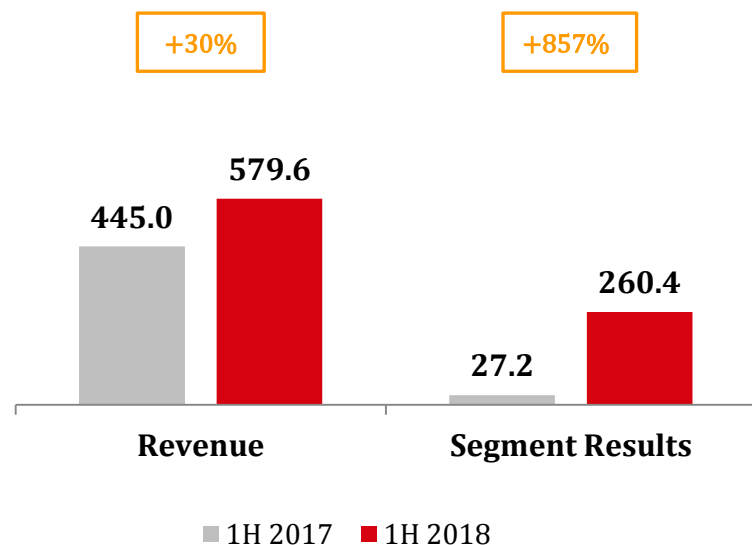
- Total output has risen
- An increase in both average crude oil realised price and revenue
- A decrease in sales volume
- Direct operating costs per barrel increased by 1%
- Cost of sales, selling and distribution costs as well as depreciation/depletion/amortization based on per barrel increased to a certain extent

# Oil - Yuedong Oilfield

- Total production maintained at 1,435mbbls (100% basis; 1H 2017: 1,436mbbls) by applying newly developed technologies despite no new wells drilled
- Average daily production recorded 7,930bbls (100% basis; 1H 2017: 7,930bbls)
- Average crude oil realised price was at US\$68.0/bbl (1H 2017: US\$52.3/bbl), up 30%
- Revenue amounted to HK\$579.6m (CRH's share; 1H 2017: HK\$445.0m), up 30%
- Segment results recorded a profit of HK\$260.4m (CRH's share; 1H 2017: HK\$27.2m), up 857%

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

HK\$M



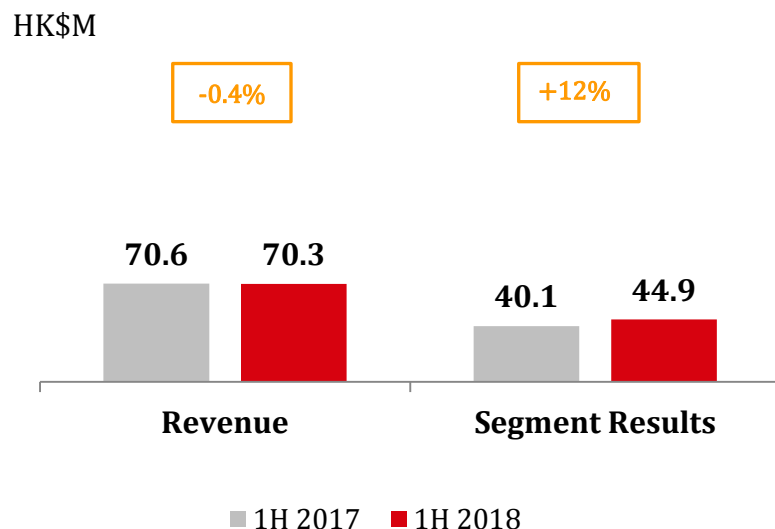
## Overview of Performance in 1H 2018

- Stable production
- An increase in both average crude oil realised price and revenue
- Sales volume decreased by 1%
- Costs of sales per barrel decreased by 25%
- Direct operating costs per barrel increased by 15%
- Depreciation, depletion and amortization per barrel decreased by 41%
- On-going cost control measures

# Oil - Seram Block

- Total production dropped by 40% to 354mbbbls (100% basis; 1H 2017: 591mbbbls) due to the greater natural decline of existing well and no new development wells drilled in view of the upcoming expiration of the PSC
- Average daily production decreased by 40% to 1,960bbbls (100% basis; 1H 2017: 3,260bbbls)
- Average crude oil realised price increased by 44% to US\$64.7/bbl (1H 2017 : US\$44.8/bbl)
- Revenue stood at HK\$70.3m (CRH's share; 1H 2017: HK\$70.6m) which was comparable to 1H 2017
- 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\$44.9m (CRH's share; 1H 2017: HK\$40.1m), up 12%

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

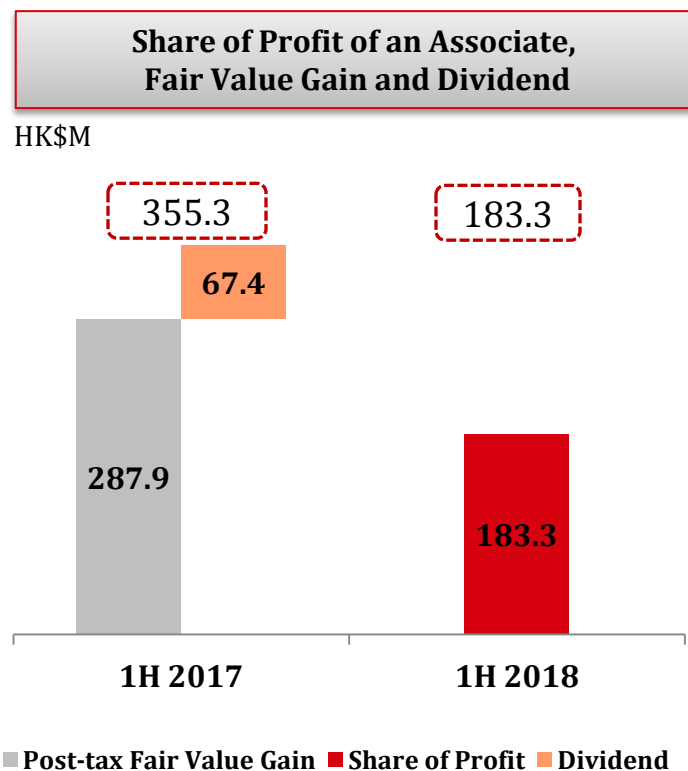


## Overview of Performance in 1H 2018

- A significant drop in total production
- Average crude oil realised price increased significantly
- Sales volume decrease by 31%
- Revenue remained flat as compared to 1H 2017
- Cost of sales per barrel increased by 36%
- Direct operating costs per barrel increased by 62%
- Depreciation, depletion and amortization per barrel increased by 22%
- On-going cost control measures

# 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\$183.3m (1H 2017: a post-tax fair value gain of HK\$287.9m and a dividend of HK\$67.4m ) with respect of its interest in AWC

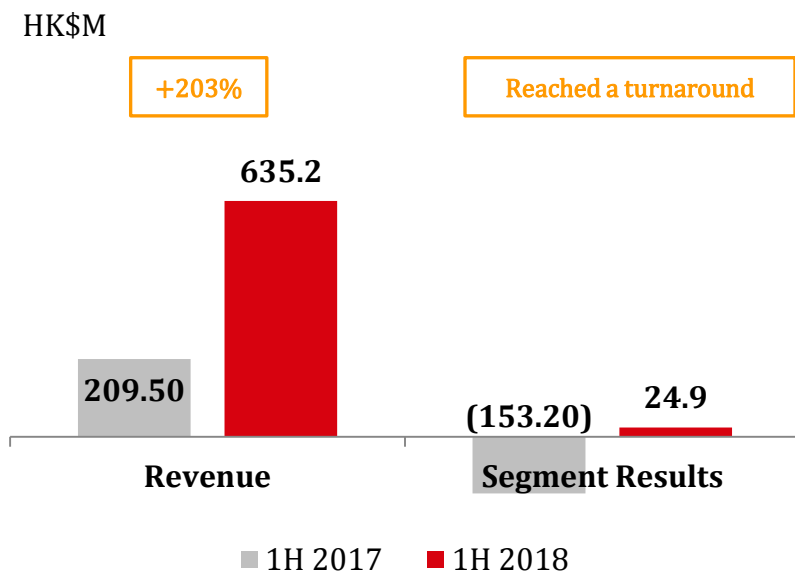


Alumina Limited

# 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 153% in sales volume
- Average selling price of aluminium increased by 20% attributable to the decline in China’s output
- Revenue stood at HK\$635.2m (CRH’s share; 1H 2017: HK\$209.5m), up 203%
- Segment results recorded a profit of HK\$24.9 m (CRH’s share ; 1H 2017: loss of HK\$153.2m), reaching a turnaround

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

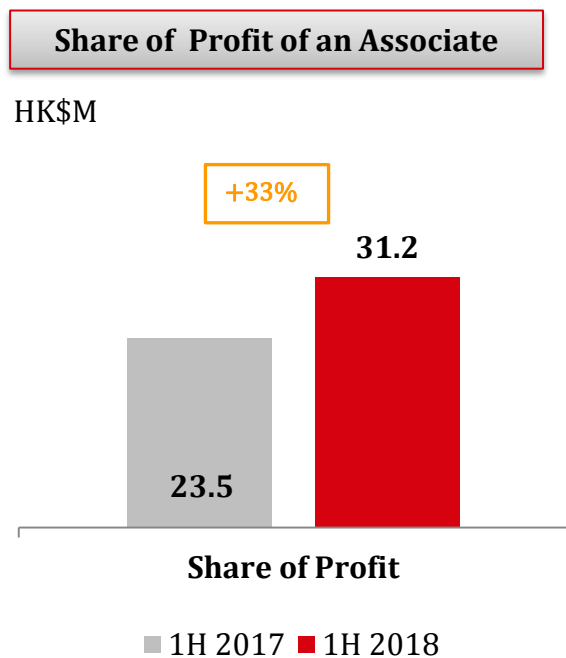


Portland Aluminium Smelter



# Metals - Manganese

- The Group owns a 34.39% equity interest in CDH(stock code: 1091.HK)
- Due to oversupply, the average selling prices and sales volumes of some of the major manganese products decreased when compared to 1H 2017, resulting in a drop in profit from normal operations.
- The Group's share of profit recorded HK\$31.2m (1H 2017: HK\$23.5m) with respect to its interest in CDH , up 33%

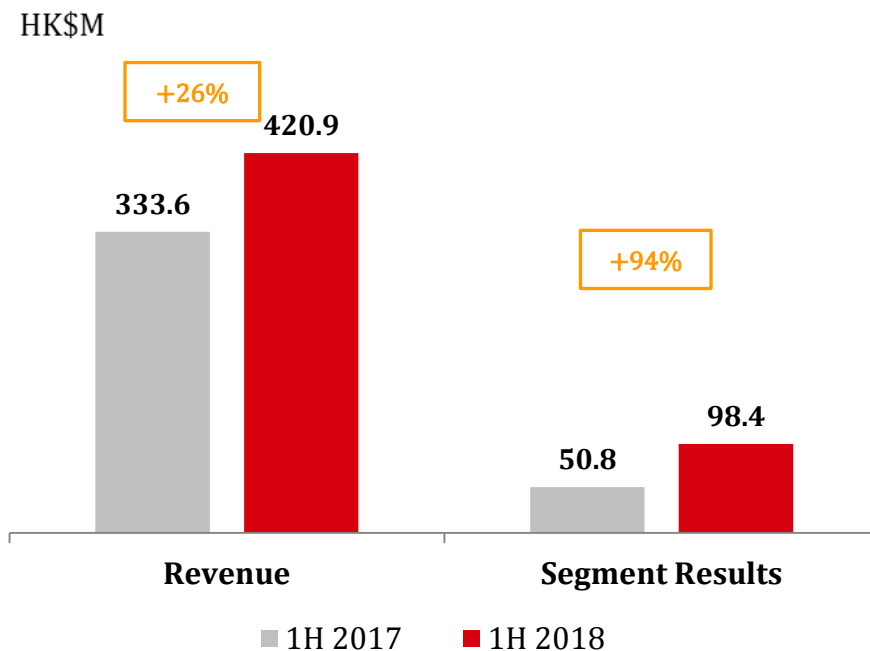


Daxin Mine of CDH

# Coal

- The Group holds a 14% participating interest in CMJV
- The average coal selling prices remained stable as compared to 1H 2017, a record high over the past few years attributable to sustainable recovery in the commodities market
- An increase in sales volume of 28%
- A decrease of cost of sales of 9% resulting from ongoing cost control
- Revenue stood at HK\$420.9m (CRH's share; 1H 2017: HK\$333.6m) , up 26%
- Segment results recorded a profit of HK\$98.4m (CRH's share; 1H 2017: HK\$50.8m), up 94%

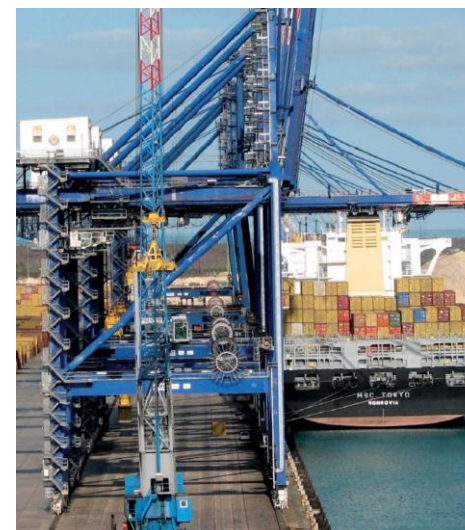
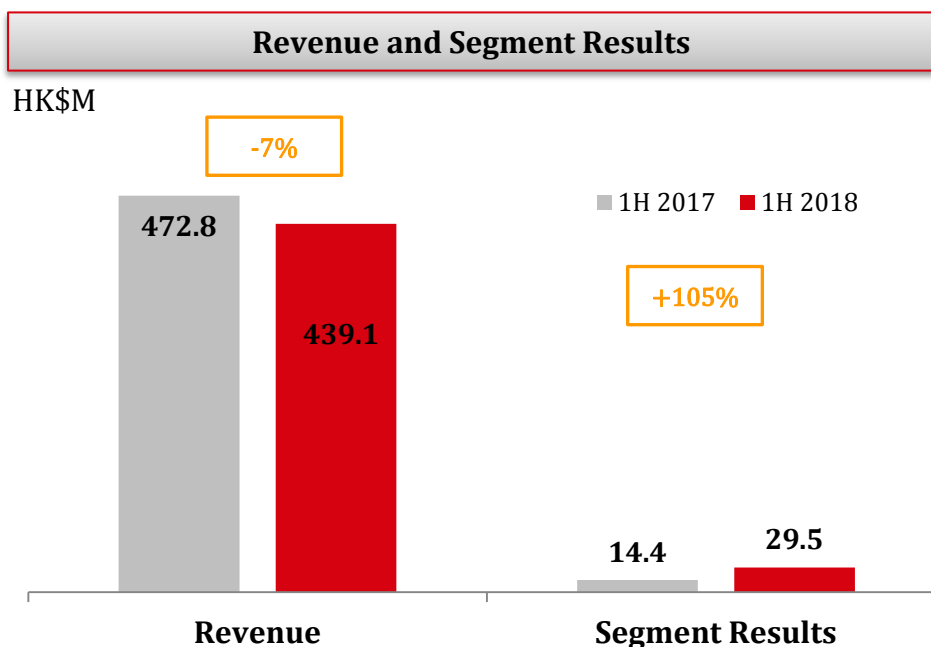
## Revenue and Segment Results (CRH's share)



The coal handling and preparation plant  
in Coppabella Mine

# Import and Export of Commodities

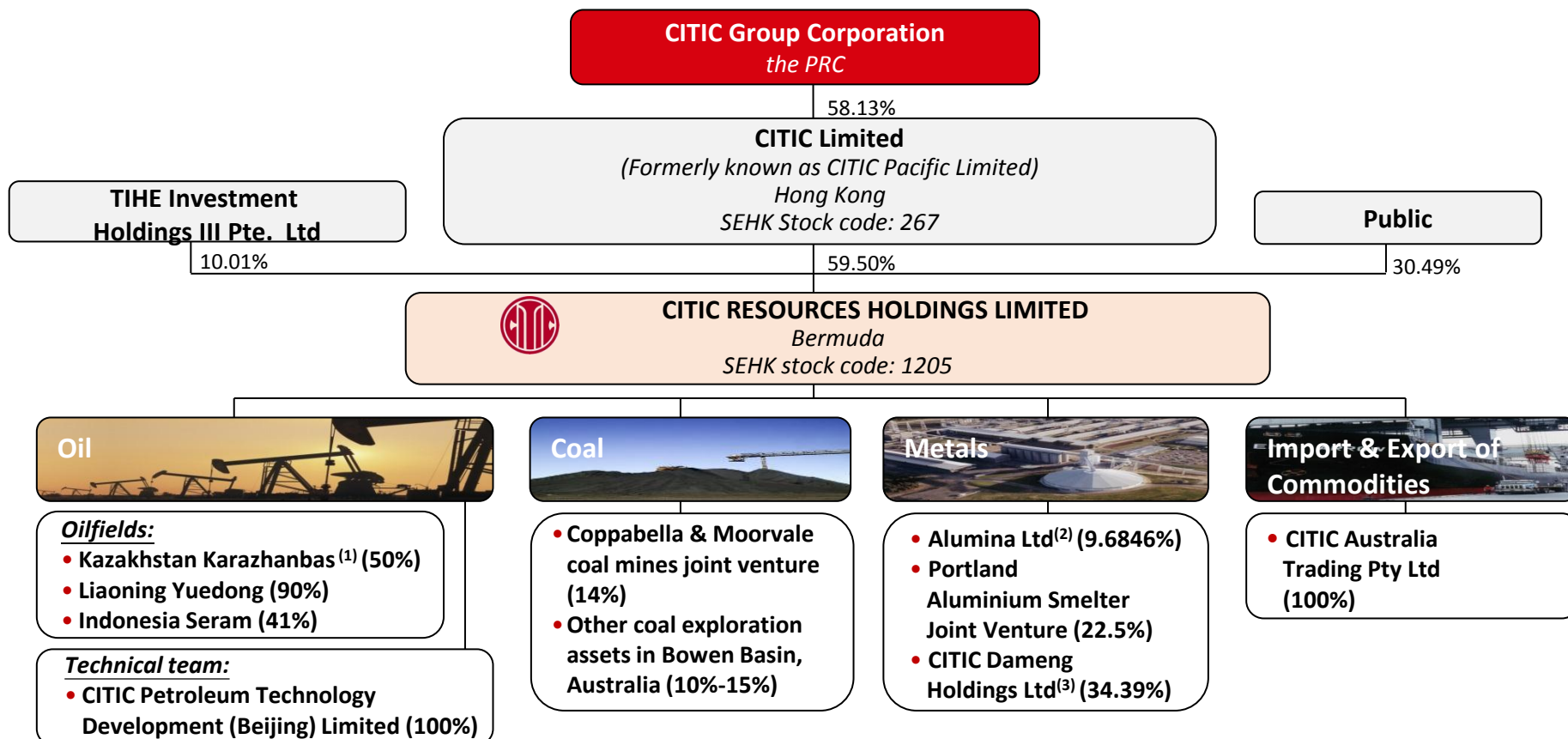
- The Group further strengthened its marketing strategy to meet the ever-changing market environment and trading behaviours
- Revenue saw a decrease of 7% and stood at HK\$439.1m (1H 2017: HK\$472.8m)
- Segment result saw an increase of 105% and recorded a profit of HK\$29.5m (1H 2017: HK\$14.4m)



# Outlook

- The Group believes that oil and commodities prices will at least remain steady at current levels, which should continue to benefit the Group. The Group will ride on the current favourable market conditions to facilitate its business development. However, the global economic and political environments will cast uncertainties on oil and commodities prices. The Group will closely monitor the fast-paced market environment and take appropriate actions to create returns for shareholders.
- With the extension of the PSC, the Group will consider resuming the exploration of the Lofin area of the Seram Block. The Group will also endeavour in promoting application of new technologies to improve productivity in the Yuedong oilfield and plans to add new wells in the oilfield under a managed drilling program.
- The Group will also continue to look for quality investment opportunities to strengthen its business portfolio, release investment value and promote sustainable growth. Last but not the least, the ongoing support from CITIC Limited will drive the Group to achieve its objectives.

# 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!



中信資源  
CITIC Resources

## Investor Relations

**Tel:** (852) 2899-8266

**Fax:** (852) 2815-9723

**Email:** [ir@citicresources.com](mailto:ir@citicresources.com)

**Website:** <http://resources.citic/eng/global/home.htm>

