



華潤水泥控股有限公司

China Resources Cement Holdings Limited

(incorporated in the Cayman Islands with limited liability)

2010 Annual Results Presentation



Agenda



華潤水泥控股有限公司
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1 Strategy Execution

2 Financial Review

3 Operational Review

4 Outlook & Prospects

5 Q&A



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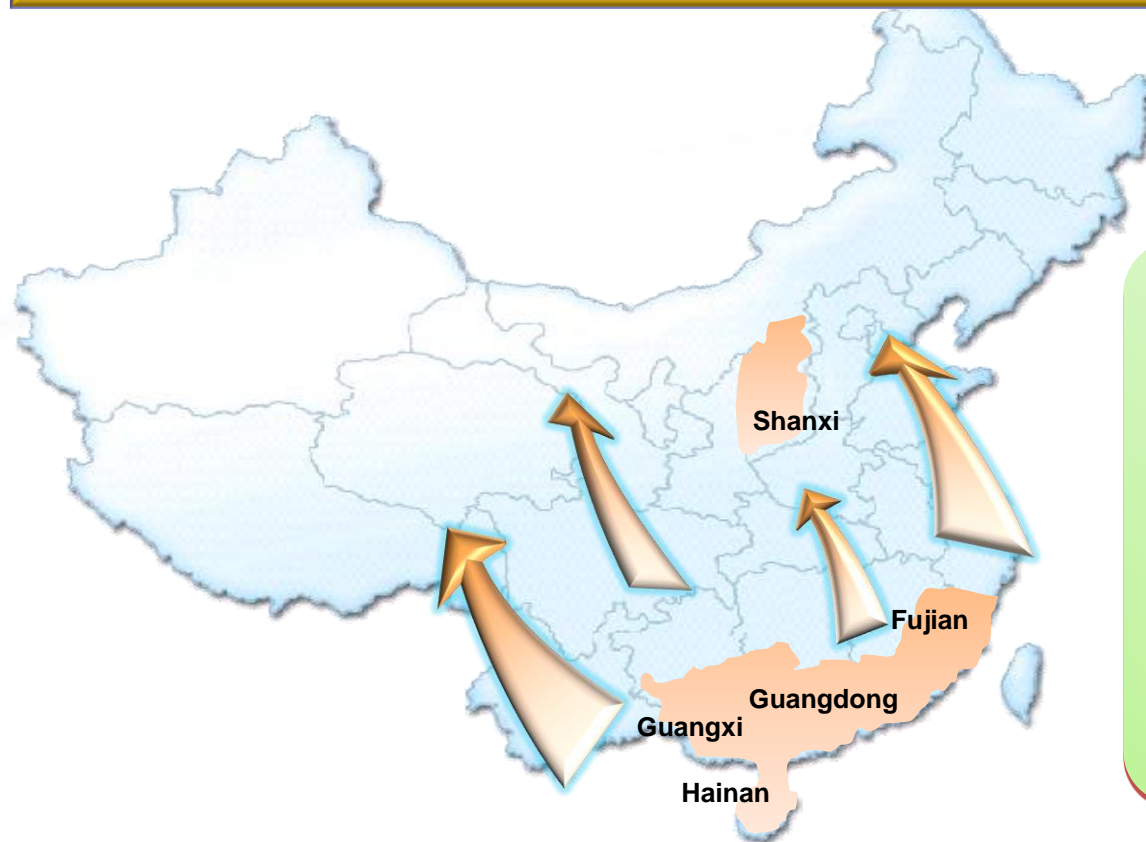
STRATEGY EXECUTION





Strategic Objective: National Expansion

To strengthen leading position in Southern China and look for national expansion



COMPETITIVE STRENGTHS...

- 👑 The largest NSP clinker and cement producer by production capacity in Southern China in 2010
- 👑 The largest concrete producer by sales volume in Southern China in 2010
- 👑 Backed by China Resources Group which has a shareholding of 73.34%

Significant Progress

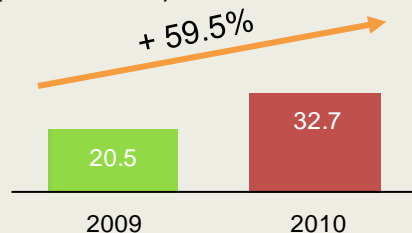
Stronger foothold for national expansion

- **Strengthened leadership in Southern China**
 - Added 6 self-constructed clinker production lines, 11 cement grinding lines and 20 concrete batching plants
 - Acquisitions in Fujian and Huizhou to add 3 clinker production lines, 7 cement grinding lines and 2 concrete batching plants
 - Acquisitions of 50% interest in several jointly controlled entities that engage in clinker, cement and concrete operations in Guangzhou and Hong Kong
- **Expanded into the North**
 - 3 Strategic acquisitions in Shanxi, 1 clinker production line and 2 cement grinding lines added in 2010.
 - 4 more clinker production lines and 8 cement grinding lines to be added in next two years.

Expanded production capacities

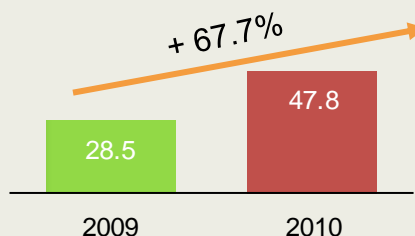
25 clinker production lines

(million tons)



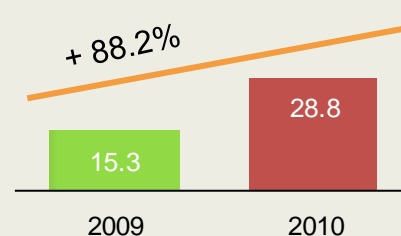
56 cement grinding lines

(million tons)



49 concrete batching plants

(million m³)



Market Recognition



Constituent stock of the Hang Seng Composite Index



Constituent stock of the Hang Seng China-Affiliated Corporations Index



Constituent stock of the Hang Seng Mainland 100 Index



CSR – A pioneer in “Green Cement”

- Become a member of Cement Sustainability Initiative in February 2010
- Appointed as co-chairman of Cement Sustainability Initiative in China in June 2010
- Compliance with the Chinese national environment standards
- Persist in implementing emission controls of the international standards



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FINANCIAL REVIEW



Robust Growth

For the year ended 31 December

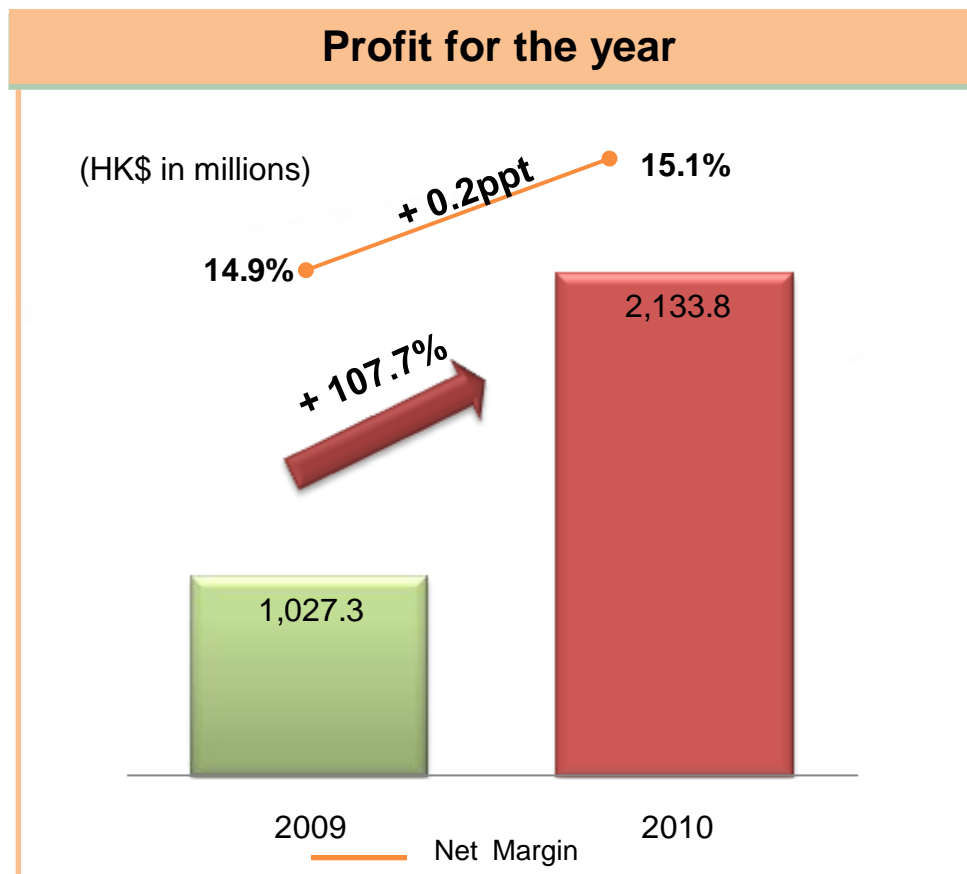
(HK\$ in millions)

	2010	2009	Increase
Turnover	14,141.5	6,906.9	↑ 104.7%
EBITDA	3,318.3	1,640.1	↑ 102.3%
Profit for the year	2,133.8	1,027.3	↑ 107.7%
Profit attributable to owners of the Company	2,040.8	1,010.2	↑ 102.0%
Basic EPS (HK\$)	0.313	0.400	N/A

Strong Profitability



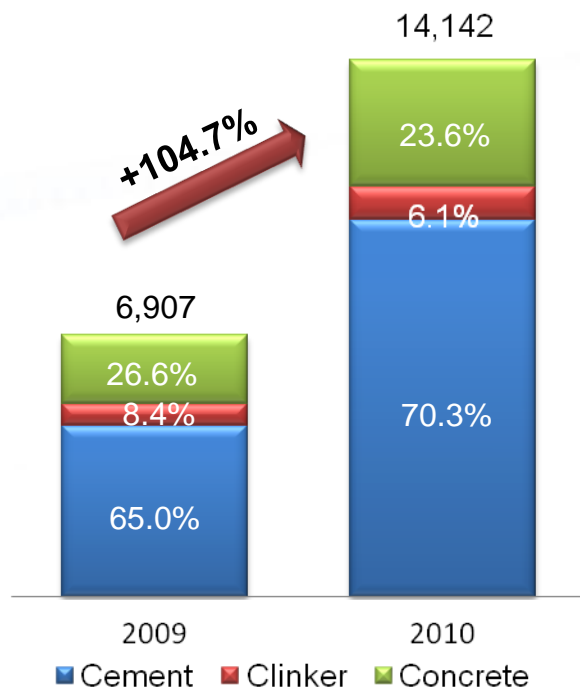
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Turnover Analysis

Turnover breakdown

(HK\$ million)



Average Selling Price

- Cement & Clinker: Strong market demand, increased coal price and change of payment basis to cost-plus-freight
- Concrete: Increase in cost of production

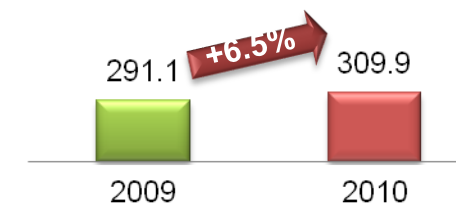
Clinker
(HK\$/ton)



Cement
(HK\$/ton)



Concrete
(HK\$/m³)

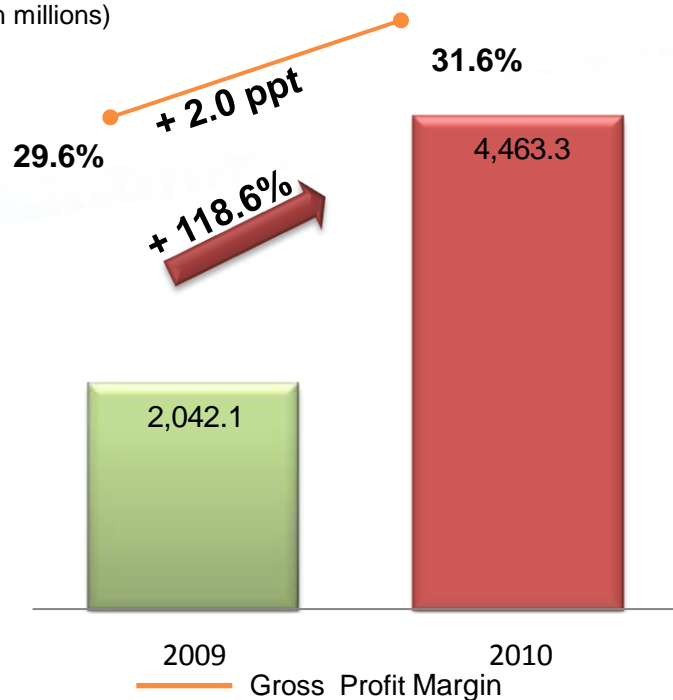


Improved Gross Profit Margin

- Improved consolidated gross profit margin due to higher selling price

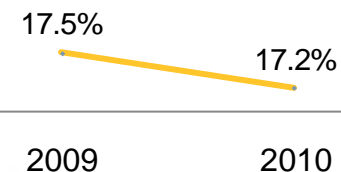
Gross Profit

(HK\$ in millions)

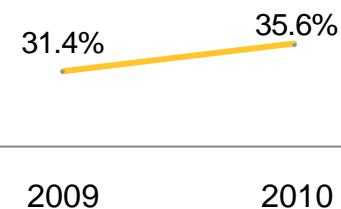


Gross Profit Margin

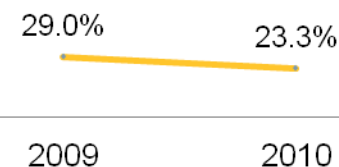
Clinker



Cement



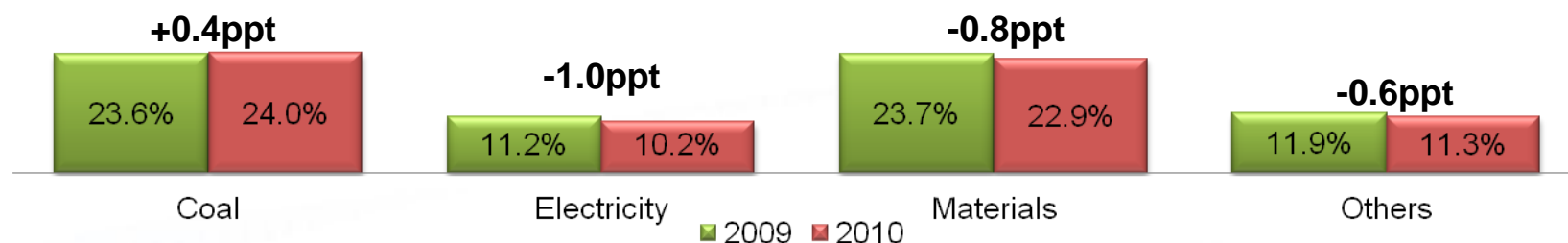
Concrete



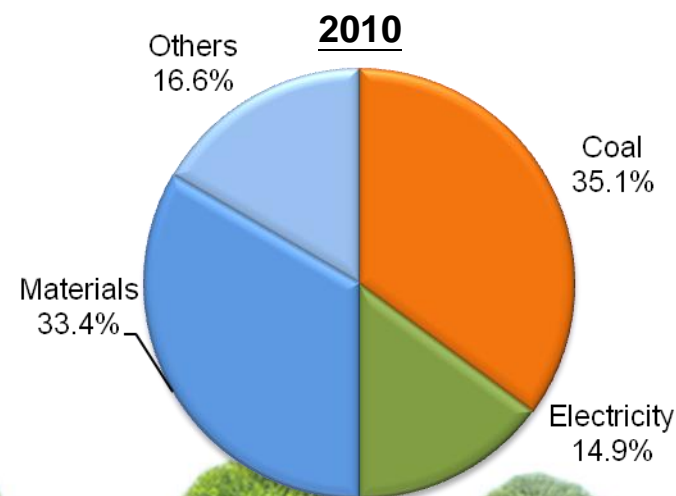
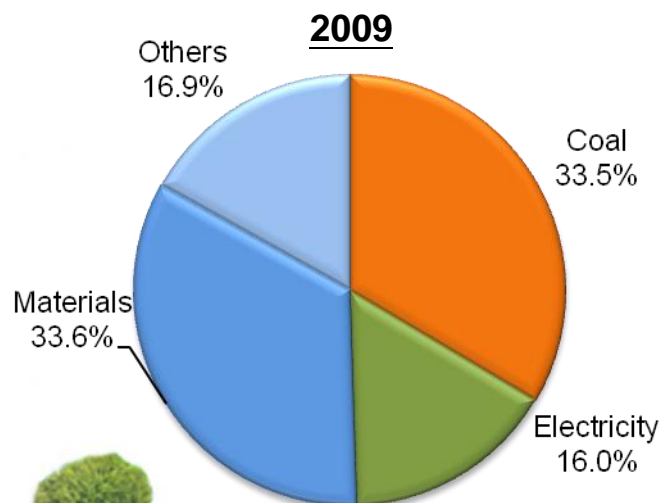


Production Cost Analysis

Percentage to turnover



Cost of Sales Breakdown



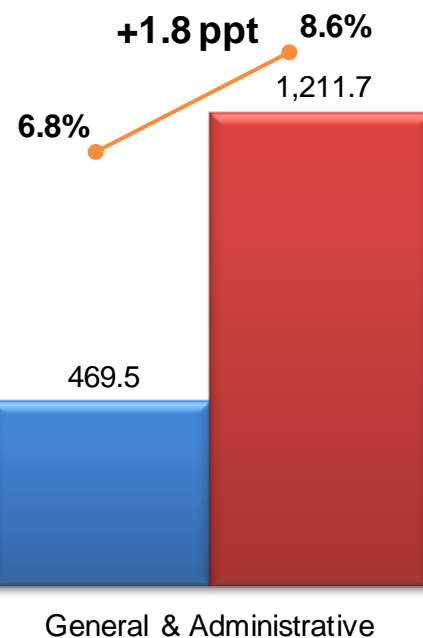
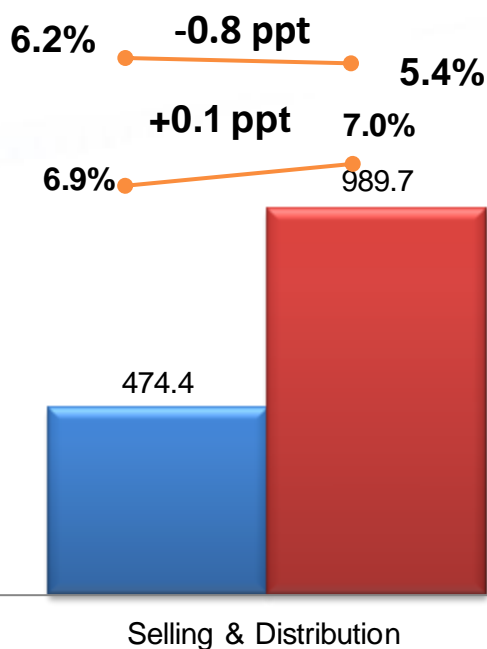


Operating Expense Analysis

- Change of payment from an ex-factory basis to a cost-plus-freight basis for certain customers
- Excluded change of payment basis, selling and distribution expenses as a percentage to turnover decreased

- Increased staff numbers and additional provision for performance related bonus
- Increased impairment loss on fixed assets
- Increased write off of doubtful debts

Excluding
the change
of payment
basis







■ 2009 ■ 2010

Percentage to turnover

Financial Position

For the year ended 31 December

(HK\$ in millions)

	2010	2009	Change
Total assets	35,327.9	24,233.9	 45.8%
Cash, bank balances and pledge bank deposits	4,124.6	6,152.4	 33.0%
Total bank loans	13,024.1	9,377.6	 38.9%
Net borrowings	9,095.7	3,225.2	 182.0%
Net gearing ratio (%)	61.6%	26.3%	N/A



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OPERATIONAL REVIEW





Strong Market Growth

Robust Demand

1

Strong GDP and FAI

Y-o-Y Growth (%)	National	Guang dong	Guang xi	Fujian	Hai nan	Shan xi
GDP	+10.3	+12.2	+14.2	+13.8	+15.8	+13.9
FAI	+23.8	+20.7	+37.7	+30.0	+32.8	+29.6

2

National level long term development plan
Construction and upgrade of 5.9 million affordable houses completed

3

Closure of inefficient kilns

- drive the long term and healthy development of the cement industry in China

4

Since September 2009, previously approved cement projects have to obtain re-approval for actual commencement of construction

2010 Total Cement Production = 1.87 billion tons
(+15.5% over 2009)

Constrained Supply

Strategic Acquisitions

Southern China

Date	Location	Capacities Acquired
Jan 2011	Longyan City, Fujian	1.4m tons of clinker; 2.0m tons of cement
Dec 2010	Guangzhou	3.7m tons of clinker; 8.1m tons of cement; 1.1m m ³ of concrete
Jun 2010	Huizhou and Ningbo	1.0m tons of clinker; 3.5m tons of cement; 2.3m m ³ of concrete
Apr 2010	Longyan City, Fujian	1.4m tons of clinker; 3.0m tons of cement

Shanxi

Date	Location	Capacities Acquired
Dec 2010	Shanxi	1.4m tons of clinker; 2.0m tons of cement.
Dec 2010	Shanxi	1.4m tons of clinker; 2.0m tons of cement
Jun 2010	Shanxi	2.7m tons of clinker; 4.0m tons of cement 1.2m tons of clinker capacity commenced operation in Aug 2010

Maintained High Utilization Amid Rapid Expansion



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Clinker

- 6 new production lines
- Total 25 production lines with 32.7 million tons of production capacity
- 111.4% utilization rate for all production lines (114.8% for 2009)

Cement

- 11 new grinding lines
- Total 56 grinding lines with 47.8 million tons of production capacity
- 85.7% utilization rate for all production lines (83% for 2009)

Concrete

- 20 new concrete batching plants
- 49 batching plants with 28.8 million m³ of production capacity
- 51.5% utilization rate of for all production lines (49.9% for 2009)

Coal Consumption



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Coal

Average coal cost

(HK\$/ ton of clinker)

94.4 122.7
+ 30.0%

Percentage to cost of cement production

42.0% +1.4ppt
43.4%

2009

2010

- Average purchase price of coal was about HK\$742 per ton, increased by 26.4% year-on-year
- Coal prices rose during the year, due to
 1. extremely cold winter in early 2010
 2. reduced supply since April 2010 as a result of several serious coal mine accidents
- Represented 43.4% of cost of cement production (42.0% in 2009)

Unit Coal Consumption

(KG/per ton)

160.8 165.3

2009

2010

Standard Coal Consumption

(KG/per ton)

108.5 108.1

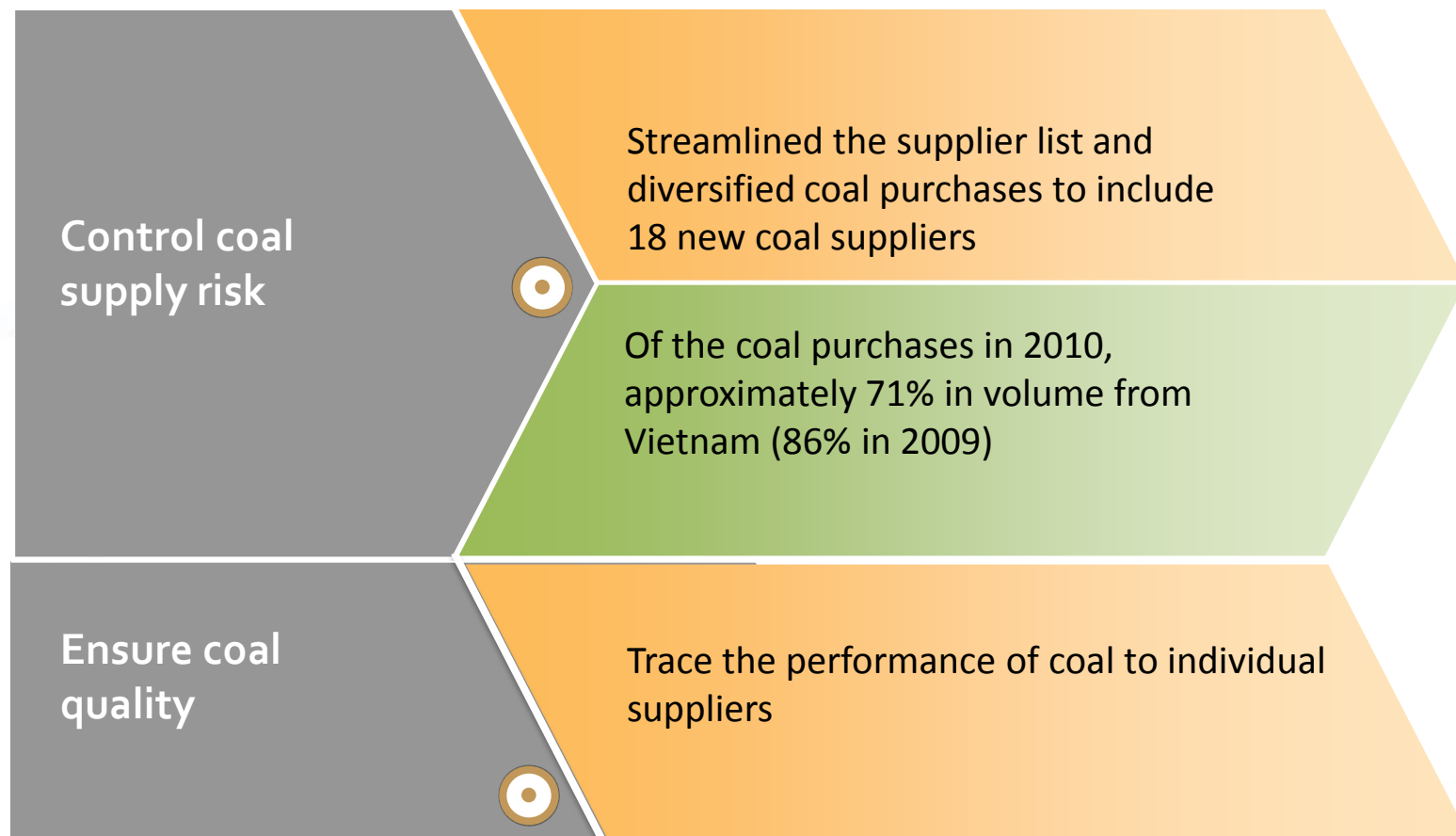
(Excluding new production lines in 2010)

2009

2010



Improved Coal Procurement





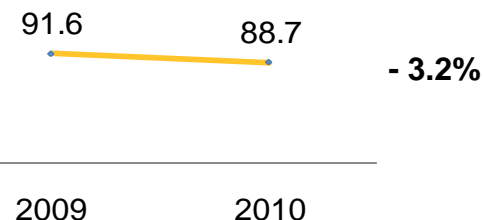
Improved Electricity Consumption

- Due to higher tariffs and more production activities were being carried out in Guangdong than that in Guangxi, our electricity cost increased by 9.8% to HK\$41.5 per ton of cement in 2010
- Improved electricity consumption to 88.7 KWh per ton of cement
 - The residual recovery generators generated 764.0 million KWh of electricity in 2010, increased by 60.1% year-on-year
 - The electricity generated accounted for about 25% of our required electricity consumption, representing a cost saving of about HK\$416.6 million
- The percentage of electricity cost to total cost of sales decreased to 14.9% from 16.0% in 2010

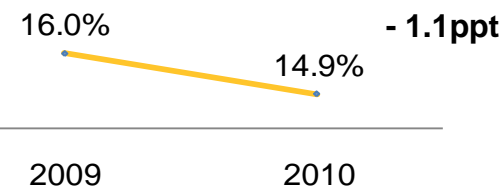
Electricity

Electricity consumption

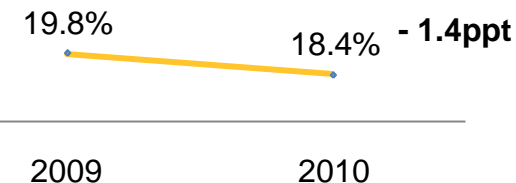
(KWh/ ton of cement)



Percentage to total cost of sales



Percentage to cost of cement production



Logistics Management

➤ Facilitate sales and distribution of our cement products

➤ Ensure availability of adequate transportation facility along the Xijiang River

➤ Stabilise freight cost

Established Logistics Department to ensure an efficient and strategic logistics and distribution network along the Xijiang River

Invested to take up 49% stake of Guangzi Rungui Water Transportation Limited which owns 4 vessels with annual tonnage of approximately 240,000 tons; plan to expand fleet to total annual tonnage of 6.5 million by 2014

Established 8 additional silo terminals (total = 28) with total annual transshipment capacity of approximately 20 million tons along the Xijiang River



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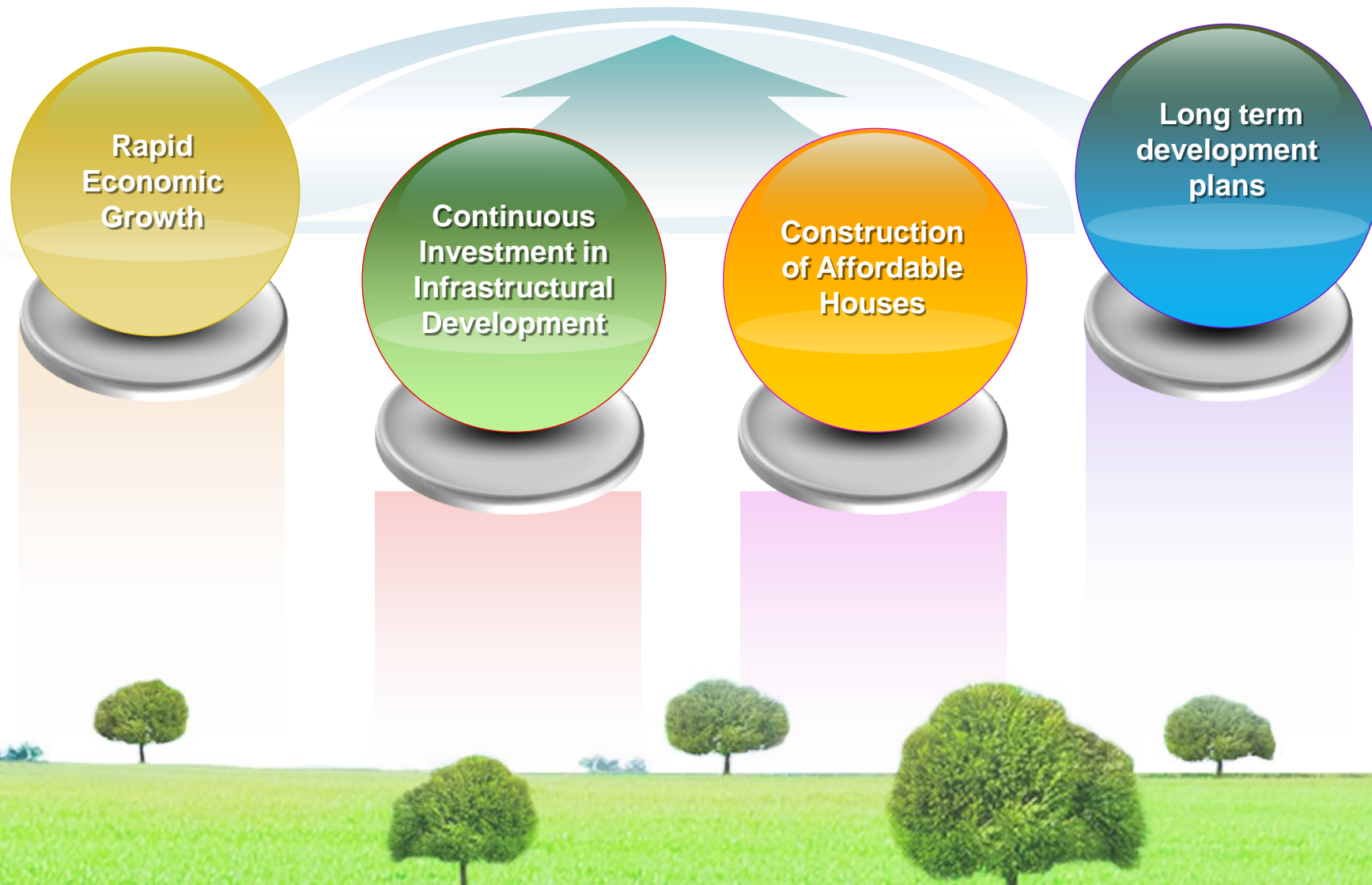
OUTLOOK AND PROSPECTS





Favourable Market Conditions

12th Five-Year Plan in China



2011 Market Dynamics

Economic activities

Strong in 2011, first year of the Twelfth Five Year Plan, to ensure that the economic targets can be achieved smoothly

Property Construction

More land released for construction of affordable houses
Construction of property to remain active despite government policy to control rising property prices

2011

Elimination of Inefficient Kilns

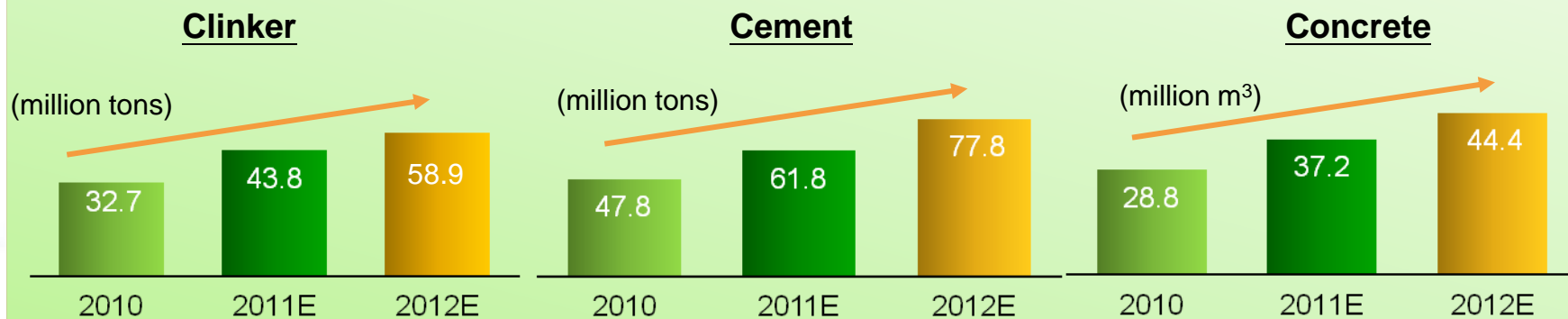
Government to enforce the elimination of kilns with outdated technology by 2015

New Cement Projects

Implementation of the “Entry Conditions for Cement Industry”

Expanding Capacity for Growth

Capacity expansion through organic growth and announced acquisitions



CAPEX

- 2011: HK\$6,741.5 million
- After 2011: HK\$1,311.4 million

Prospects: A Leading National Player



**Maintain
Leading Position in
Southern China**

**Strategically
Expand into Shanxi
and other parts of
China**

- Aiming at a 25% market share in the areas we operate
- Through M&A and capacity expansion in existing operation
- Capitalise on the economic growth and strong investment in infrastructure projects under the 12th Five Year Plan

Lowest Total Cost Expansion Strategy



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Q&A





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THANK YOU

