



華潤水泥控股有限公司

China Resources Cement Holdings Limited

(於開曼群島註冊成立之有限公司)

(*incorporated in the Cayman Islands with limited liability*)

股份代號 Stock Code : 1313

Investor Presentation

May 2014

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Agenda

-  **1Q14 Financial Updates**
-  **Industry & Operational Review**
-  **Outlook & Prospects**
-  **Appendix**

1Q14 Financial Updates



1Q14 Results Highlights

(HK\$ million)	2012	2013	YoY Change	1Q13	1Q14	YoY Change
Turnover	25,345.3	29,340.6	+15.8%	5,972.3	6,797.1	+13.8%
Cost of sales	19,245.8	20,980.9	+9.0%	4,579.6	4,635.1	+1.2%
Gross profit	6,099.5	8,359.8	+37.1%	1,392.8	2,162.0	+55.2%
Selling & distribution expenses	1,223.1	1,633.2	+33.5%	310.7	363.5	+17.0%
General & administrative expenses	1,807.8	2,727.5	+50.9%	381.0	550.1	+44.4%
Finance costs	835.2	704.5	-15.6%	192.6	194.1	+0.8%
Profit before taxation	2,873.5	4,314.5	+50.1%	571.7	1,061.8	+85.7%
Taxation	528.3	1,035.8	+96.1%	128.2	311.9	+143.3%
<i>Effective tax rate (%)</i>	<i>18.4%</i>	<i>24.0%</i>	<i>+5.6 ppt</i>	<i>22.4%</i>	<i>29.4%</i>	<i>+7.0 ppt</i>
Profit attributable to owners of the Company	2,324.4	3,338.4	+43.6%	452.7	767.7	+69.6%
Basic earnings per share (HK\$)	0.357	0.512	+43.4%	0.069	0.118	+71.0%
Dividend per share (HK\$)	0.07	0.105	+50.0%	n.a.	n.a.	n.a.
<i>Payout ratio (%)</i>	<i>19.6%</i>	<i>20.5%</i>	<i>+0.9 ppt</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>

Financial Position & Cash Flow

(HK\$ million)	<u>31 Dec 2013</u>	<u>31 Mar 2014</u>	<u>Change</u>
Trade Receivables	3,191.9	3,186.4	-0.2%
Inventories	2,132.0	2,275.2	+6.7%
Total assets	54,179.7	54,653.9	+0.9%
Net borrowings	17,618.1	18,294.8	+3.8%
Cash and cash equivalent*	2,825.0	3,129.0	+10.8%
Net gearing ratio (%)	71.0%	72.1%	+1.1 ppt
Net assets per share (HK\$)	3.80	3.89	+2.4%

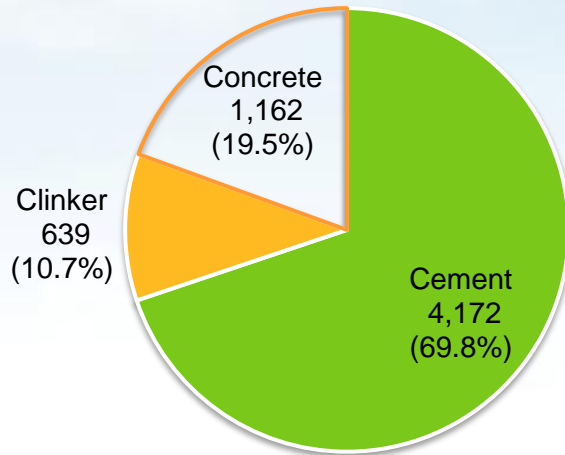
*Cash and cash equivalent is calculated by adding cash and bank balances and pledged bank deposits

(HK\$ million)	31 Dec 2012	31 Dec 2013	Change
Net cash generated from operating activities	4,304.7	5,121.1	+19.0%
Net cash used in investing activities	(4,499.5)	(3,316.9)	-26.3%
Net cash generated from (used in) financing activities	20.2	(2,642.5)	n.a.

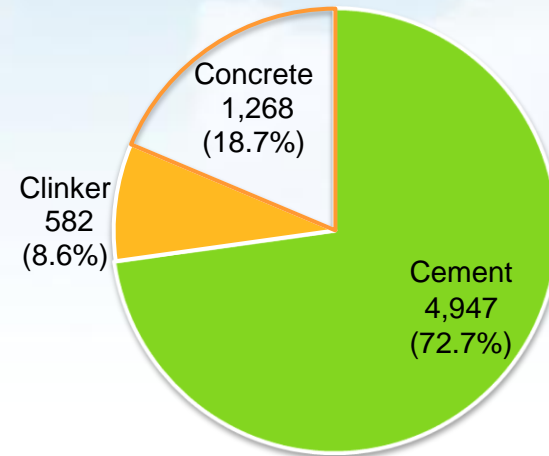
Turnover by Product

(HK\$ million)

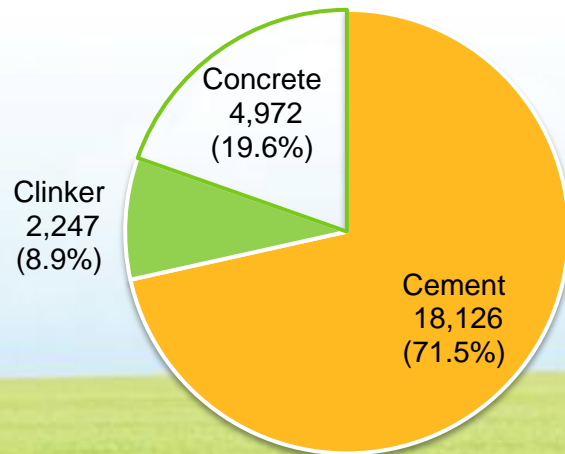
1Q13



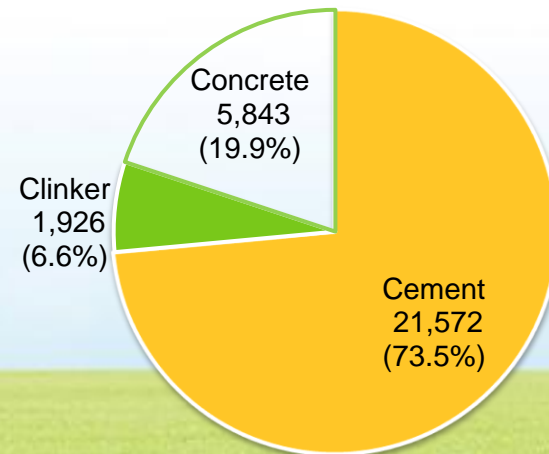
1Q14



2012



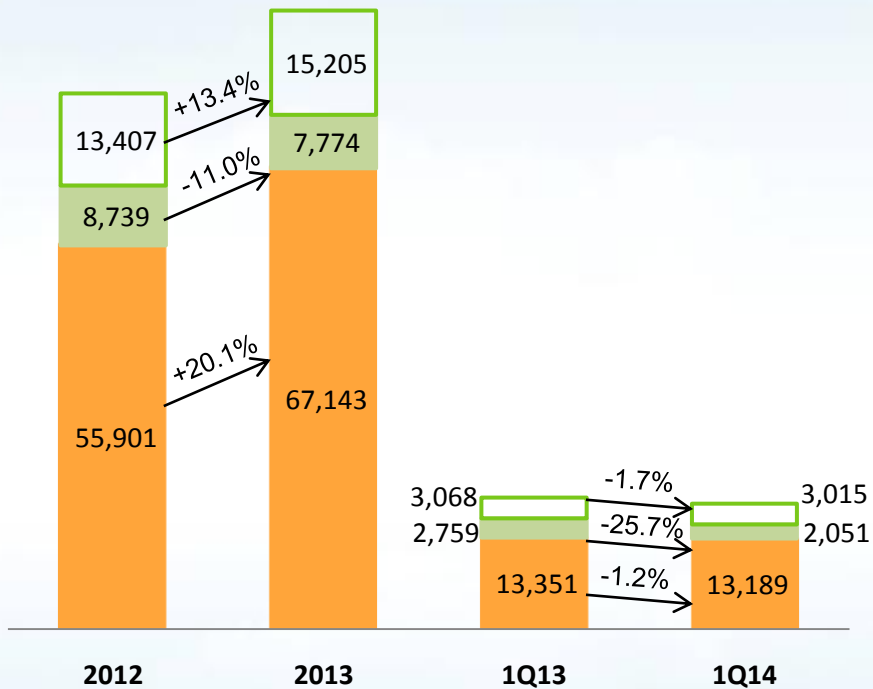
2013



Sales Volume & Average Selling Price

Sales Volume

Average Selling Price

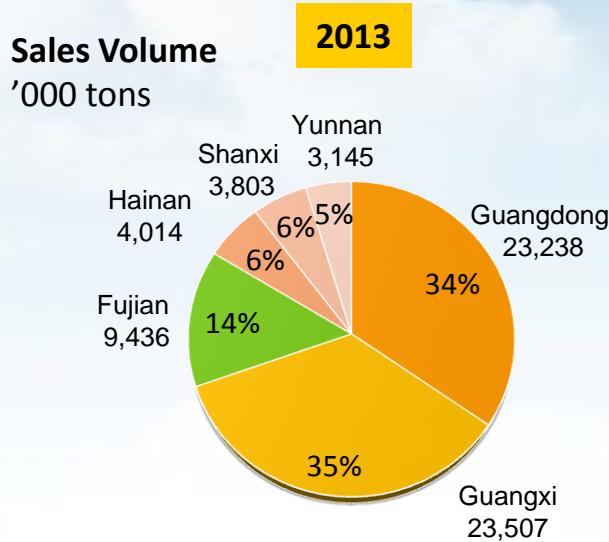


■ Cement ('000 tons)
■ Clinker ('000 tons)
■ Concrete ('000 m³)

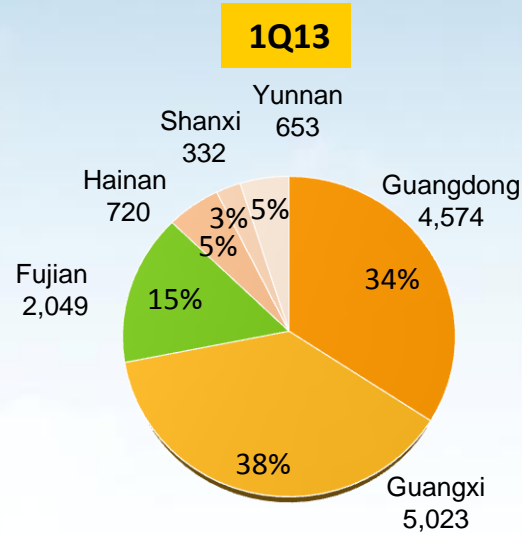
◆ Cement (HK\$/ton)
▲ Concrete (HK\$/m³)

□ Clinker (HK\$/ton)
● Blended ASP (Cement & Clinker) (HK\$/ton)

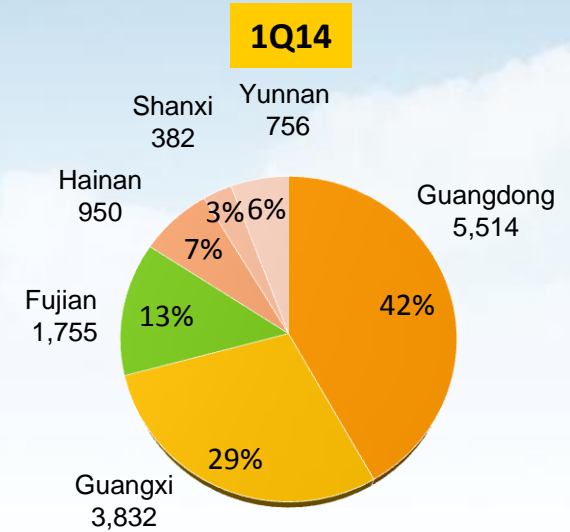
Cement Sales by Geographical Areas



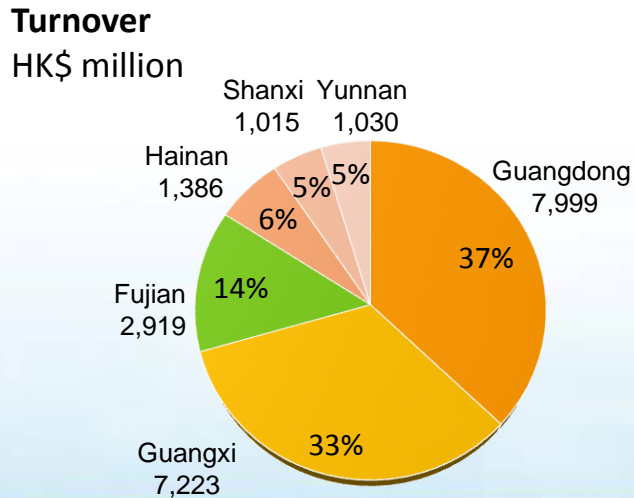
Southern China: 60,195



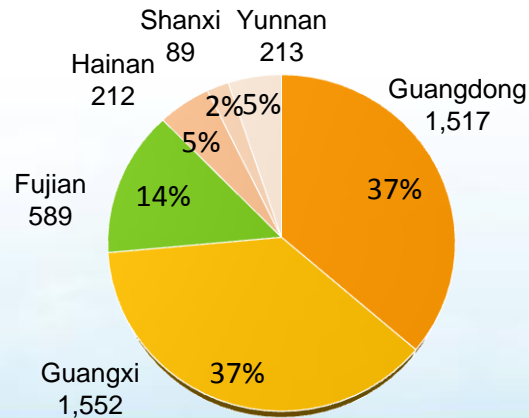
Southern China: 12,366



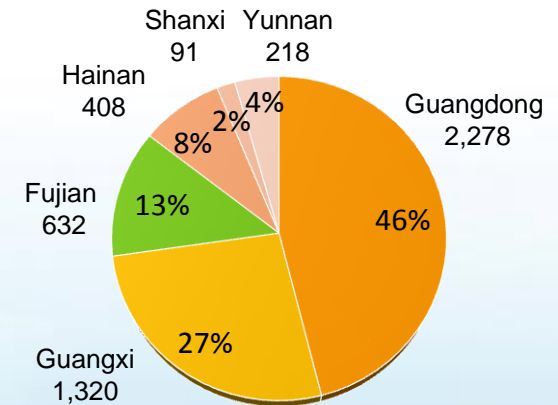
Southern China: 12,051



Southern China: 19,527



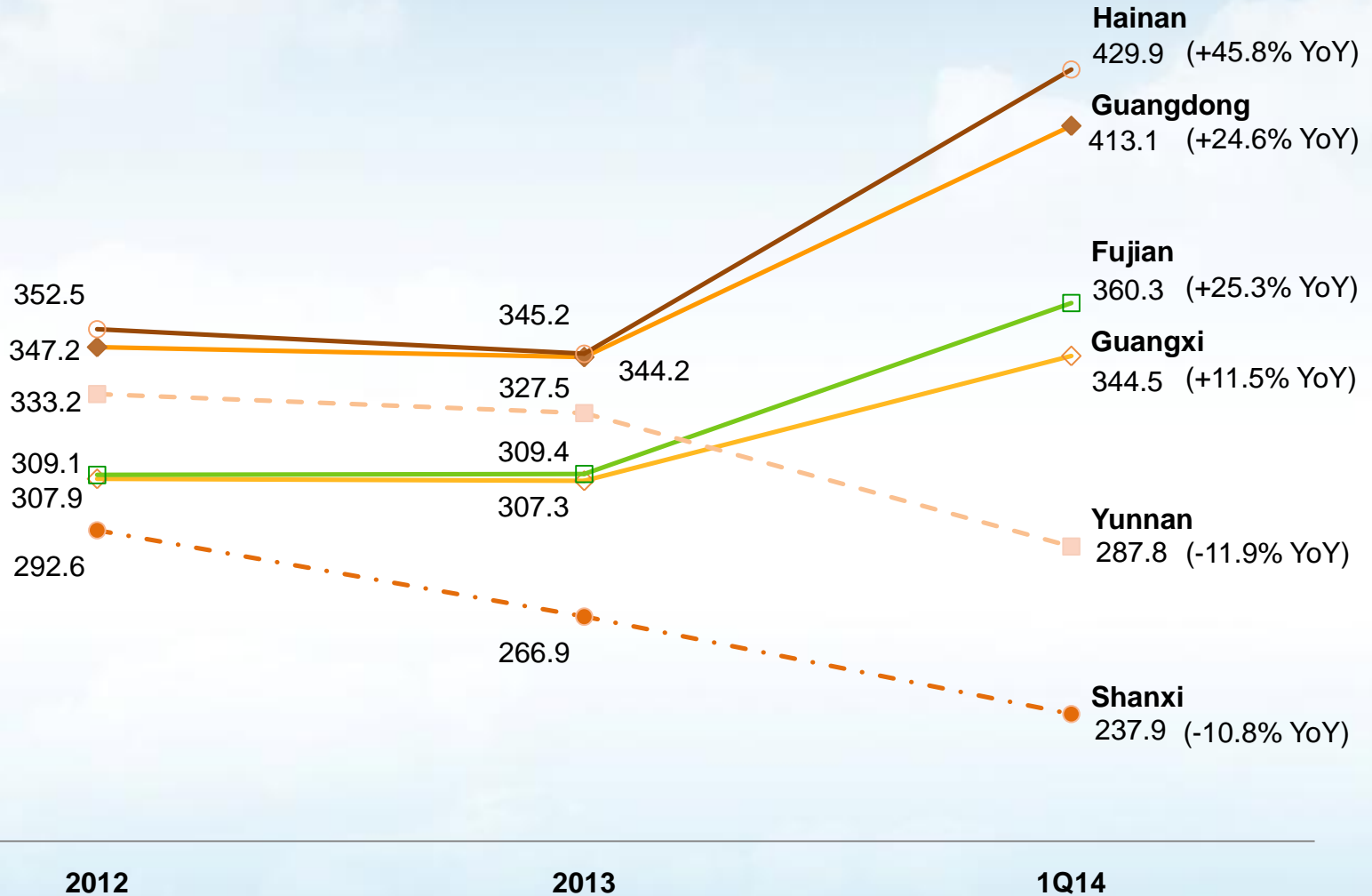
Southern China: 3,870



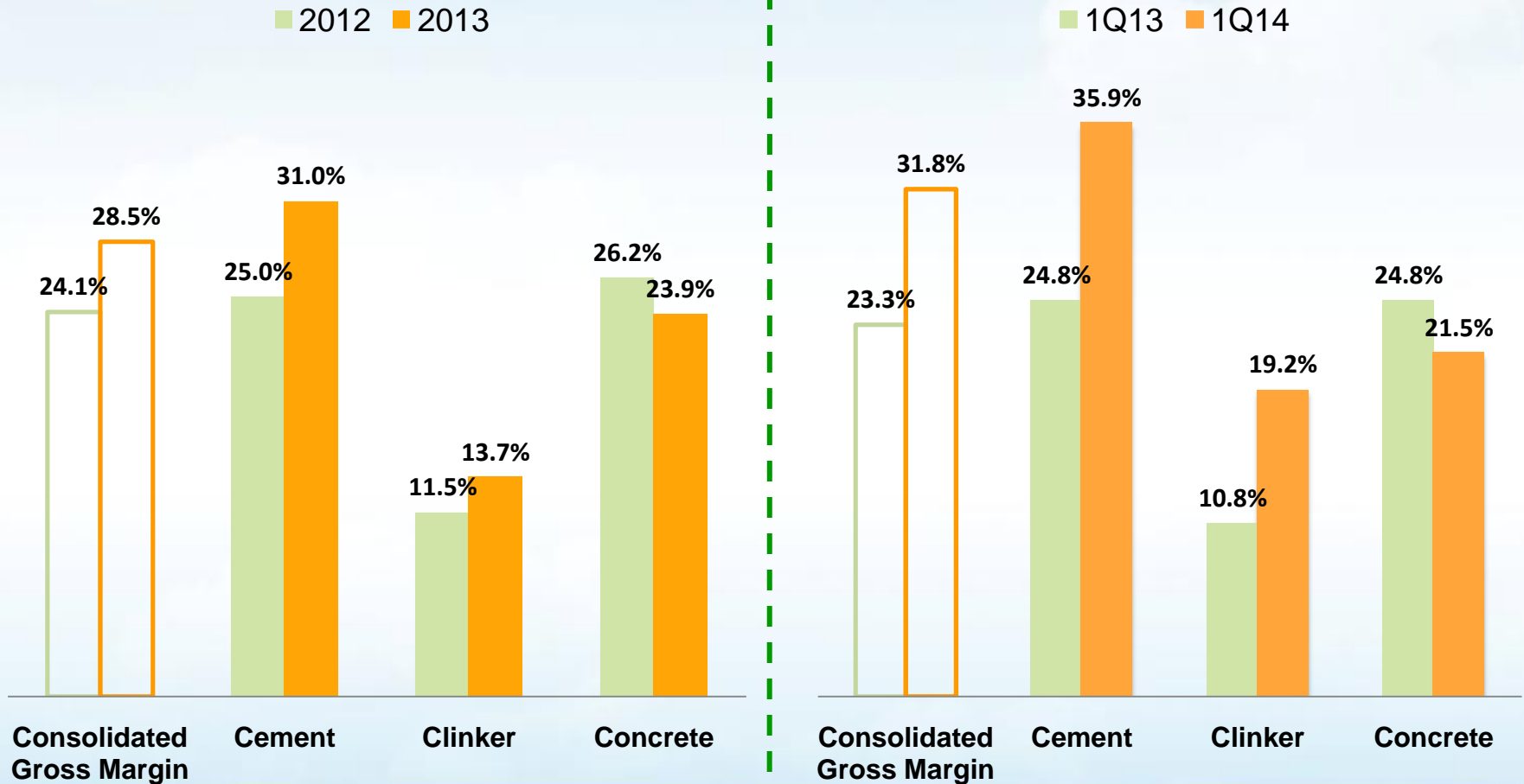
Southern China: 4,638

Cement ASP by Geographical Areas

(HK\$/ton)

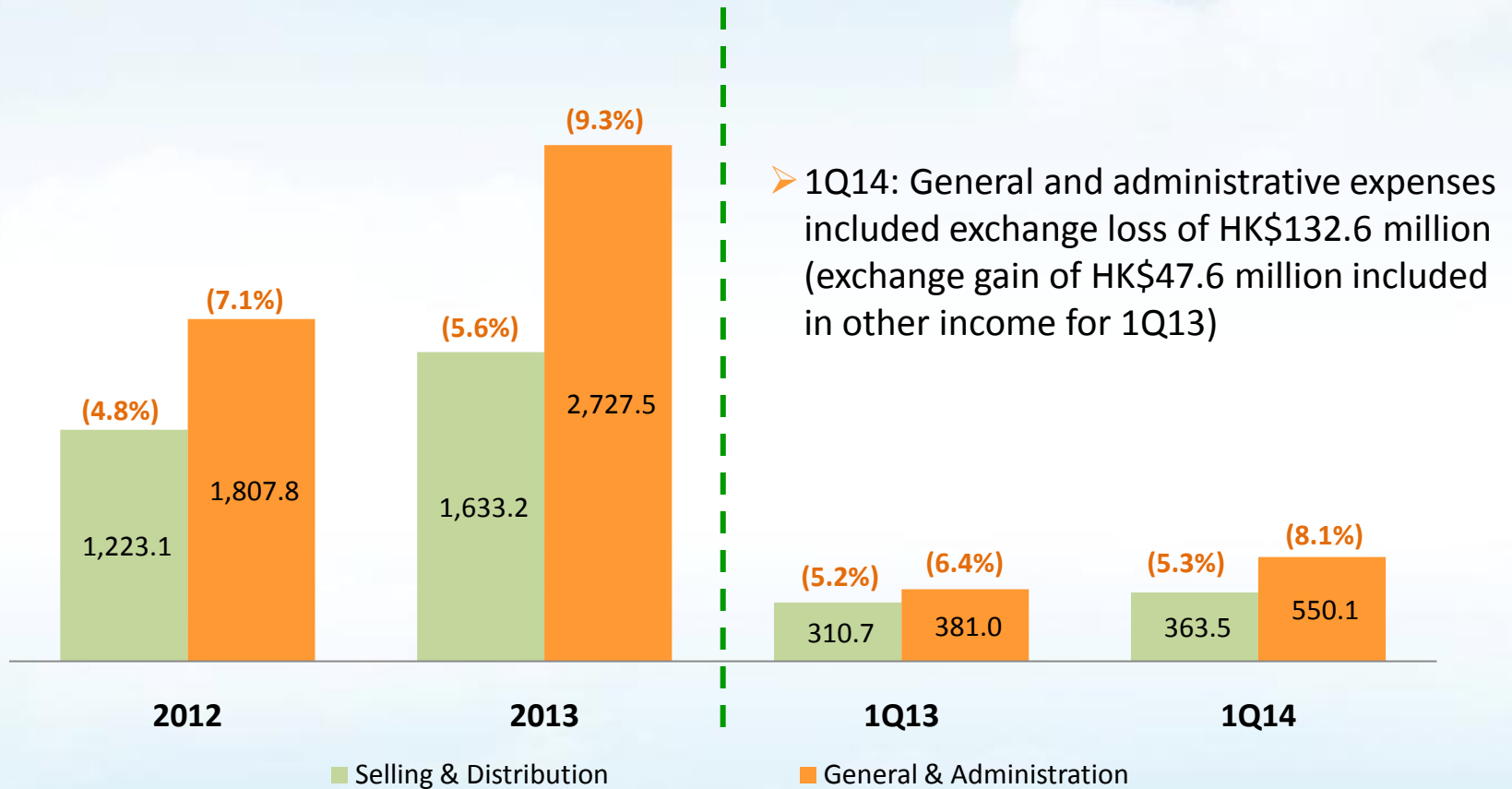


Gross Margin by Product



Selling, General & Administrative Expenses

HK\$ million, Number in the brackets represents the expense as a percentage to turnover

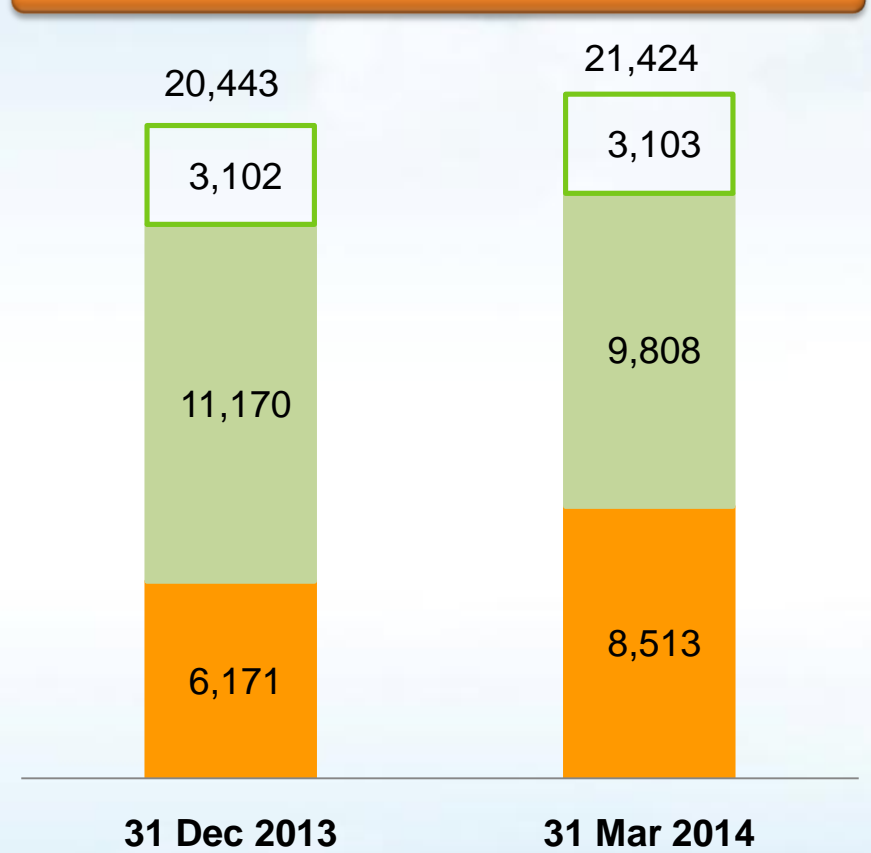


Finance Cost & Debt Structure

Finance Costs (HK\$ million)



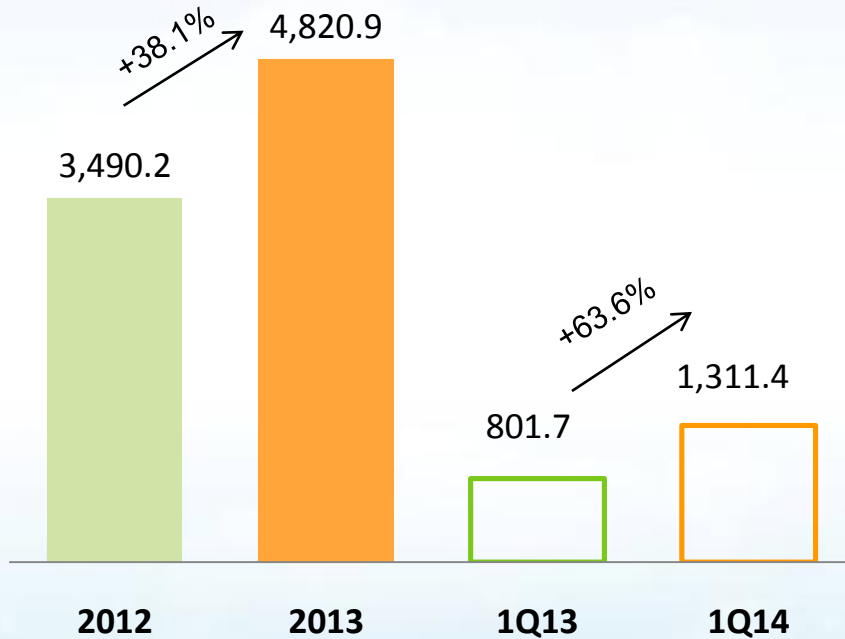
Debt Structure (HK\$ million)



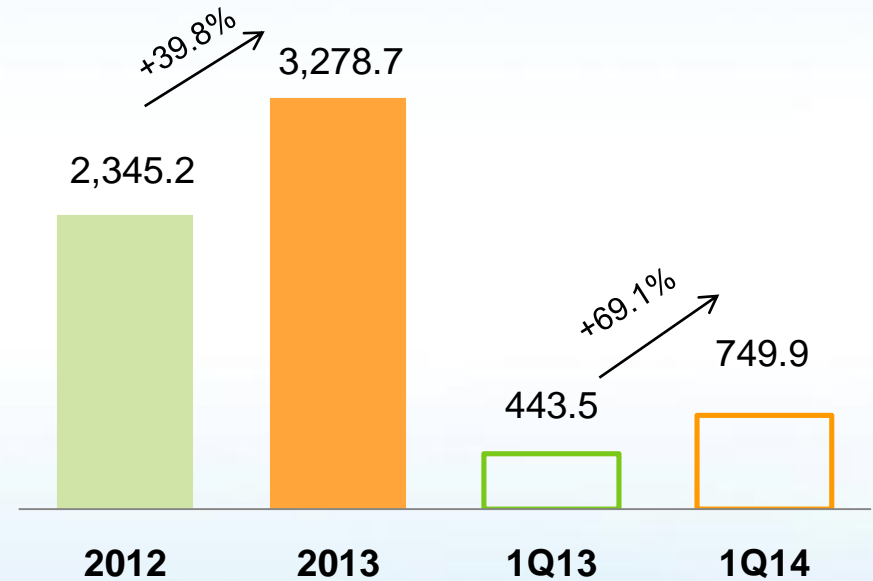
■ Short-term Bank Loan
 ■ Long-term Bank Loan
 ■ Bonds

EBIT & Net Profit

EBIT (HK\$ million)



Net Profit (HK\$ million)

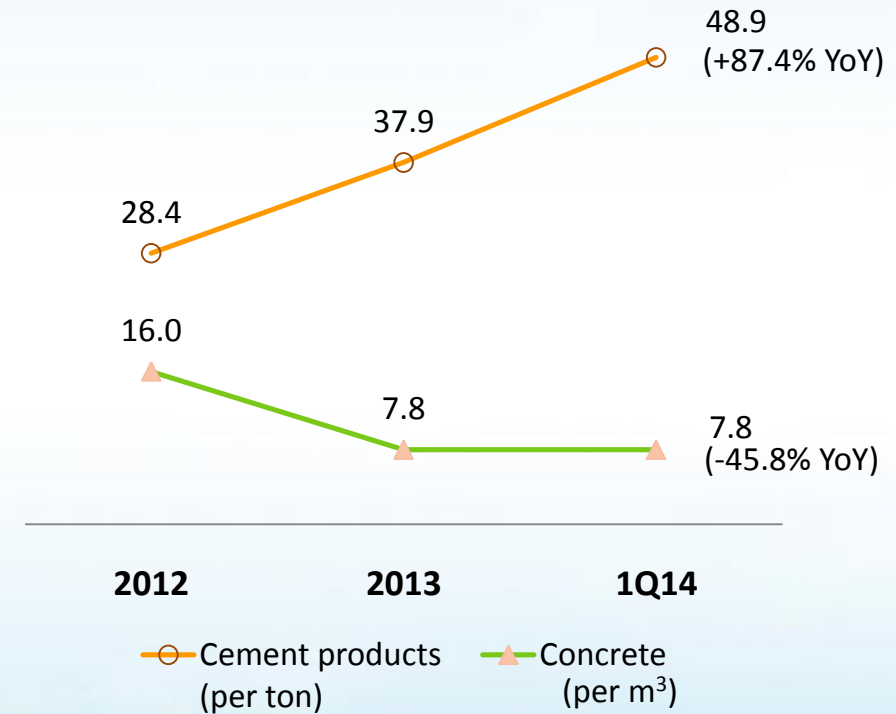


Net Margin (%)



Net Profit by Unit (HK\$)

After full allocation of other income and corporate expenses
(excluding share of results of joint ventures and associates)

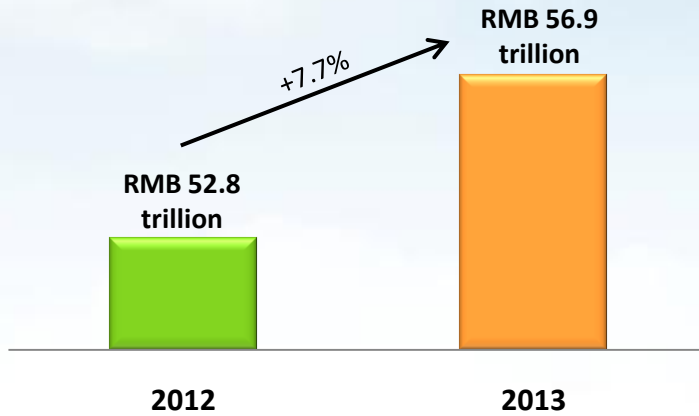


Industry & Operational Review

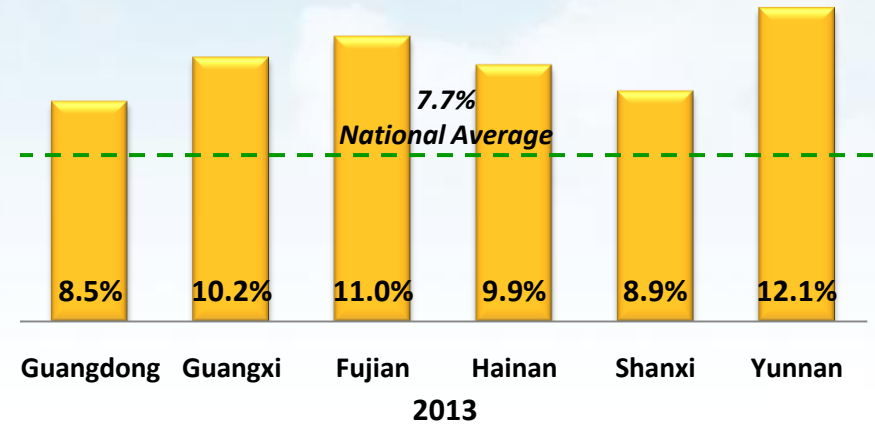


Steady Economic Growth in 2013

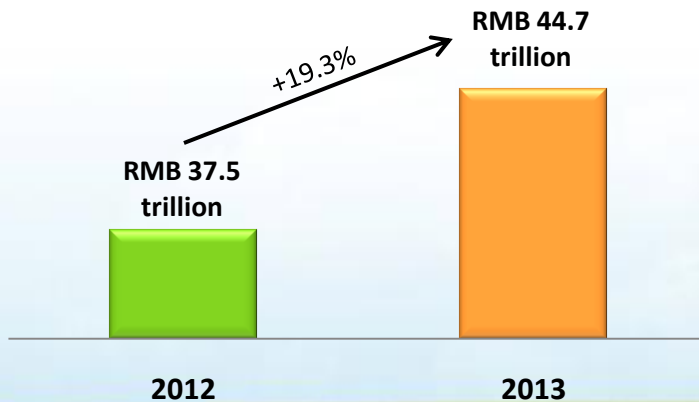
National GDP



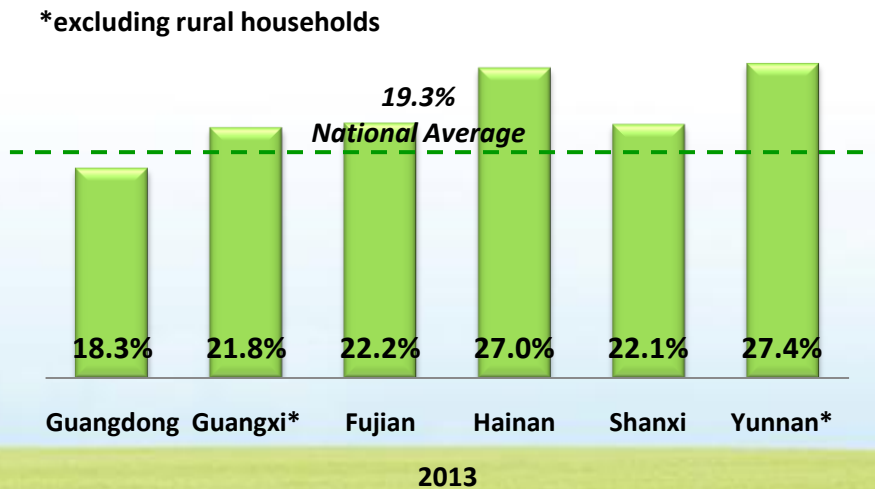
CRC's Operating Area



National FAI



CRC's Operating Area



Business Environment - Demand

Railway

- Investment **+5.2%** YoY to **RMB663.8 billion** in 2013
- National railway lines
 - Operating length exceeded **100,000 km** as of the end of 2013
 - Over **7,000 km** is expected to be in operation in 2014
 - Will reach **120,000 km** by the end of 2015
- The government aims to introduce capital in various ways to relieve the funding need of railway constructions

- Investment **+5.6%** YoY to **RMB1.5 trillion** in 2013
- Increase in the total length of new and rebuilt highways of **8,260 km** and **339 km** respectively in 2013
- Total target length of national operating highway will be increased to **136,000 km** by 2030

Highway & Waterway

Real Estate

- Investment **+19.8%** YoY to **RMB8.6 trillion** and total area completed **+2.0%** to **1,010 million m²** in 2013
- Total area of commodity housing sold **+17.3%** YoY to **1,310 million m²** in 2013
- Target new start construction of **7.0 million** units social housing and **4.8 million** units completed in 2014

Business Environment – Supply

CR Cement's operating area

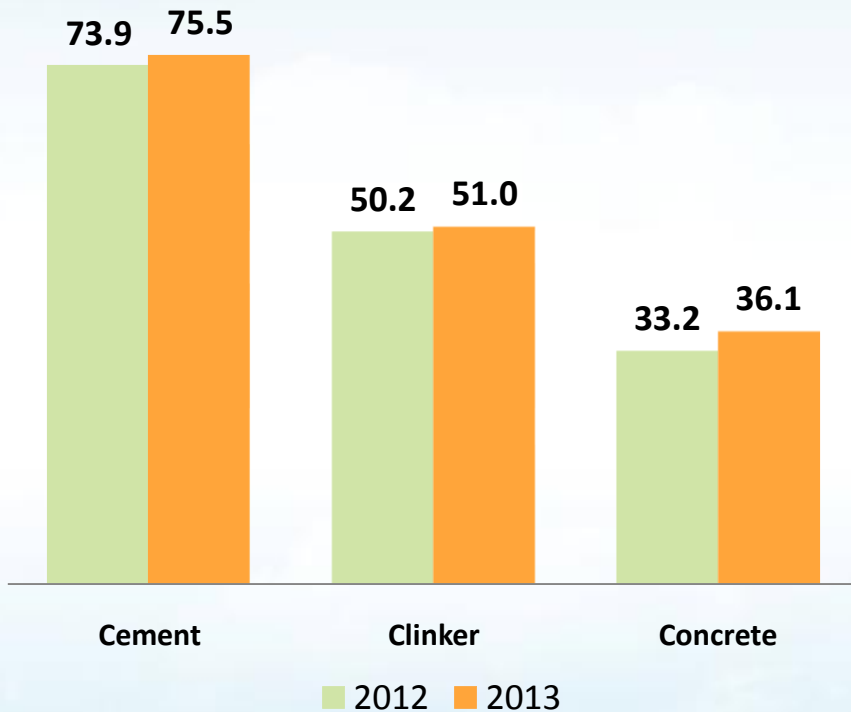
2013	National	Southern China#	Shanxi	Yunnan
Cement production	2,410 mt +9.6%	339.8 mt +9.2% to +19.5%	49.8 mt +1.4%	90.1 mt +13.6%
New clinker production capacity released*	81 lines with ~100.0 mt -36.2% <i>Decreasing trend</i>	6 lines with 7.6 mt -64.9%	9 lines with 10.9 mt +19.9%	3 lines with 2.8 mt -73.1%
Obsolete capacity elimination	94.2 mt	27.1 mt	3.5 mt	1.0 mt

*Source: Digital Cement

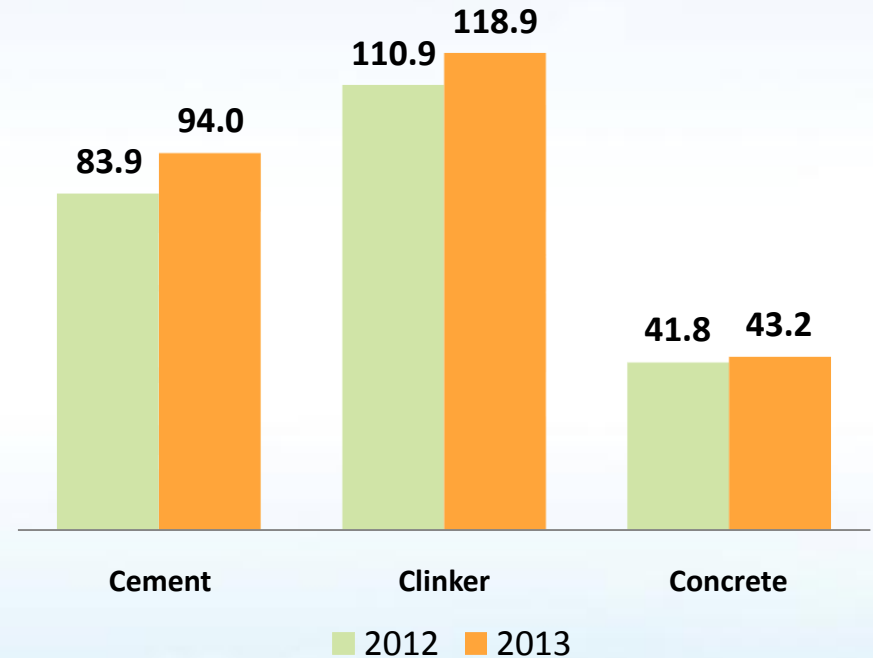
#Southern China encompasses Guangdong, Guangxi, Fujian and Hainan

Capacity & Utilization

Production Capacity (million tons/m³)



Utilization Rate (%)



Improved Coal Consumption

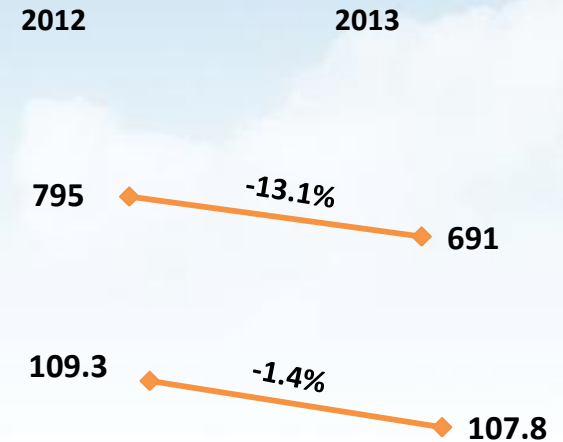
Average price of coal purchased price decreased 13.1% to HK\$ 691/ton (2012: HK\$795/ton)

Average coal purchase price
(HK\$/ton)



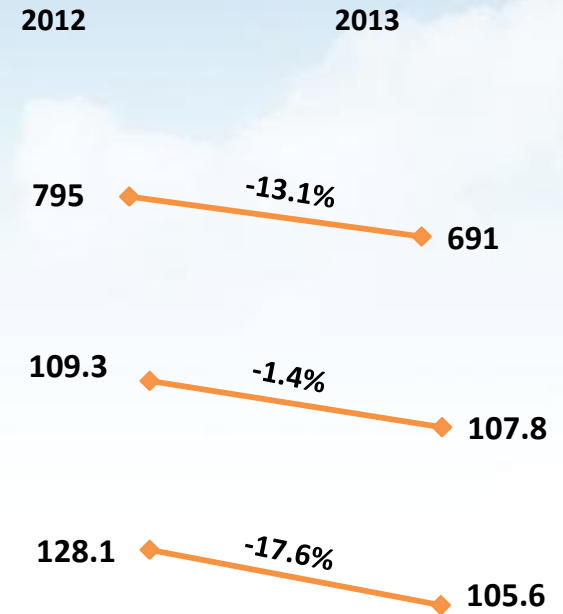
Standard coal consumption decreased to 107.8 kg/ton of clinker

Standard coal consumption
(kg/ton of clinker)



Average coal cost of production decreased 17.6% to HK\$ 105.6 /ton of clinker due to lowered coal price and improved coal consumption

Average coal cost
(HK\$/ton of clinker)



Coal cost represented approximately 38.2% of the cost of sales of cement products

Percentage to the cost of sales of cement products



Improved Electricity Consumption

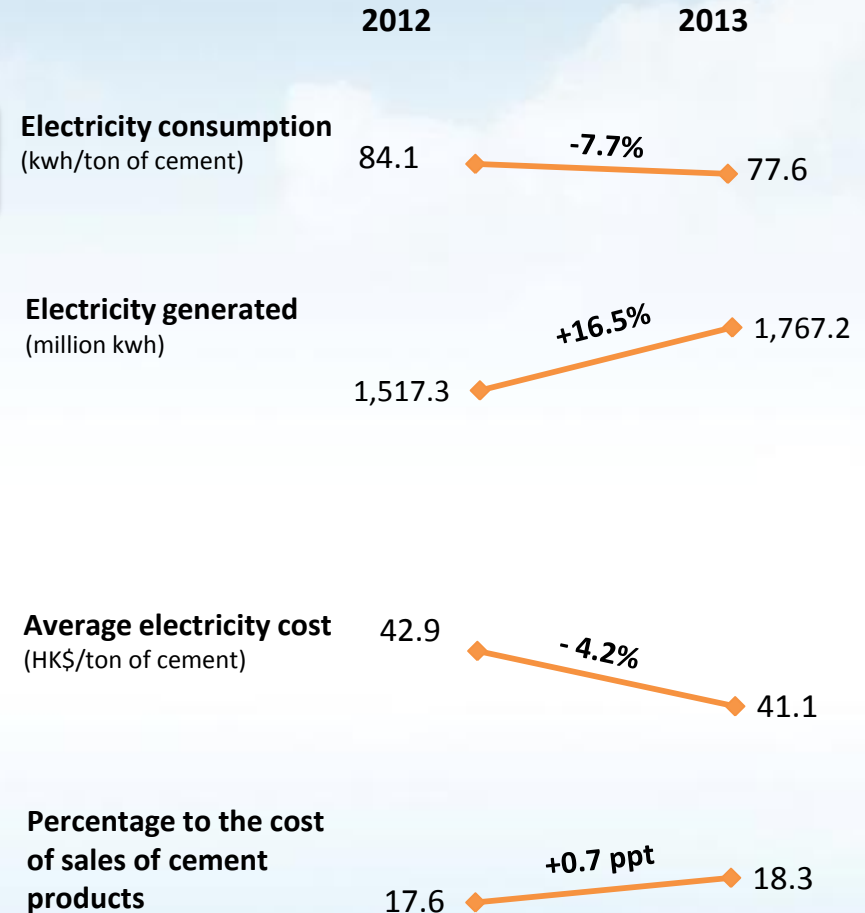
Reduced electricity consumption represents a cost saving of approximately HK\$328.3 million (2012: HK\$116.9 million)

Residual heat recovery generators

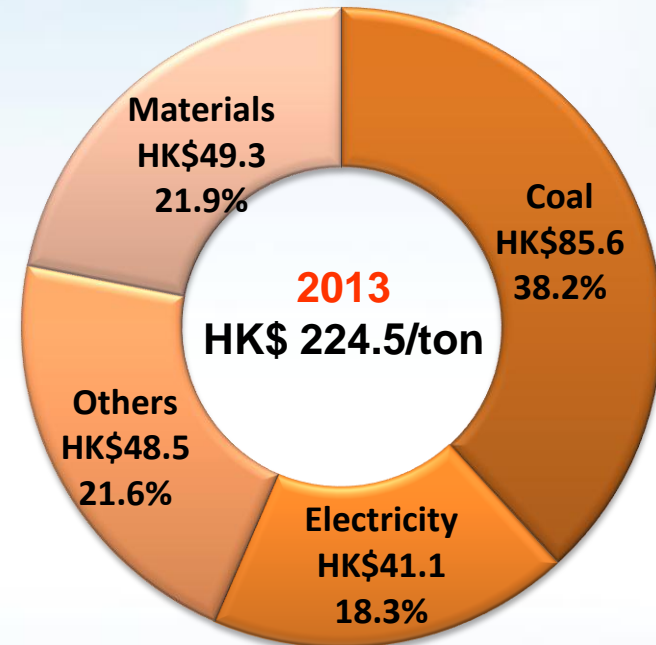
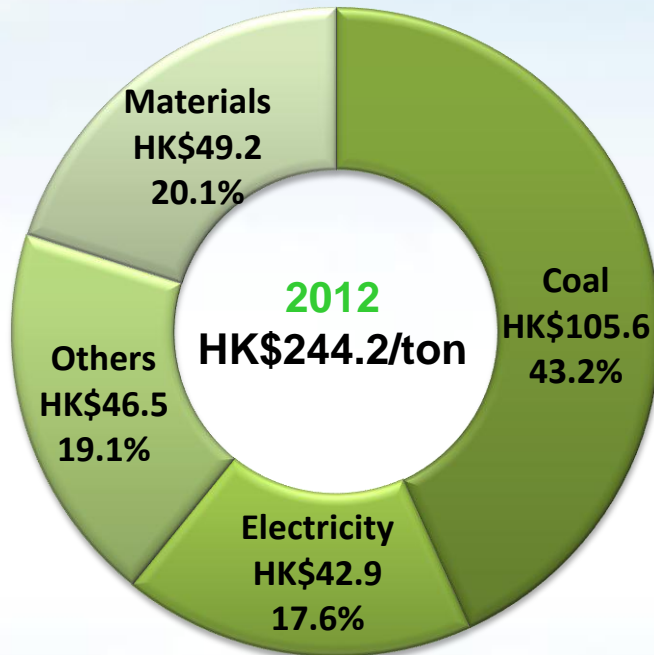
- Generated 1,767.2 million kwh of electricity, representing an increase of 16.5% YoY
- Provided approximately 29.5% (2012: 27.9 %) of required electricity consumption, representing a cost saving of approximately HK\$ 1,124.4million (2012: HK\$945.0 million)

Average electricity cost decreased by 4.2% to HK\$ 41.1/ton of cement due to reduced electricity consumption for production

Electricity cost represented approximately 18.3% of the cost of sales of cement products



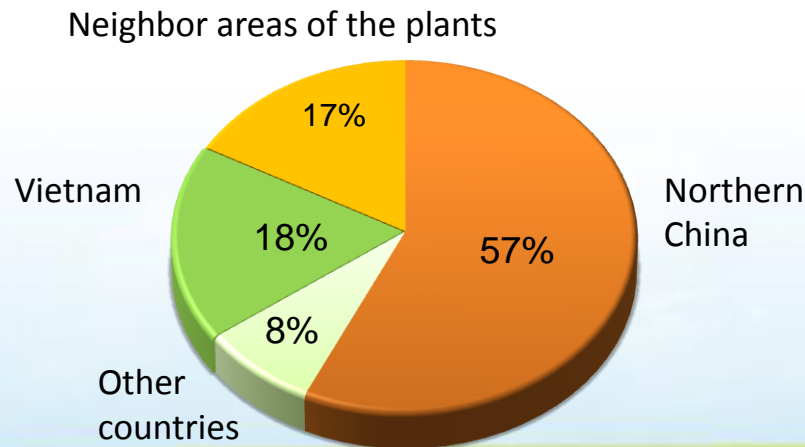
Cost Structure of Cement Products



Coal Procurement

- Further expand procurement channels, stabilize the supply of imported coal, strengthen the management of suppliers:
 - ✓ Adopted a short-cycle and multi-channel sourcing strategy
 - ✓ Enlarging tender pools and centralizing procurement, transportation and inventory management for coal and other materials

Coal Procurement in 2013



Effective Logistics

- Enhancing competitiveness through the “waterway freight, road freight and transshipment” model:
 - ✓ Secured 650,000 tons of shipping capacity at the Xijiang River through tendering, reaching an annual shipping capacity of 25 million tons
 - ✓ Introduced GPS for scheduling truck transportation distribution in Pearl River Delta region from Jul 2013
 - ✓ Operated a total of 43 silo terminals (mainly at Pearl River Delta region) with an annual capacity of 30.0 million tons

Annual Production Capacity (As at 31 Dec 2013)

Controlled by the Group

Province/SAR	Cement		Clinker		Concrete	
	No. of lines	million tons	No. of lines	million tons	No. of plants	million m ³
Guangdong	20	18.9	7	9.4	23	14.1
Guangxi	35	31.1	17	25.0	17	10.1
Fujian	14	10.9	6	6.8	10	5.7
Hainan	5	4.6	3	3.3	4	2.4
Shanxi	6	6.0	3	4.2	1	0.6
Yunnan	5	4.0	3	2.3	1	0.6
Zhejiang	-	-	-	-	2	1.1
Hong Kong	-	-	-	-	3	1.5
Total	85	75.5	39	51.0	61	36.1

Controlled by joint ventures and associates

Guangdong (Guangzhou)	8	8.1	2	3.7	1	0.5
Inner Mongolia	26	17.1	9	10.8	-	-
Attributable	-	11.5	-	6.5	-	0.3

Outlook & Prospects



Corporate Overview

**Subsidiary of
CR Group**

One of 7 **strategic business units** of China Resources Group (holding 73.35% of issued shares)

**Lowest
Total Cost**

- Persistent to **3+2** development strategy
- “Full-scaled production and sale”
 - Short-cycle and multichannel sourcing strategy
 - “Waterway freight & transshipment “model

**Leading
Position**

The **largest** cement & concrete producer in Southern China
In 2013, sales volume of
Cement & Clinker 74.9mt + 15.9%
Concrete 15.2mm³ + 13.4%

**Social
Responsibility**

- Devote for**
- Circular economy
 - Energy saving & Emission reduction
 - Safety & Environmental protection

Government Keynote Policy



Our Goal in 2014


- Adhere to the “3+2” development strategy, through control, conversion and distribution of resources, making us the lowest total cost producer with leading market position in the region.
- Perform market consolidation, promote energy conservation and emission reduction, develop circular economy
- Contribute to a sustainable and healthy development of the cement industry in China.



Capacity Expansion through Organic Growth



* Excluding the capacity held through equity interest in joint ventures and associates



- Further elimination of a total of 100 mt of cement capacity by the end of 2015
- Removal of grade 32.5 composite cement
- Effective implementation of elimination of obsolete capacity
- Stringent approval of capacity expansion

Appendix



CR Cement – “3+2” Development Strategy

