

☆☆ 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

October 2015



Agenda

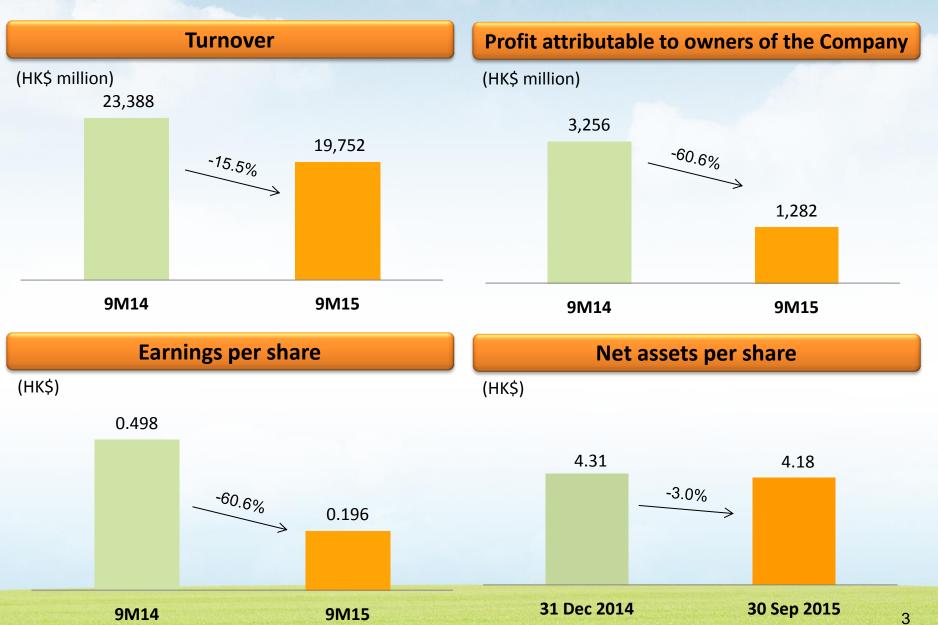


- Corporate Overview
- Market Industry Overview
- Financial Highlights
- Mark Company
 Operational Review
- Mark Court Court
 Outlook & Prospects



For the nine months ended 30 Sep 2015





Company Overview



Subsidiary of CR Group

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

Social Responsibility

Devote for

- Emission reduction of NOx & PM
- Urban waste co-processing projects
- Carbon Emissions Trading

Lowest Total Cost

Persistent to **3+2 development strategy**

- "Full-scaled production and sale"
- Short-cycle and multi-channel procurement strategy
- "Waterway freight & transshipment" model

Leading Position

The largest cement & concrete producer in Southern China

In 9M15, sales volume of

- Cement & Clinker: 57.8m tons
- Concrete: 8.9m cubic meters



Economic Growth in China



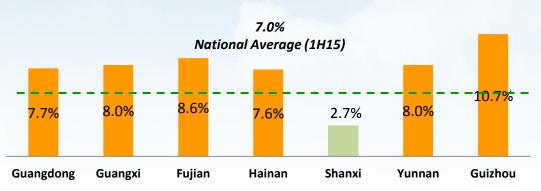
National GDP

(RMB Trillion)



GDP in CRC's Operating Area

(As of Jun 2015)



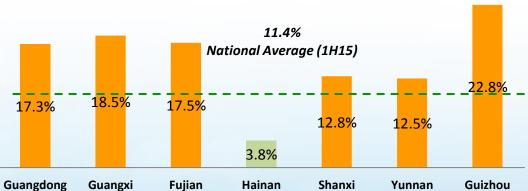
National FAI

(RMB Trillion, excluding rural households)



FAI in CRC's Operating Area

(As of Jun 2015)



Cement Industry - Demand



Infrastructure investment (excluding power supply): RMB 7.0 trillion in 9M15, +18.1% yoy

Railway

- FAI Investment: **RMB479.8 billion** in 9M15, **+1.8%** yoy (The 2015 annual budget was over RMB800.0 billion, maintaining the same strength and level as last year)
- > The 2015 target for new operational length of national railways was over 8,000 km.

- FAI in highways : RMB1,153.3 billion in 9M15, +7.1% yoy
- > FAI in waterways: RMB113.6 billion in 9M15, +5.4% yoy

Highway and Waterway

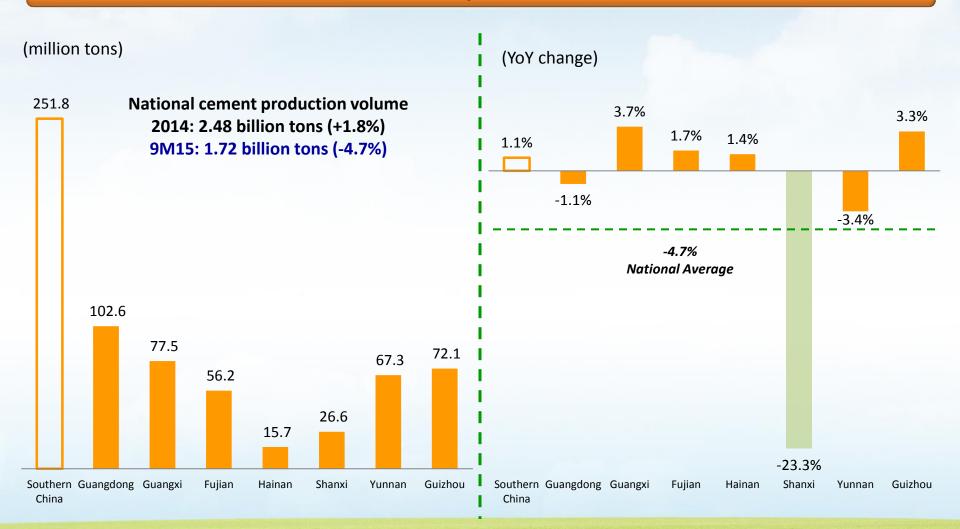
Real Estate & Social Housing

- > The sales of real estate market showed signs of stabilization.
 - Floor area of commodity housing sold: 829.1 million m² in 9M15, +7.5% yoy
 - Sales turnover of commodity housing: RMB5.7 trillion in 9M15, +15.3% yoy
- Real estate investment: RMB7.1 trillion in 9M15, +2.6% yoy
 - Total area of newly commenced construction: 1,148.1 million m² in 9M15, -12.6% yoy
- Total area of completed real estate projects: 509.7 million m² in 9M15, -9.8% yoy
- <u>"Three-Year Action Plan" launched in June 2015, targeting to re-develop 18 million units</u> of shelters in the shanty town areas and 10.6 million units of rural dilapidated houses.

Cement Industry – Demand (Cont'd)



Cement production



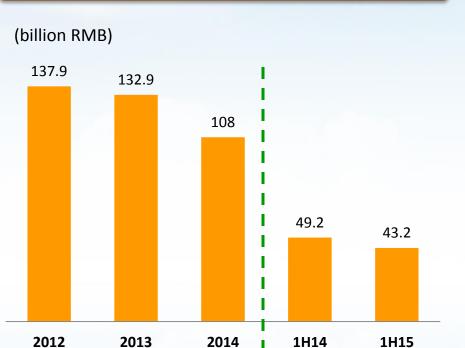
Note: Southern China encompasses Guangdong, Guangxi, Fujian and Hainan Source: National Bureau of Statistics, China Cement Association

Cement Industry – Supply





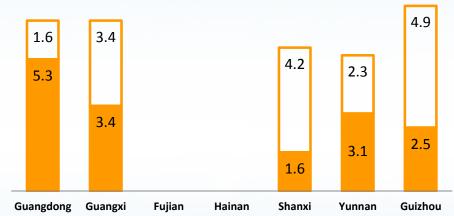
New Clinker Capacity as of 30 Sep 2015



(million tons)

□ 2015 under construction

2015 commenced operation



Source: China Cement Association

In 1H15, China's cement investment amounted to approximately RMB43.2 billion, -12.3% yoy, according to China Cement Association. Source: Company estimates

In 1H15, there were 17 new clinker production lines commenced operations, increasing clinker production capacity by approximately 21.7 million tons in China, according to Geography Cement.

Cement Industry Landscape



Stringent approval of new capacity

Stricter environmental standards

Upgrade cement product quality

Promote green development

In Jul 2014, MIIT released a document regarding the capacity replacement of several severe overcapacity industries, which required those industries, including cement to strictly control new capacities and to establish capacity replacement mechanism. Among which, capacity reduction and replacement schemes are required to be implemented in the regions of Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta regions.

In Jan 2015, China implemented the **new environmental protection law** and increased the penalties for offenses. The imposition of "unlimited caps for daily fines", possible criminal charges and other regulations are considered to be the toughest ever environmental protection law in China. The "Emission Standard of Air Pollutants for Cement Industry" has been officially applicable to existing production lines since July 2015, **imposing tighter standards on emission of nitrogen oxides and particulate matters**.

The revised standard for Common Portland Cement published in Dec 2014 will be effective from Dec 2015, by then PC32.5 grade cement will be completely abolished.

Provided that the requirements of the "Emission Standard of Air Pollutants for Cement Industry" are complied with, cement corporations could enjoy 70% value-added tax refund if they sell self-produced 42.5 and above grade cement which contains over 20% slags. The new tax policy was effective from July 2015.

In Jan 2015, the MIIT issued the "Regulatory Requirements for the Cement Industry (2015)" which emphasized on the principle of "capacity replacement for equal or reduced quantities" and required that newly commenced projects had to co-process solid wastes.





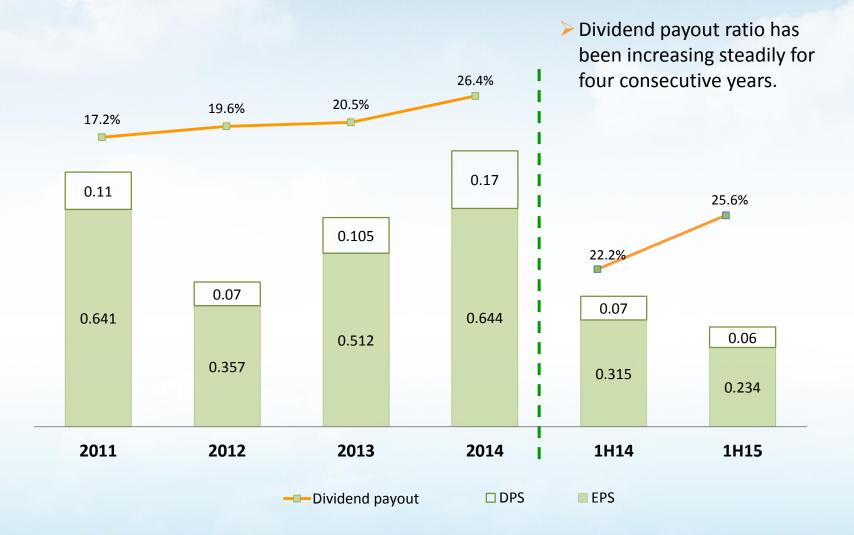


(HK\$ million)	9M14	9M15	YoY
Turnover	23,388	19,752	-15.5%
Gross profit	7,272	4,820	-33.7%
Profit before taxation	4,323	1,216	-71.9%
Profit attributable to owners of the Company	3,256	1,282	-60.6%
Basic earnings per share (HK\$)	0.498	0.196	-60.6%

Dividend payout

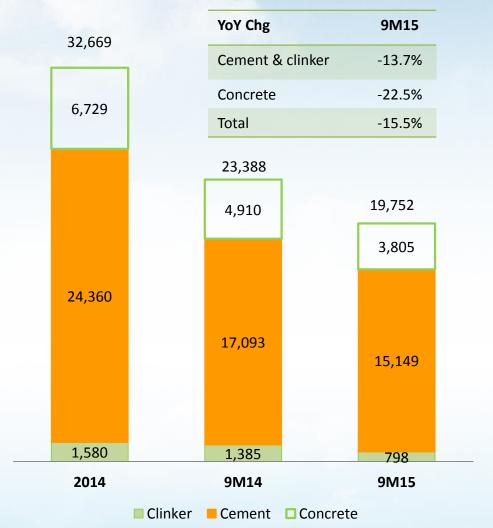
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(HK\$)

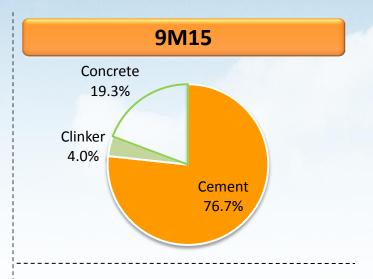


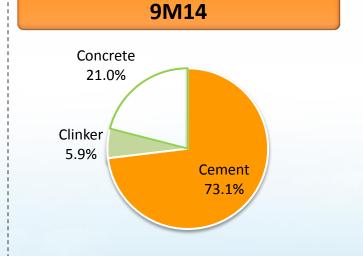
Turnover by Product

(HK\$ million)









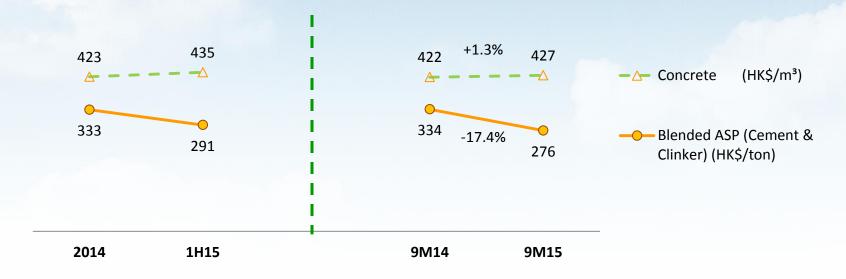
Sales Volume by Product





Average Selling Price





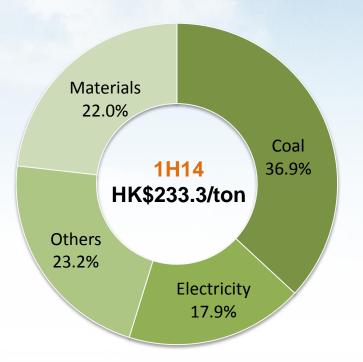
Cement ASP (HK\$/ton)	2014	9M14	9M15	YoY
Guangdong	373	374	300	-19.6%
Guangxi	321	317	282	-10.9%
Fujian	309	320	254	-20.7%
Hainan	403	414	323	-22.1%
Shanxi	209	213	179	-16.2%
Yunnan	285	296	250	-15.7%
Guizhou*	266	264	205	-22.2%

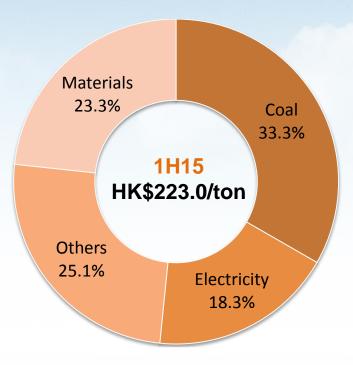
^{*}Operation in Guizhou started in Jul 2014

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Cost Structure of Cement Products

(HK\$/ton)

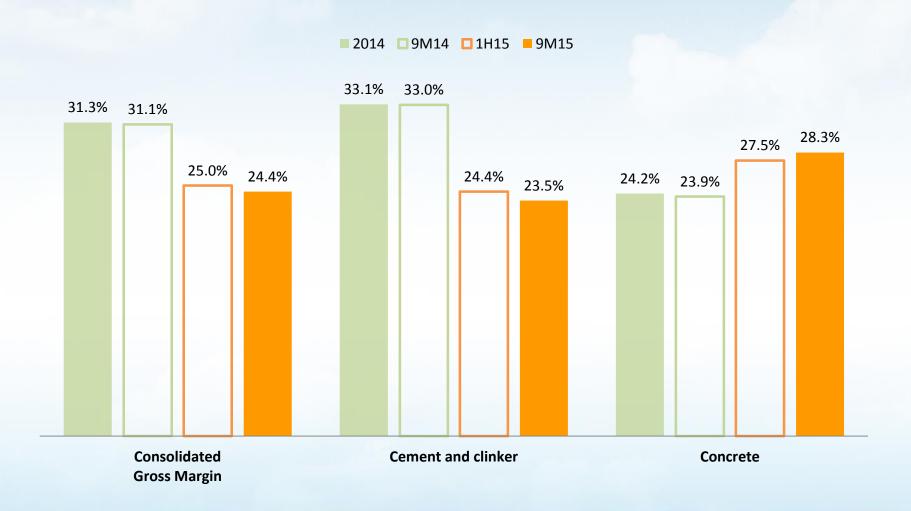




(HK\$/ton)	1H14	1H15	YoY
Coal	86.1	74.4	-13.6%
Electricity	41.7	40.7	-2.4%
Materials	51.4	51.8	+1.0%
Others	54.1	56.1	+3.7%
Total	233.3	223.0	-4.4%

Gross Margin by Product

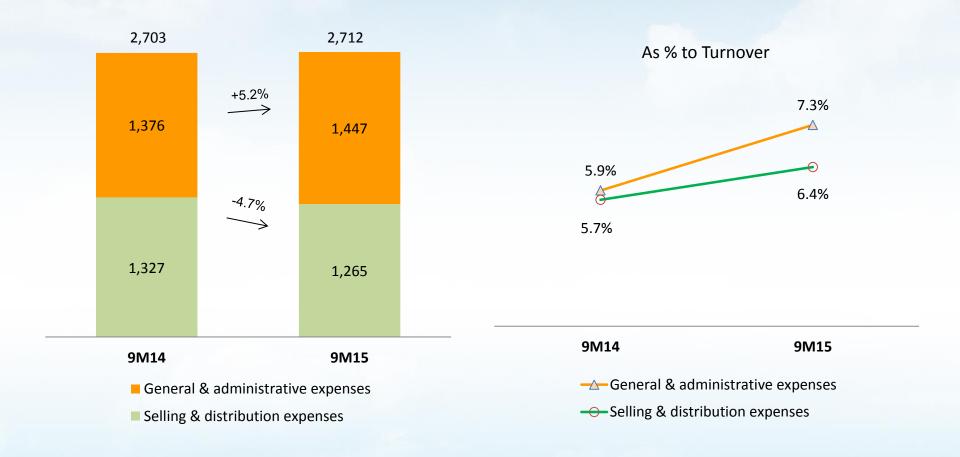




Selling, General & Administrative Expenses



(HK\$ million)



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Finance Costs & Exchange Loss

(HK\$ million)



Taxation



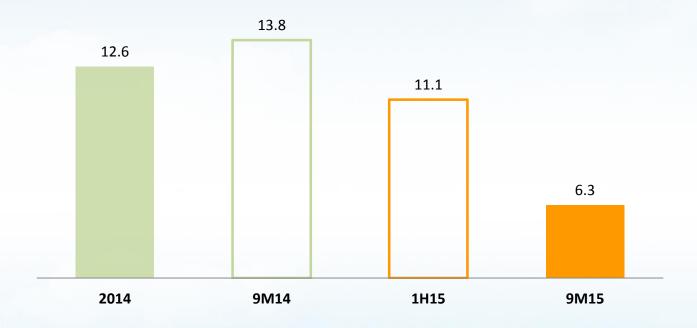
	9M14	9M15	YoY
Taxation (HK\$ million)	1,093	(21)	-101.9%
Effective tax rate (excluding the results of associates and joint ventures, tax reversal and the non-deductible exchange loss)	19.9%	26.3%	+6.4ppt

An amount of HK\$499.4 million representing the over-provision of enterprise income tax that was previously provided at 25% for the period from 1 January 2013 to 30 September 2014 was therefore reversed and included in taxation for the Period.

Profitability



Net Margin (%)



Note: Net Margin = Net Profit/Turnover

Financial Position



(HK\$ million)	31 Dec 2014	30 Sep 2015	Change
Cash and bank balances	4,148	3,683	-11.2%
Total assets	57,537	55,360	-3.8%
Net borrowings	16,113	16,264	+0.9%
Net gearing ratio	57.2%	59.6%	+2.4ppt
Net assets per share (HK\$)	4.31	4.18	-3.0%

Note:

- 1. Net borrowings equal to total borrowings and unsecured bonds less cash and bank balances and pledged bank deposits.
- 2. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.
- 3. Net assets per share is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the relevant reporting period.





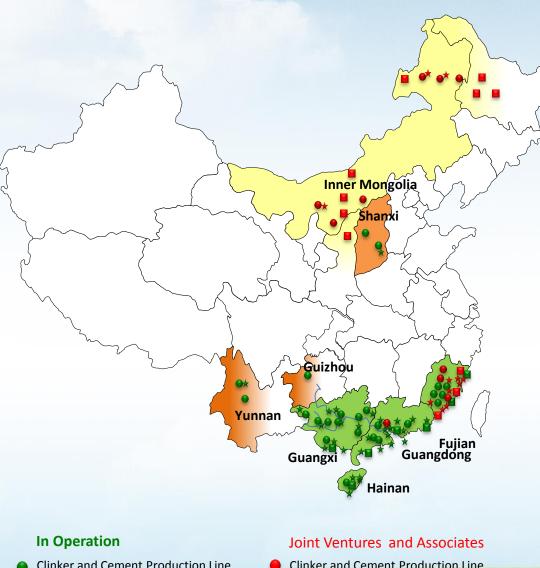
(HK\$ million)	30 Jun 2014	30 Jun 2015	Change
Net cash generated from operating activities	2,236	1,184	-47.0%
Net cash used in investing activities	(1,817)	(745)	-59.0%
Net cash used in financing activities	(660)	(1,528)	+131.7%
Net increase in cash and cash equivalents for the period	(241)	(1,089)	+352.3%
Cash and cash equivalent at end of the period	2,555	3,058	+19.7%

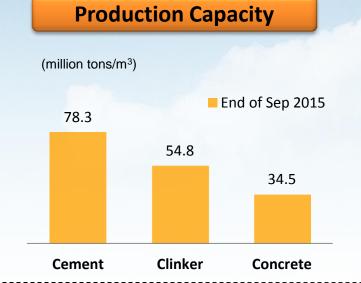
Total payment for capital expenditure of the Group in 1H15 was HK\$1,530 million. It is expected to be approximately HK\$2,392 million in 2H15.

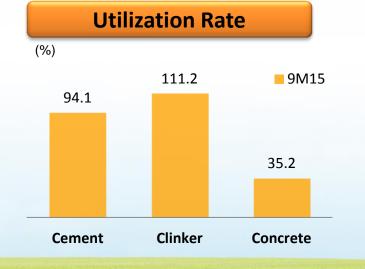


Production Capacity (As at 30 Sep 2015)







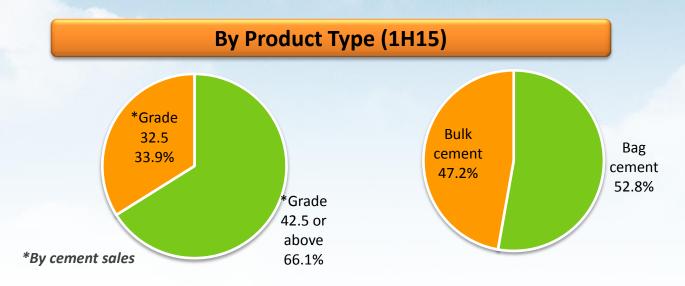


- **Cement Grinding Line**
- **Concrete Batching Plant**

- **Clinker and Cement Production Line**
- **Cement Grinding Line**
- **Concrete Batching Plant**

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Breakdown of Cement Sales Volume



By Region (9M15)

Region	million tons	YoY	As % of total
Guangdong	22.0	+6.1%	40.8%
Guangxi	15.5	+11.6%	28.6%
Fujian	5.8	-7.9%	10.8%
Hainan	3.6	-1.2%	6.6%
Shanxi	2.4	-18.7%	4.5%
Yunnan	3.3	+31.1%	6.1%
Guizhou*	1.4	+699.4%	2.6%

^{*}Note: Operation in Guizhou started in Jul 2014

Energy Consumption in 1H15





- Average coal cost per clinker produced decreased by 14.4% to HK\$90.1/ton
- The reduced electricity consumption resulted in a cost saving of approx. HK\$51.8 million in 1H15
- Residual heat recovery generators 31.1% of required electricity consumption, representing a cost saving of approx. HK\$563.3 million in 1H15

Cost Control



- In 1H15, the Group purchased 4.4 million tons of coal, increased by 4.7% yoy.
- Approximately 68%, 20% and 12% were sourced from northern China, neighboring areas of our plants and Australia respectively.
- ➤ The proportion of the Group's direct coal procurement from coal suppliers was approximately 66%.

Coal Procurement



Logistics Management

- As at 30 Jun 2015, through owning of vessels and tendering for shipping services, the Group has secured 726,000 tons of shipping capacity on the Xijiang River, with annual shipping capacity of about 32.5 million tons.
- The Group has controlled the operation of 58 silo terminals (mainly in the Pearl River Delta region of Guangdong) with an annual capacity of 38.7 million tons.

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Safety and Environmental Protection

Safety, Energy saving and Emission reduction

- All clinker production lines completed technological upgrade on denitrogenation and the Group's emission level of nitrogen oxides is better than the national standards of 400mg/Nm³.
- The emission levels of **particulate matters** for all production plants are in compliance with the national standard of 30mg/Nm³.
 - As of 30 Jun 2015, 30 clinker production lines were equipped with bag filter systems.
 - The remaining 11 clinker production lines are expected to complete technological upgrade by the end of 2016.

Award and Recognition by industry and general public

- China Resources Cement (Pingnan) Limited and China Resources Cement (Tianyang) Limited were awarded the "One Hundred Energy-Saving Model Enterprises" by the China Building Materials Federation among the building materials industry.
- ➤ China Resources Cement (Fengkai) Limited was awarded the medal and certificate of the "Environmental Protection Model Enterprise of Large-Scale Cement Group in China" by the China Cement Association.



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Government Keynote Policy

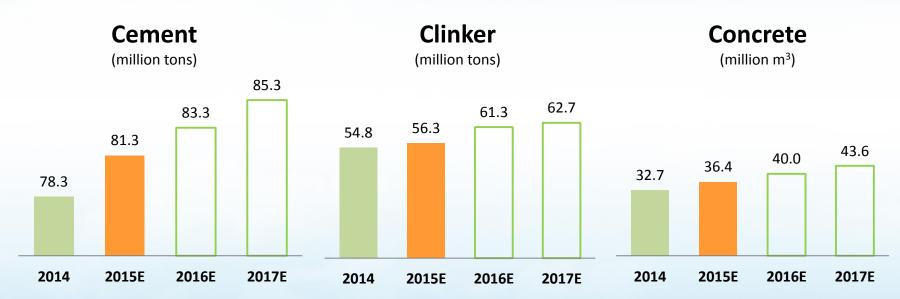


Strategies and Prospects



- 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.
- Promoting lean management for cost reduction and efficiency enhancement, improving product quality, energy saving and emission reduction, impelling the urban waste co-processing, promoting green development and contributing to the 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

CR Cement's Production Capacity



(As at 30 Sep 2015)

Controlled by the Group

	Cen	Cement		ıker	Conc	rete
Province/AR/SAR	No. of lines	million tons	No. of lines	million tons	No. of plants	million m ³
Guangdong	21	19.5	7	9.4	26	15.9
Guangxi	35	31.2	17	25.0	20	11.8
Fujian	14	10.1	6	7.0	-	-
Hainan	5	4.4	3	3.3	5	3.0
Shanxi	6	6.0	3	4.6	1	0.6
Yunnan	7	5.1	4	3.9	1	0.6
Guizhou	2	2.0	1	1.6	-	-
Zhejiang	-	-	-	-	2	1.1
Hong Kong	-	-	-	-	3	1.5
Total	90	78.3	41	54.8	58	34.5

Controlled by associates and joint ventures

Total	48	33.5	18	22.4	15	7.4
Attributable	-	11.1	-	7.4	-	3.4

The capacity held by associates and joint ventures are mainly located in Guangdong, Fujian and Inner Mongolia.



Our mission is to provide customers with quality products and services, promote innovation, lead green development in the industry and build an everlasting business.



Appendix

Investor Relations Contact

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E-mail: crcement@crc.com.hk

Address: China Resources Cement Holdings Limited, Room 4608-08, China Resources Building, 26

Harbour Road, Wanchai, Hong Kong





CR Cement - "3+2" Development Strategy



Financial Summary



(HK\$ million)	2014	2013	2012	2011	2010
Turnover	32,668.9	29,340.6	25,345.3	23,240.0	14,141.5
EBITDA	8,285.2	6,698.1	5,235.5	6,633.7	3,346.8
Profit attributable to owners of the Company	4,206.4	3,338.4	2,324.4	4,179.0	2,040.8
Basic earnings per share (HK\$)	0.644	0.512	0.357	0.641	0.313
Total Assets	57,537.1	54,179.7	52,159.1	50,579.7	35,327.9
Equity attributable to owners of the Company	28,179.9	24,820.9	21,375.7	19,298.7	14,776.3
Net borrowings	16,112.7	17,618.1	18,641.9	17,625.5	9,095.7
Net assets per share (HK\$)	4.31	3.80	3.28	2.96	2.27

Note:

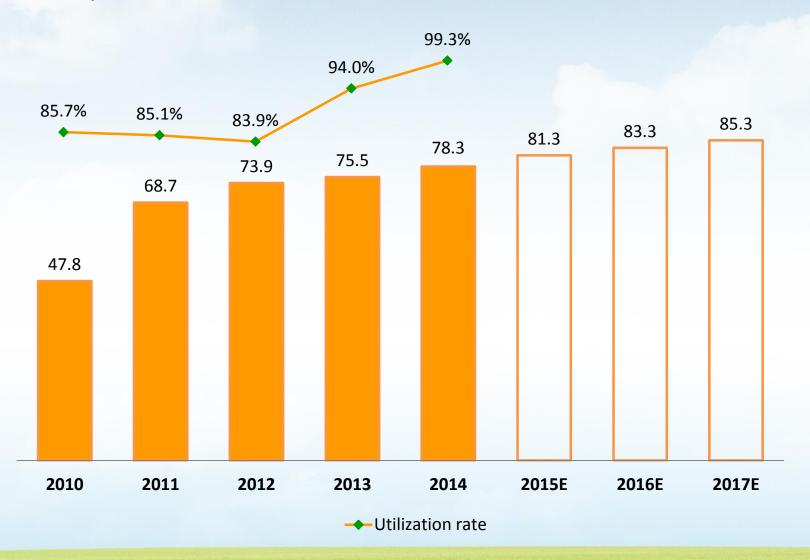
^{1.} Net borrowings equal to total indebtedness less cash and bank balances and pledged bank deposits.

^{2.} Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the year.

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Cement capacity

(million tons)



CAPEX

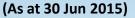
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(HK\$ million)

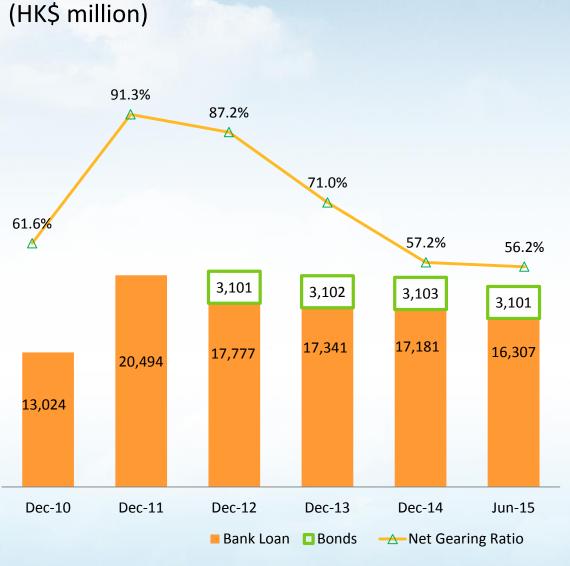


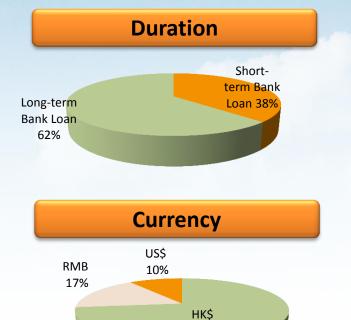
Debt Structure





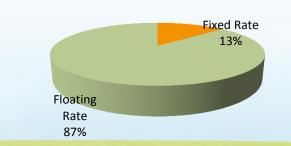








73%



Note:

- 1. Net borrowings equal to total bank borrowings and unsecured bonds less cash and bank balances and pledged bank deposits.
- 2. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.



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