



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

2012 Annual Results Presentation

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Agenda



華潤水泥控股有限公司
China Resources Cement Holdings Limited

-  **Corporate Overview**
-  **Financial Review**
-  **Operational Review**
-  **Outlook & Prospects**
-  **Q & A**
-  **Appendix**

Corporate Overview



2012 Annual Results



華潤水泥控股有限公司
China Resources Cement Holdings Limited

Turnover

HK\$25,345.3 million

+9.1%

EPS

HK\$0.357

Profit

attributable to owners of the Company

HK\$2,324.4 million

-44.4%

Dividend

At 31 December

2012 **HK\$0.07** per share

2011 **HK\$0.06** per share

Overview



華潤水泥控股有限公司

China Resources Cement Holdings Limited

Subsidiary of CR Group

one of 7 **Strategic Business Units** of
China Resources Group (holding 73.34% of issued shares)

Leading Position

Largest cement and concrete producer in Southern China
cement & clinker sales achieved **28%** growth to 65 million tons

Strategic Expansion

Persistent to **3+2** development strategy
Entering **Guizhou** through acquisition

Social Responsibility

Breakthrough in **Circular Economy**
Promoting environmental protection including **Denitrogenation**

Business Environment – Demand

Macro economy in 2012

	National	CR Cement's operating area	
		Southern China	Shanxi
GDP	+7.8%	+8.2% to +13.0%	+10.1%
FAI	+20.3% to 37.5 trillion	+24.4% to +33.1% except Guangdong +15.5%	+24.5%

Business Environment in 2012

Government's attitude	<p>“Steady Growth” economic policies – national economy showed a stable and recovery trend, with an urbanization rate of 52.6%, +1.3 percentage point</p>
Railway	<p>Investment rebounded quickly</p> <p>FAI +6.8% to RMB631 billion (among which, infrastructure was RMB520 billion)</p> <p>Targets investment of RMB650 billion for 2013 (among which, infrastructure was RMB520 billion)</p>
Water conservancy	<p>+24.7% to RMB430 billion</p> <p>Priority in national infrastructure construction</p> <p>Total investment will reach RMB1.8 trillion during the Twelfth-Five Year period</p>
Property	<p>Steady development – Real estate investment +16.2% to RMB7.2 trillion; total area of properties completed +7.3% to 994 million m²</p> <p>Affordable Homes – Construction has been sped up, with 7.8 million units being newly commenced and 6 million units being completed</p> <p>Will commence the construction of 6 million units and complete 4.6 million units in 2013</p>

Business Environment – Supply

	National	CR Cement's operating area	
		Southern China	Shanxi
Cement production for 2012	2.21 billion tons +5.7%	379.0 million tons +13.1% to +17.2% except Guangdong at +3.2%	47.2 million tons +23.9%
New clinker production capacity released in 2012	124 lines with 160 million tons -21.9%	26 lines with 32 million tons -20.8%	9 lines with 9.1 million tons -9.3%
A decreasing trend of production capacity growth became more apparent over recent years			
Obsolete capacity to be eliminated in 2012	280.0 million tons	43.9 million tons	24.0 million tons
Total clinker capacity at the end of 2012	1.6 billion tons	276.5 million tons	55.3 million tons

Financial Review



Financial Highlights



華潤水泥控股有限公司
China Resources Cement Holdings Limited

	2011	2012	Change
Turnover (HK\$ million)	23,240.0	25,345.3	+9.1%
EBITDA (HK\$ million)	6,633.7	5,235.5	-21.1%
Profit attributable to owners of the Company (HK\$ million)	4,179.0	2,324.4	-44.4%
Basic earnings per share (HK\$)	0.641	0.357	

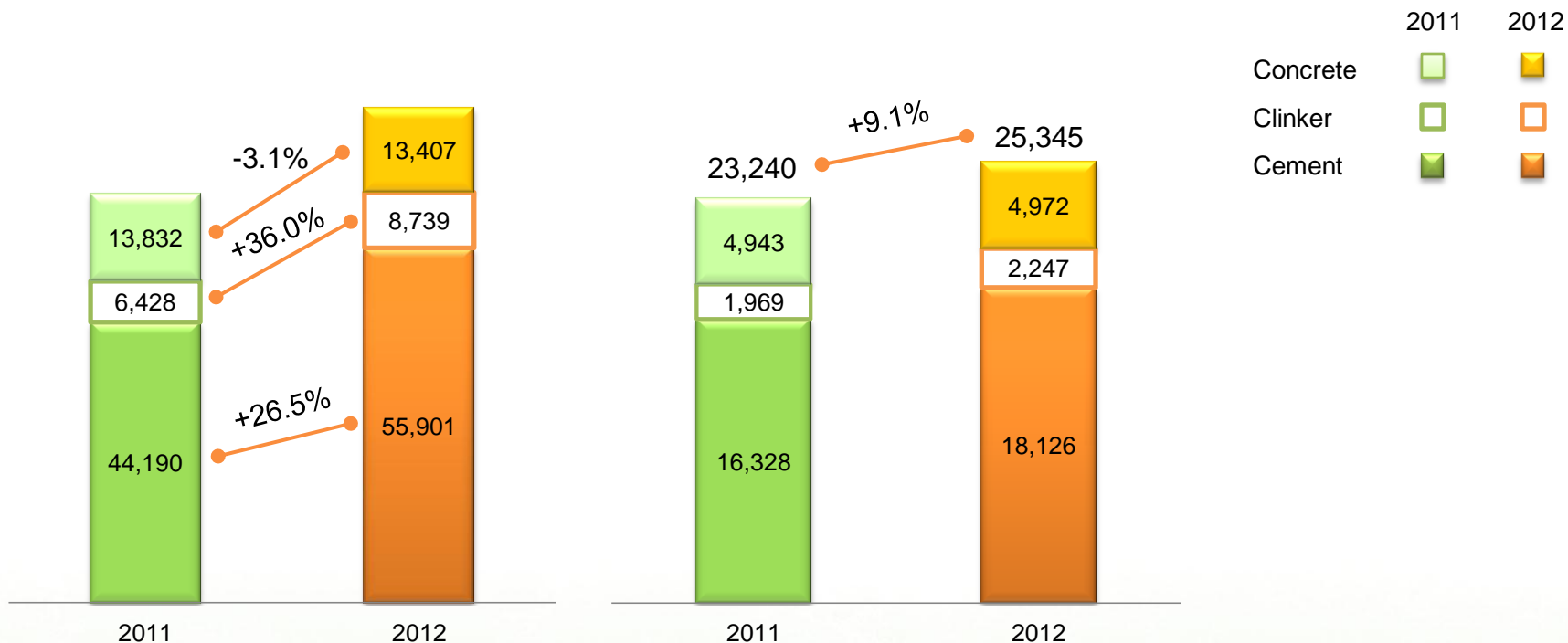
Increased Sales Volume & Turnover



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China Resources Cement Holdings Limited

Sales Volume
(^{'000} tons/m³)

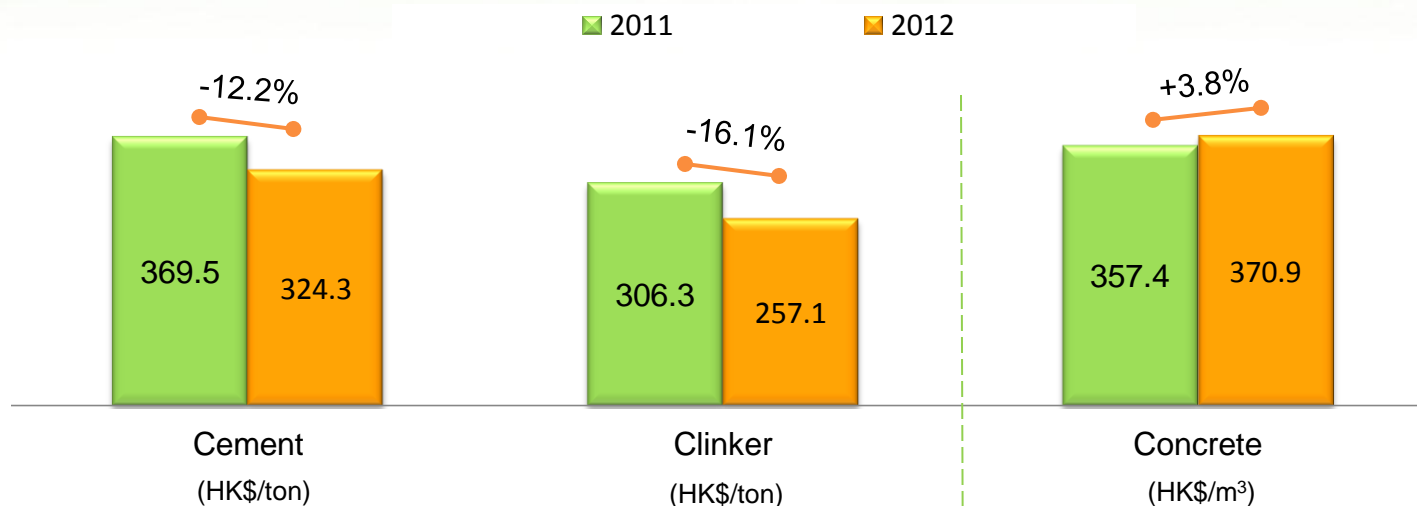
Turnover
(HK\$ million)



Average Selling Price



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China Resources Cement Holdings Limited



Cement & Clinker

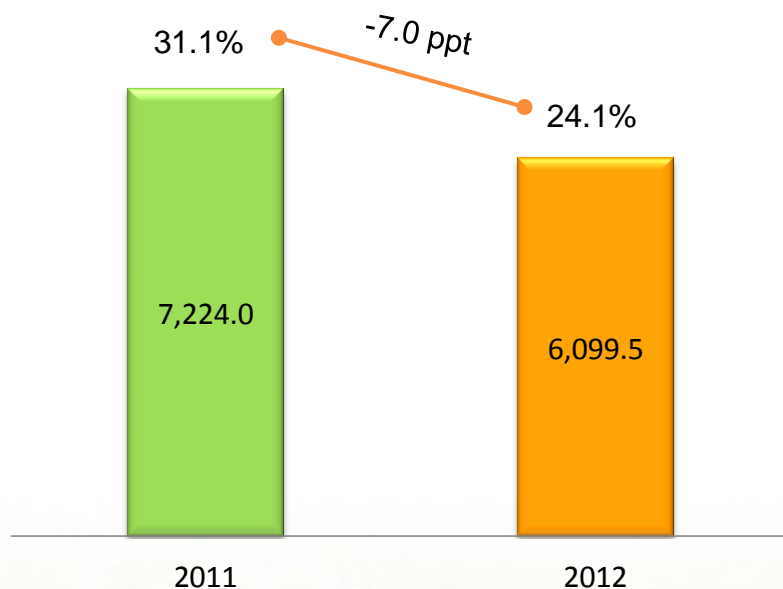
- From Jan to Aug: selling prices of cement products continued to slide due to the slowdown of economy and construction activities in China
- From Jul: cement inventory level commenced to decline due to strong sales
- From Sep: cement prices started to rebound when the cement market in Southern China entered the normal peak season and when the governmental policies to stabilize the economy had come into effect

Concrete

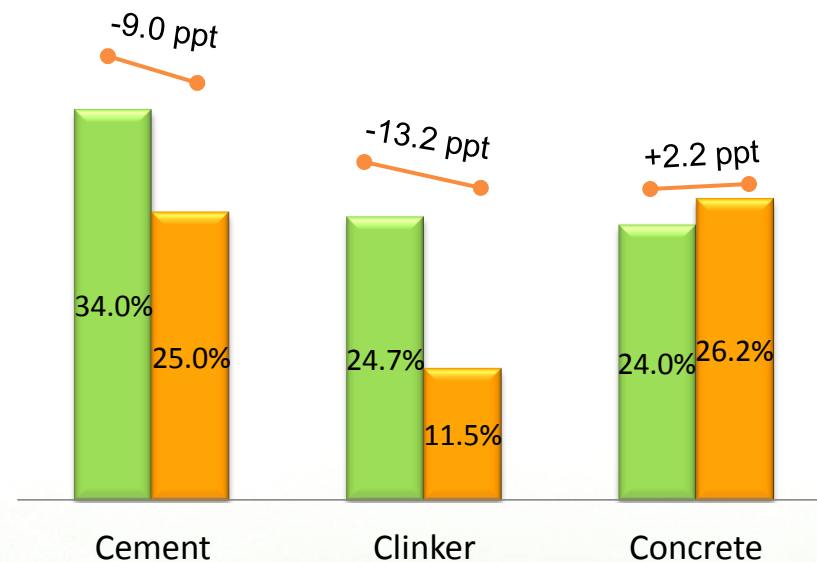
- The selling price was relatively stable throughout the year

Gross Profit & Margin

Consolidated Gross Profit (HK\$ million)
and Consolidated Gross Margin (%)



Gross Margin by Product



■ 2011

■ 2012

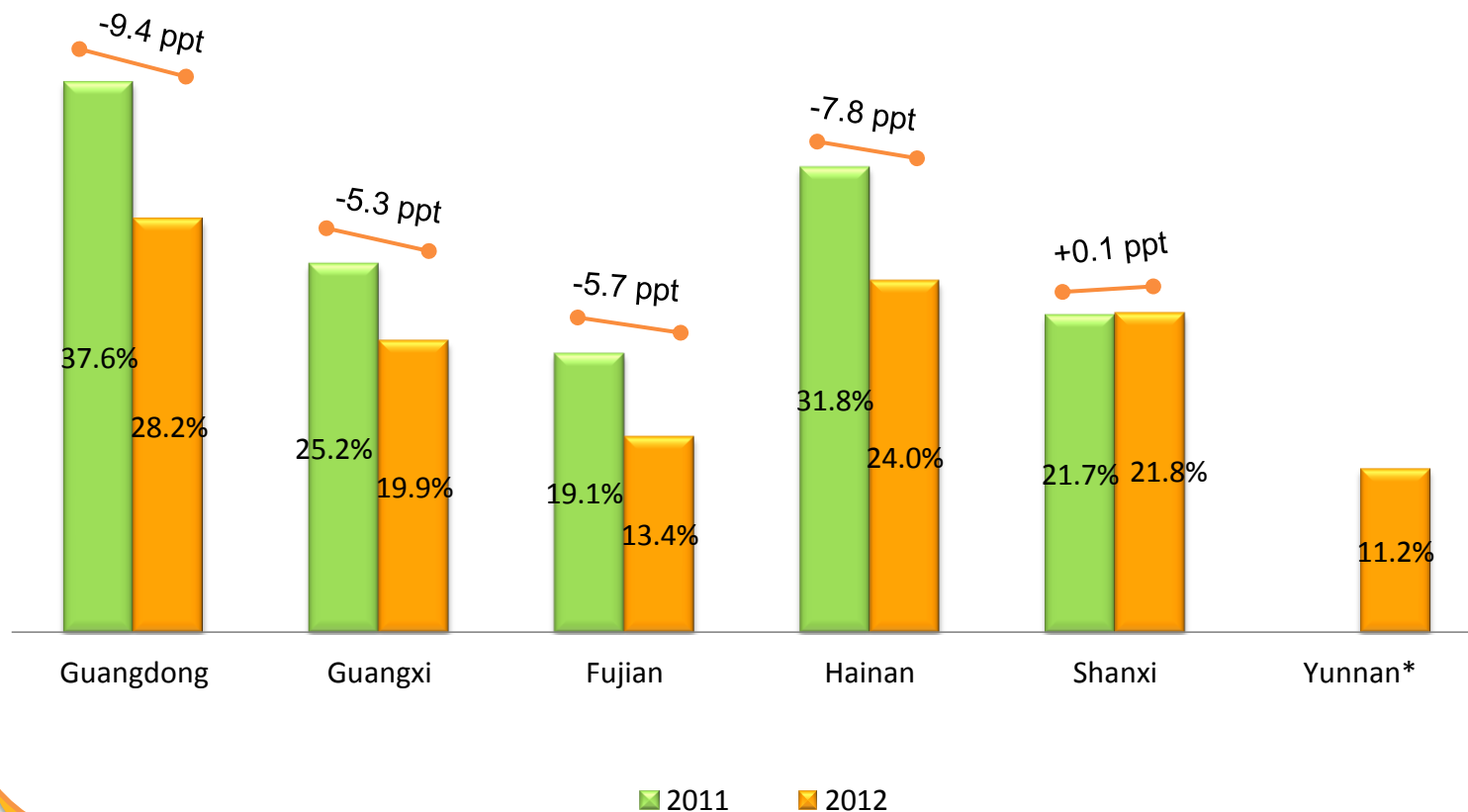
— Gross margin

Gross Margin



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China Resources Cement Holdings Limited

Gross Margin of Cement Products by Province

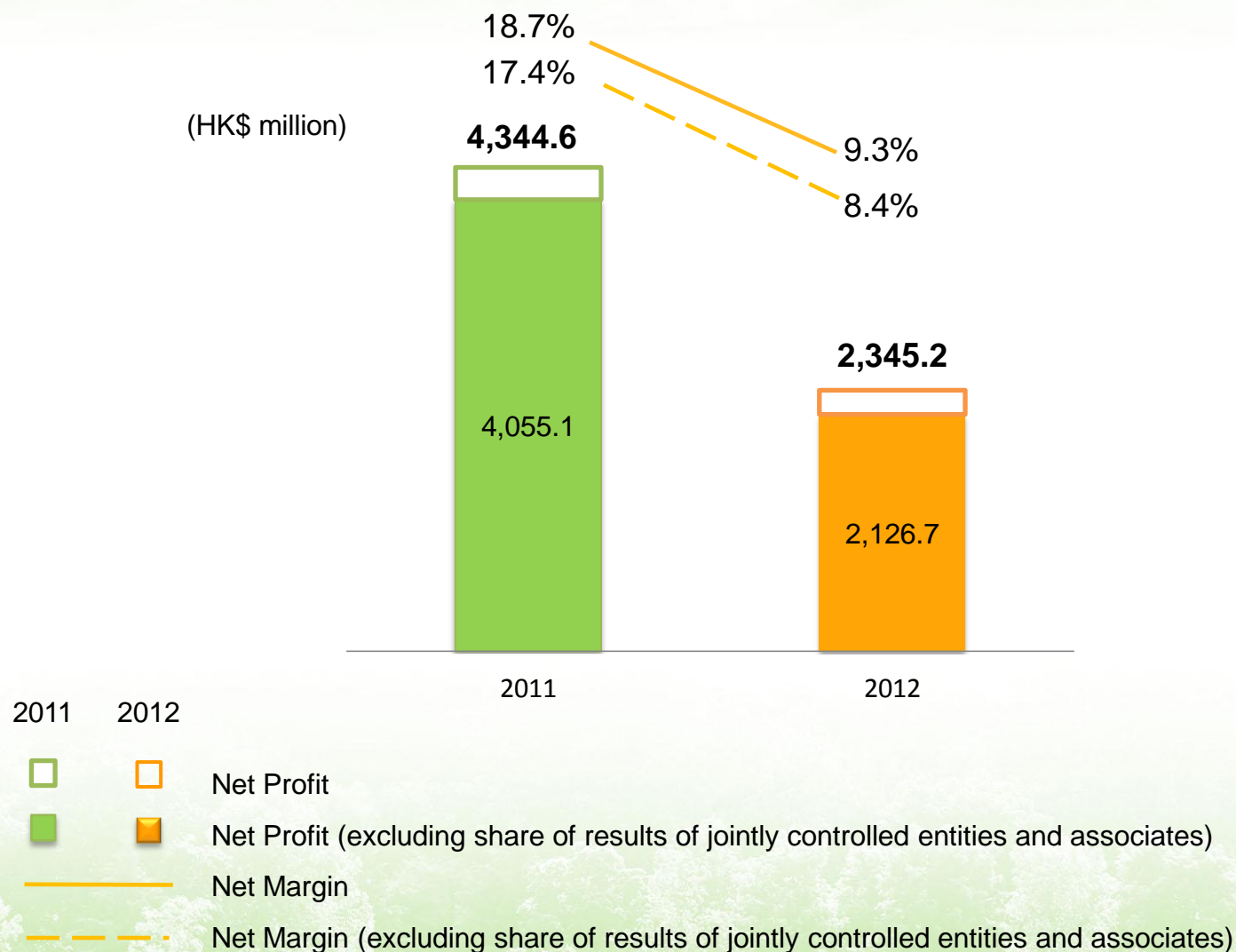


* Entered Yunnan market through acquisition in Dec 2011

Net Profit & Net Margin



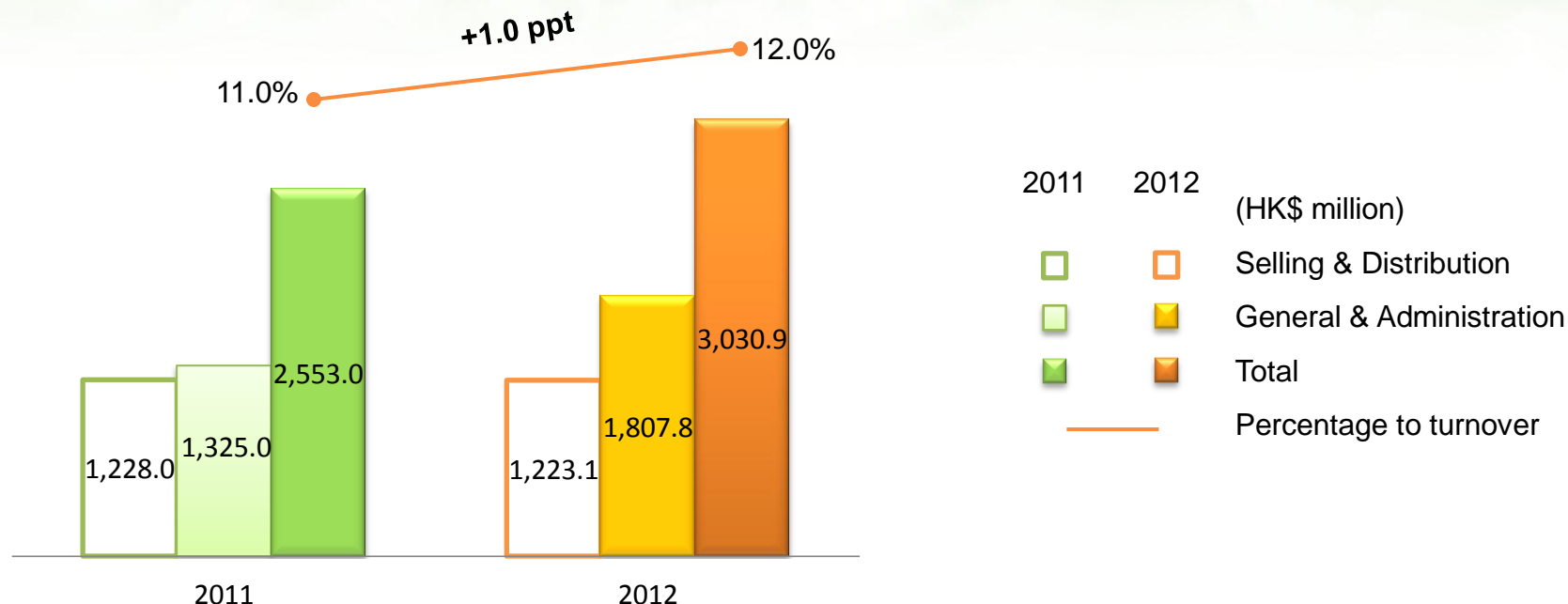
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China Resources Cement Holdings Limited



Selling, General & Administration Expenses



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China Resources Cement Holdings Limited



Lower selling & distribution expense due to:

- Improved logistics management

General & administrative expenses increased due to:

- Expanded operations (capacity and sales volume increases) and increase in staff costs
- General and administrative staff costs increased by \$167.3 million due to a general pay raise of 5% to 15%, additional payments under the Long Term Award Scheme and extra performance bonus paid to employees in respect of the outstanding performance of the Group in 2011

Tax Rate

	2011	2012	Change
Effective tax rate	11.4%	18.4%	+7.0 ppt
Effective tax rate (excluding the results of jointly controlled entities and associates)	12.2%	19.9%	+7.7 ppt

The increase was because:

- Tax holidays previously enjoyed by certain subsidiaries have been fully utilized and a higher portion of the profit was generated from subsidiaries which were subject to the Chinese Mainland Enterprise Income Tax at the rate of 25%

Financial Position

	31 Dec 2011	31 Dec 2012	Change
Total assets (HK\$ million)	50,579.7	52,159.1	+3.1%
Net borrowings (HK\$ million)	17,625.5	18,641.9	+5.8%
Net gearing ratio	91.3%	87.2%	N/A
Net assets per share (HK\$)	2.96	3.28	+10.8%

Cash Flows

(HK\$ million)	31 Dec 2011	31 Dec 2012	Change
Net cash generated from operating activities	5,150.8	4,304.7	-16.4%
Net cash used in investing activities	(13,290.3)	(4,499.5)	-66.1%
Net cash generated from financing activities	7,571.2	20.2	-99.7%
Net decrease in cash and cash equivalents for the year	(568.3)	(174.6)	
Cash and cash equivalent at end of the year	3,737.8	3,561.9	-4.7%

Operational Review

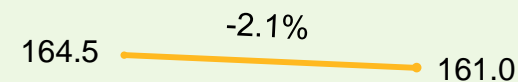




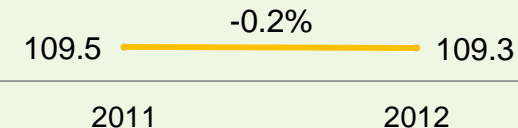
Improved Coal Consumption

- Average price of coal purchased decreased 7.0% to HK\$795/ton (2011: HK\$855/ton)
- Better coal quality with average thermal value increased by 3.7%
- Standard coal consumption improved slightly to 109.3 kg/ton of clinker
- Average coal cost of production decreased 9.0% to HK\$128.1 per ton of clinker due to the decrease in coal price and improved coal consumption
- Coal cost represented approximately 43.2% of the cost of sales of cement

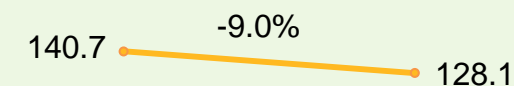
Unit coal consumption
(kg/ton of clinker)



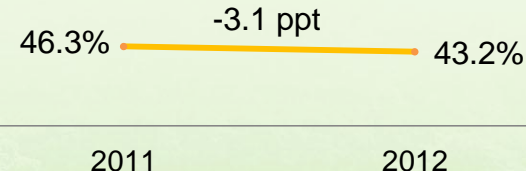
Standard coal consumption
(kg/ton of clinker)



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



Percentage to the cost of sales of cement

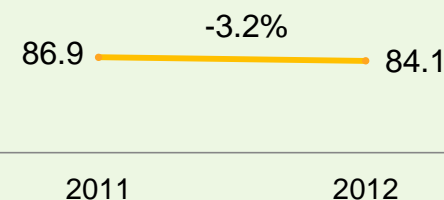




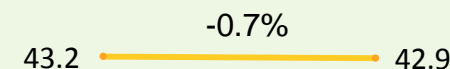
Reduced Electricity Consumption

- Reduced electricity consumption represents a cost saving of approximately HK\$116.9 million (2011: HK\$57.0 million)
 - Residual heat recovery generators performed satisfactorily and generated 32.7% more of electricity
 - Provided approximately 27.9% (2011: 25.0%) of required electricity consumption, representing a cost saving of approximately HK\$945.0 million (2011: HK\$677.2 million)
- Average electricity cost decreased by 0.7% to HK\$42.9/ton of cement due to savings on electricity consumption
- Electricity cost represented approximately 17.6% of the cost of sales of cement

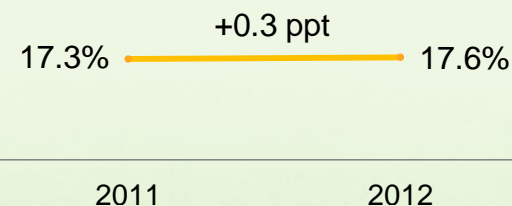
Electricity consumption
(kwh/ton of cement)



Average electricity cost
(HK\$/ton of cement)



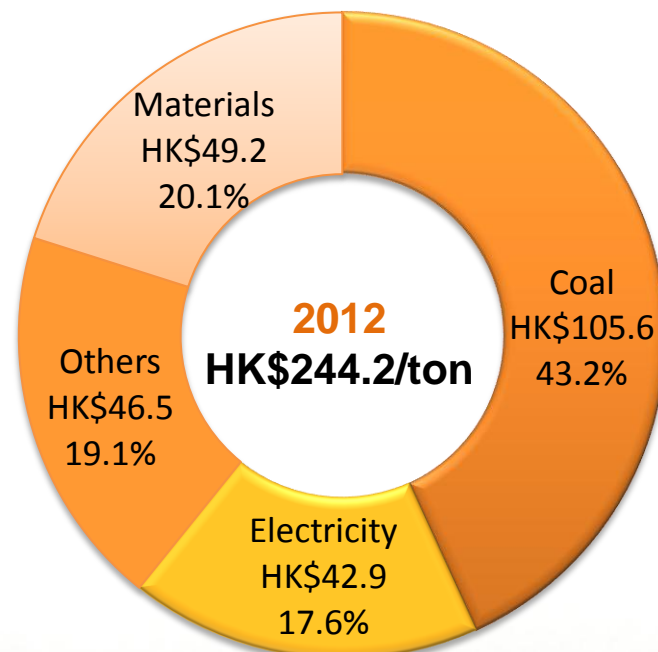
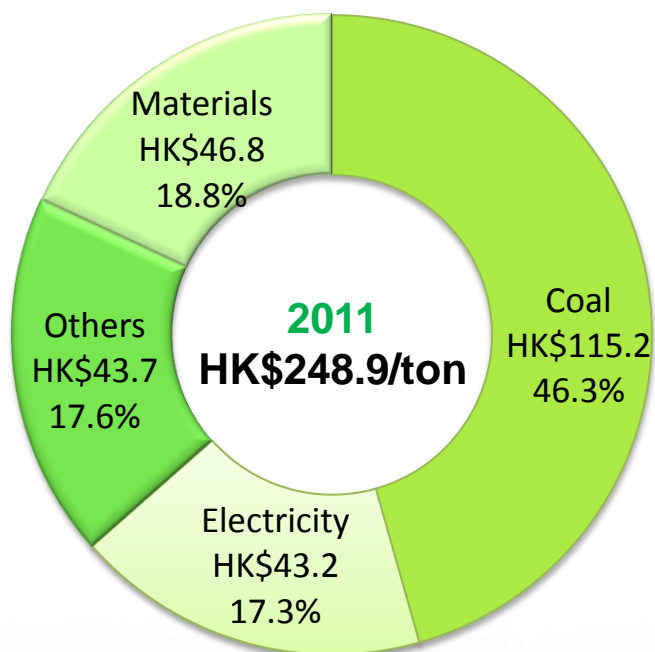
Percentage to the cost of sales of cement



Cost Structure of Cement Products



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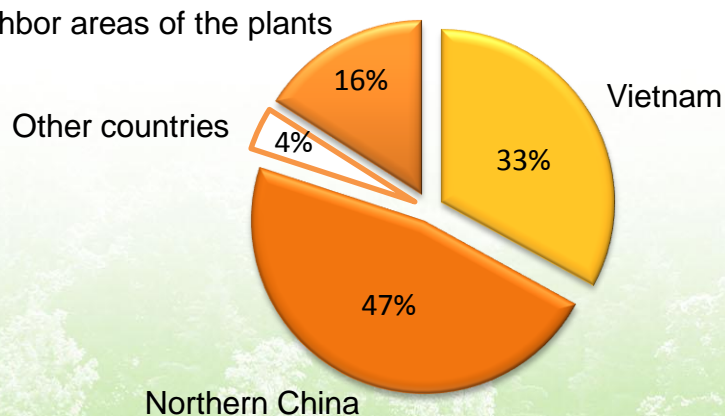


Cost Control

Coal Procurement Management

- Ensure steady supply and reduce the cost of procurement:
 - ✓ Accomplished the unification of procurement, centralized transportation and inventory management
 - ✓ Reduced procurement [of more expensive coal] from Vietnam to 33% (FY 2011: 45%)
 - ✓ Expanded channels of procurement and formed strategic partnerships with major coal producers

Coal Procurement in 2012



Effective Logistics Management

- Adoption of multiple logistics methods to secure supplies and reduce costs:
 - ✓ Secured 320,000 tons of shipping capacities on the Xijiang River through tendering
 - ✓ Possesses 76 vessels with annual shipping capacity of 4.4 million tons via a 49%-owned subsidiary Guangxi Rungui Water Transportation Limited
 - ✓ Operated a total of 35 silo terminals (2011: 32) along the Xijiang River and its tributaries (mainly in Guangdong Pearl River Delta region) with an annual transshipment capacity of 26.0 million tons (2011: 20.0 million tons)
 - ✓ Retained a daily automotive transportation capacity of 60,000 tons in the Pearl River Delta region

Annual Production Capacity

As at 31 Dec 2012



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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	21	12.7
Guangxi	35	31.1	17	25.0	16	9.8
Fujian	14	10.9	6	6.8	10	5.7
Hainan	4	4.0	3	3.3	3	1.8
Shanxi	7	5.0	4	3.4	1	0.6
Yunnan	5	4.0	3	2.3	-	-
Zhejiang	-	-	-	-	2	1.1
Hong Kong	-	-	-	-	3	1.5
Total	85	73.9	40	50.2	56	33.2

Controlled by associates and jointly controlled entities

Mengxi (40.6% share)	24	15.1	9	10.8	-	-
Guangzhou JV (50% share)	8	8.1	2	3.7	1	0.5
Attributable	-	10.7	-	6.5	-	0.3

Outlook & Prospects

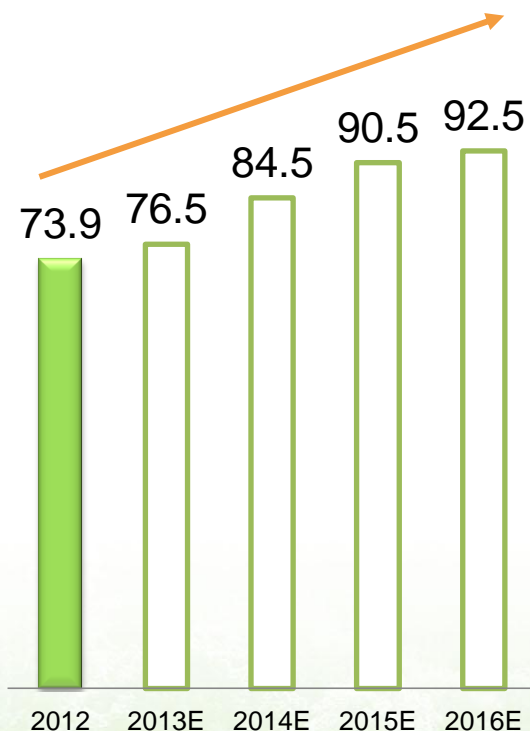




Capacity Expansion through Organic Growth

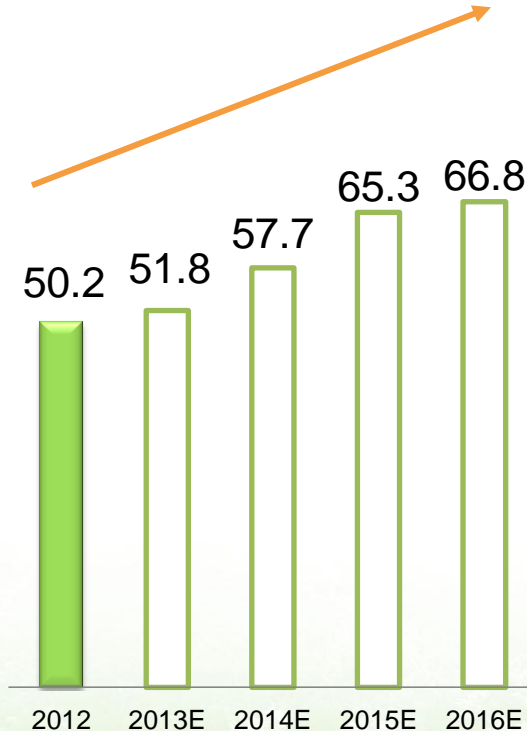
Cement

(million tons)



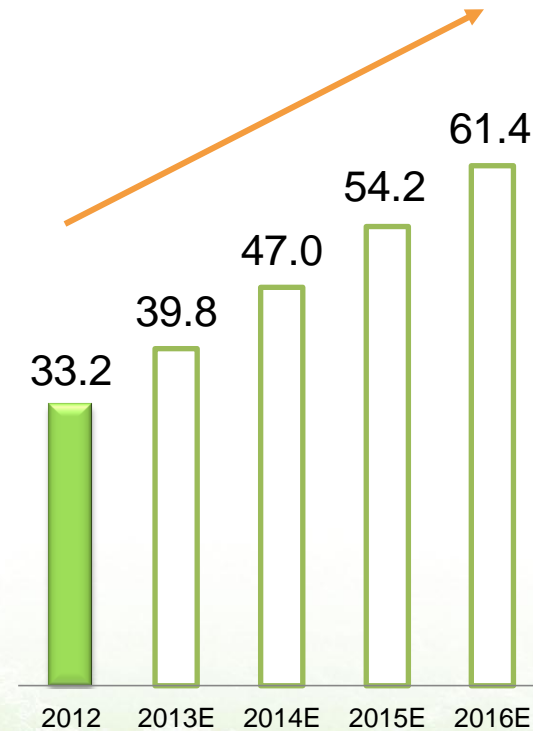
Clinker

(million tons)



Concrete

(million m³)



* Excluding the capacity held through equity interest in associates and jointly controlled entities



Our Goal in 2013

- Continue to persist in the “3+2” development strategy
- Enhance the efforts in M&A and self-constructed production capacities to increase market share in operating areas
- Continue to enhance the advantage of having the total lowest cost
- Strengthen the leading regional position

Q & A

Unremittingly devote towards the goal of

*Being the **Most Profitable, Best Managed & Most Respected Cement & Concrete Supplier** in China*



Appendix



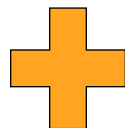
Development Strategy of Cement

– “3+2” Strategy



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3 Business Model



2 Competitive Strategies

Control of Resources

- The first priority of accessing to regional markets is good control and good choice on the quality of the limestone resources
- Abundant volume of limestone to support the production for 30 years or above
- Good quality with the CaO content of 50% or above
- Low disposal ratio
- Convenient location

Conversion of Resources

- Production facilities of high efficiency, environmental protection and green
- 100% production lines are NSP cement production lines
- 100% production lines are installed with residual heat recovery generators
- 100% production lines can consume industrial waste during production
- Our production management is standardized, according to CR Cement Corporate Management Manual

Distribution of Resources

- To build sophisticated logistics network including sales offices and silo terminals so as to lower the cost of logistics
- Advocate direct sales to lower the sales cost

Total Lowest Cost

- Set the industrial practice on cost management of the whole value chain to pursue the lowest-cost mode of investment and production
- Establish the core competitive advantage by having the lowest total cost

Leading in Regional Market

- To become the largest, best managed and most efficient leader with high pricing power in the areas we operate
- To achieve at least 25% market share in the areas we operate