



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

2014 Annual Results Presentation

March 2015



Agenda

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

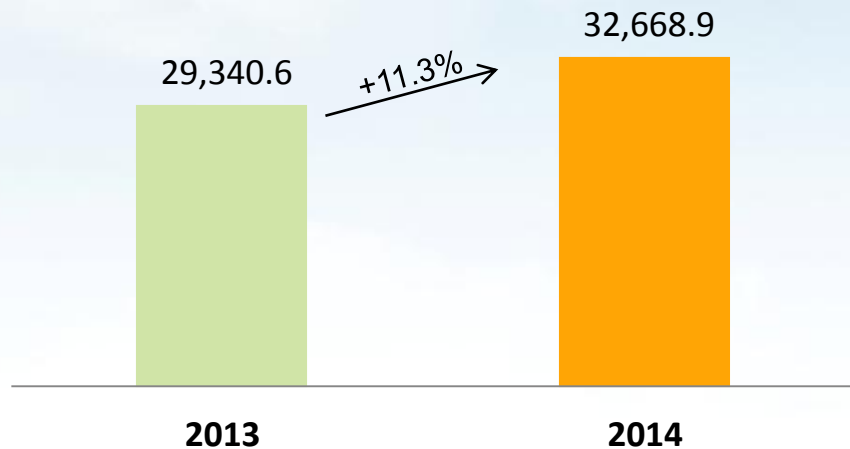
Corporate Overview



2014 Annual Results

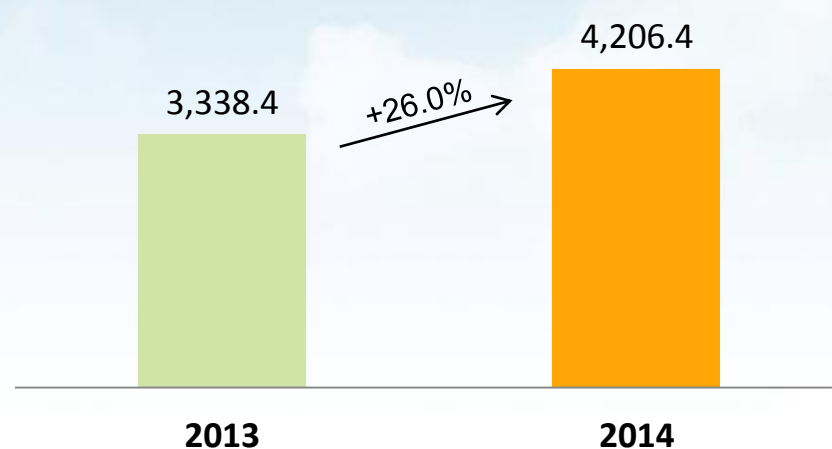
Turnover

(HK\$ million)



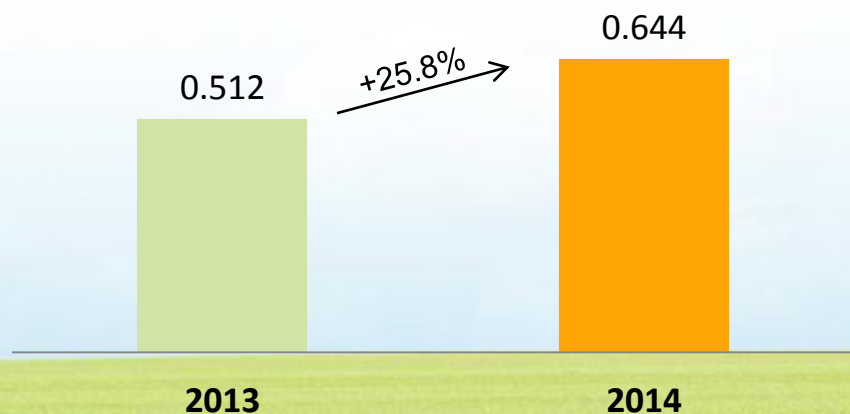
Profit attributable to owners of the Company

(HK\$ million)



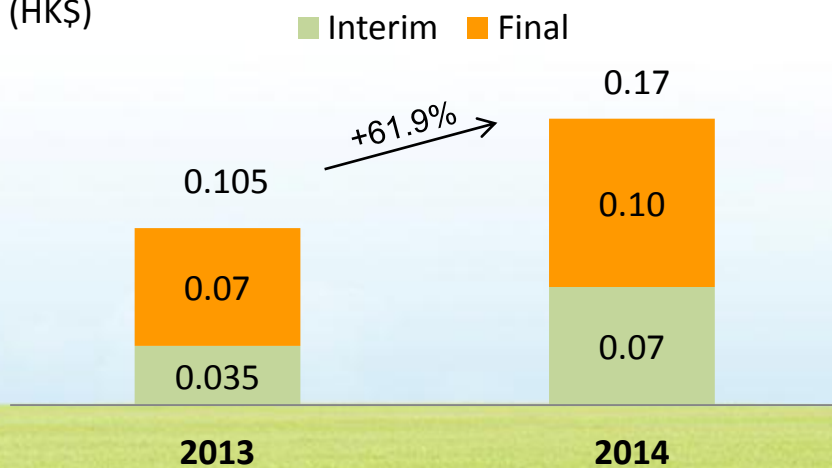
Earnings per share

(HK\$)



Dividend per share

(HK\$)



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 2014, we achieved sales volume of

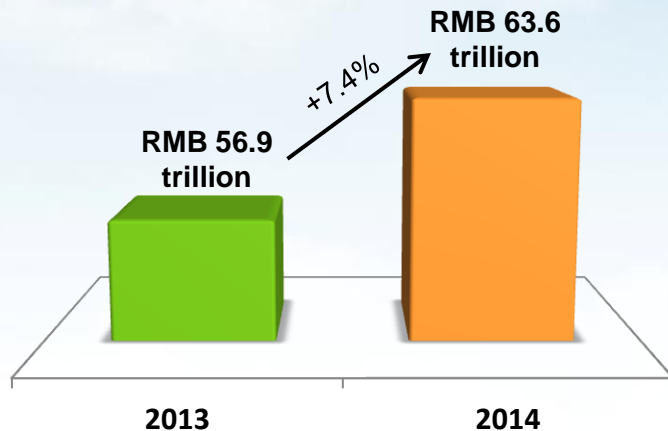
- Cement & Clinker: **77.9m tons**
- Concrete: **15.9m cubic meters**

Industry Overview

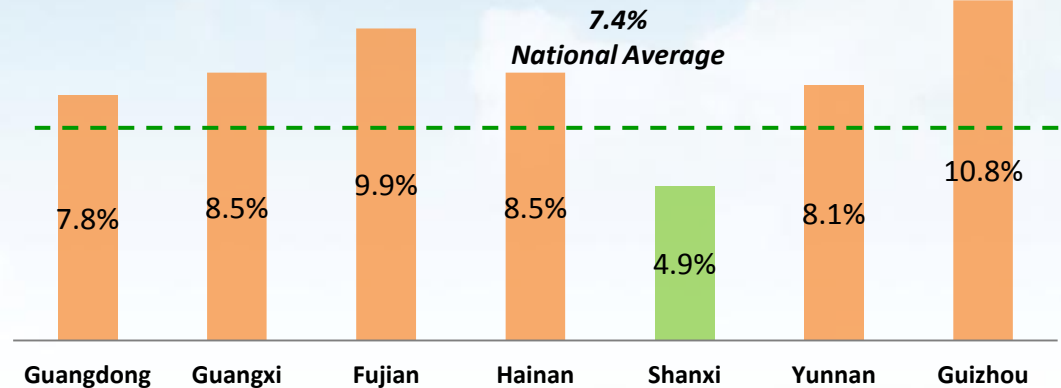


Steady Economic Growth

National GDP

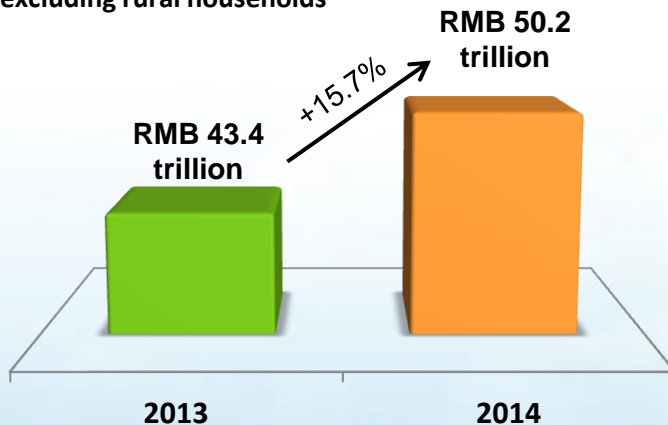


CRC's Operating Area (2014 GDP)

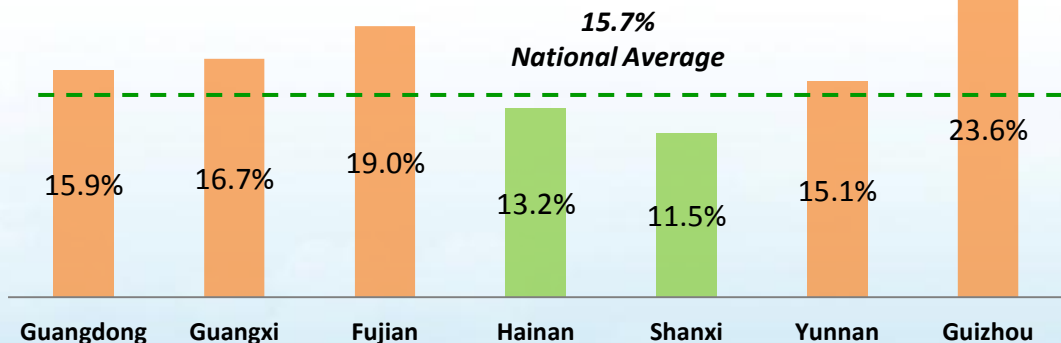


National FAI

excluding rural households



CRC's Operating Area (2014 FAI)



Cement Industry – Demand

- Infrastructure investment (excluding power supply): RMB 8.7 trillion in 2014, +21.5% yoy

Railway

- Investment : RMB808.8 billion, +21.8% yoy
- Operational length: +8,400 km to 112,000 km (more than 16,000 km are high-speed railways)
- The government aims to attract private capital investment and the first phase of fund raising was completed in September.

- Urban rail transit refers to subways, light rails, trams and other transportation facilities
- Investment: RMB220 billion, +40 billion yoy
- Coverage: 101 rail lines with over 3,100 km operating in 22 cities

Urban Rail Transit

Highway and Waterway

- Investment in highway : RMB1.4 trillion in 11M 2014, +13.1% yoy
- Investment in waterway: RMB 130 billion in 11M 2014, -5.6% yoy

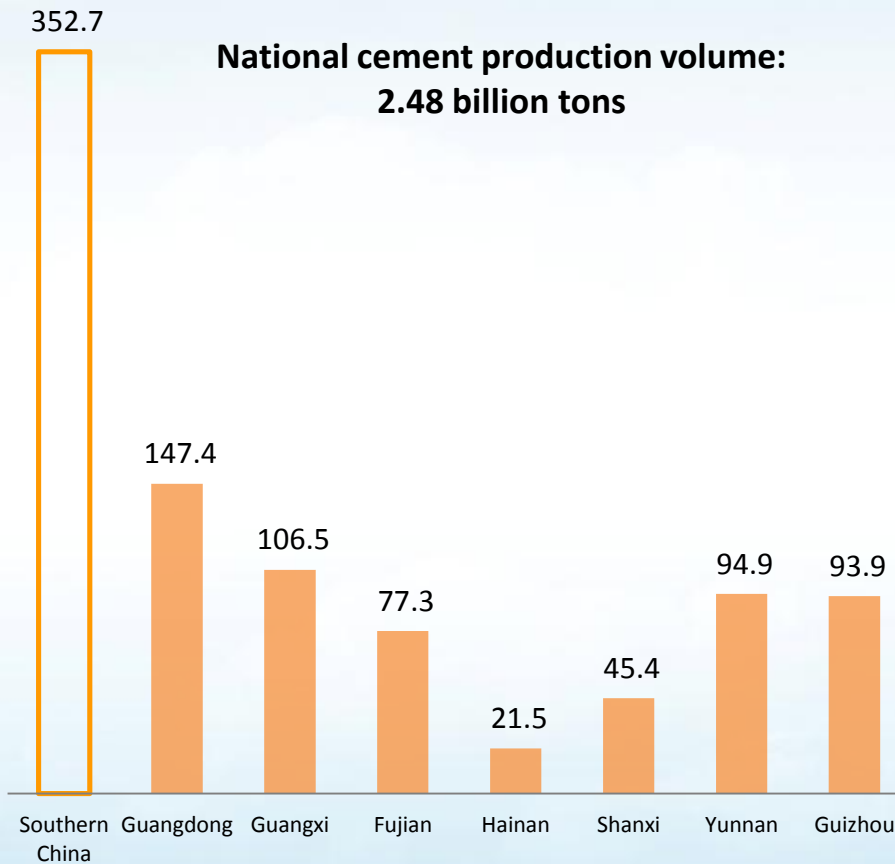
- The floor area of commodity housing sold and sales turnover of real estate declined by 7.6% yoy and 6.3% yoy
- Real estate investment: RMB9.5 trillion,+10.5% yoy
 - The area of real estate projects under construction: 7.3 billion m², + 9.2% yoy
 - Newly commenced: 1.8 billion m², -10.7% yoy; Completion: 1.1 billion m², + 5.9% yoy
- The government continues to intensify social housing construction and shanty town re-development

Real Estate and Social Housing

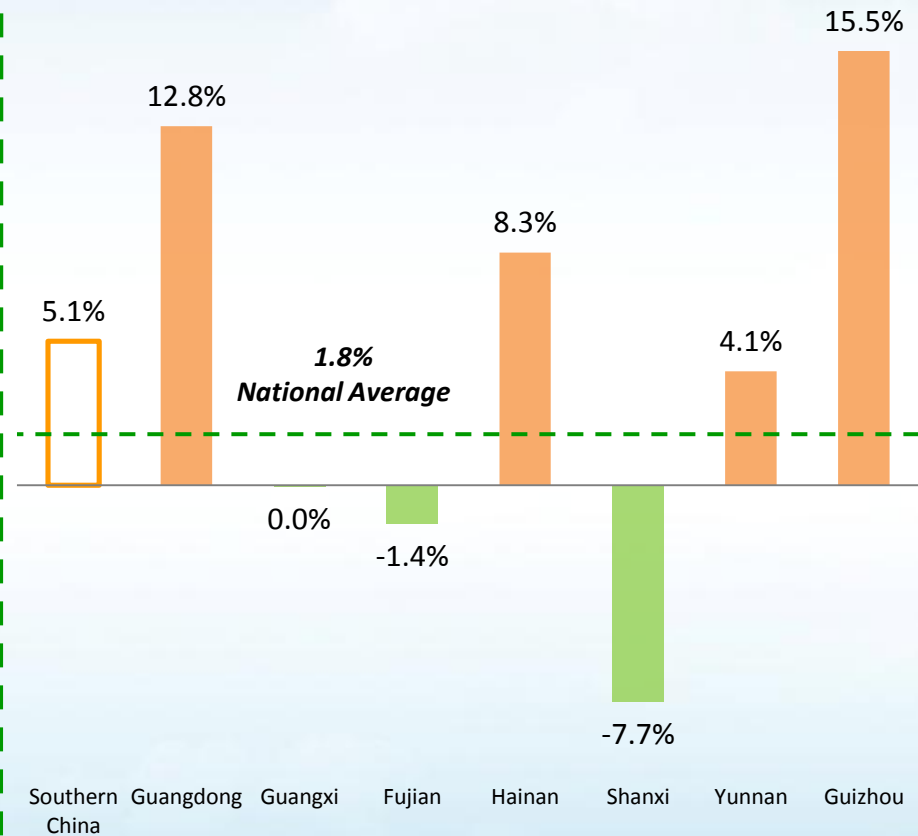
Cement Industry – Demand (Cont'd)

2014 Cement production

(million tons)



(YoY change)



Cement Industry – Supply

New Clinker Capacity released in 2014 (note 2)

(million tons)

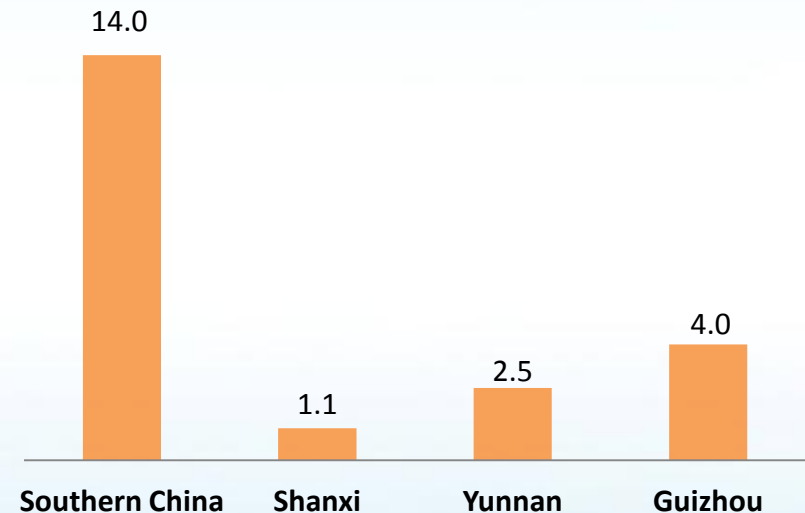
*In 2014, 54 new clinker lines were completed in China, which increased clinker capacity by **70.3 million tons**, representing a decrease of 25% compared to the last year, according to Digital Cement*



Obsolete Capacity to be Eliminated in 2014 (note 3)

(million tons)

*In 2014, there were **81.0 million tons** of obsolete capacities have been removed nationwide, according to the Ministry of Industry and Information Technology of China*



Note: (1) Southern China encompasses Guangdong, Guangxi, Fujian and Hainan

(2) The new capacity addition by province is based on our company information

(3) The obsolete capacity to be eliminated by province is according to the company lists issued by MIIT in 2014

Cement Industry Landscape

Stringent
approval of
capacity
expansion

Stricter
environmental
standards

Elimination
of obsolete
capacity

Removal of
grade 32.5
composite
cement

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.
In Dec 2014, China released the “**Interim Measures for Carbon Emissions Trading Management**”. Carbon emission credit trading is planned to be launched throughout China from 2016 to 2019.

In May 2014, China issued the “**Notice on matters relating to the Use of Pricing Tactics to Promote Industrial Structure Adjustment of Cement Industry**” to increase the electricity tariffs of obsolete cement kilns and accelerate the phasing out of capacity using backward technology.

In Dec 2014, the Standardization Administration Commission of China published the **revised standard for Common Portland Cement**. The PC32.5 grade cement was abolished so as to raise the quality of cement products.

- The strict control on new capacity and higher environmental standards will pave the way for healthy development of cement industry in China

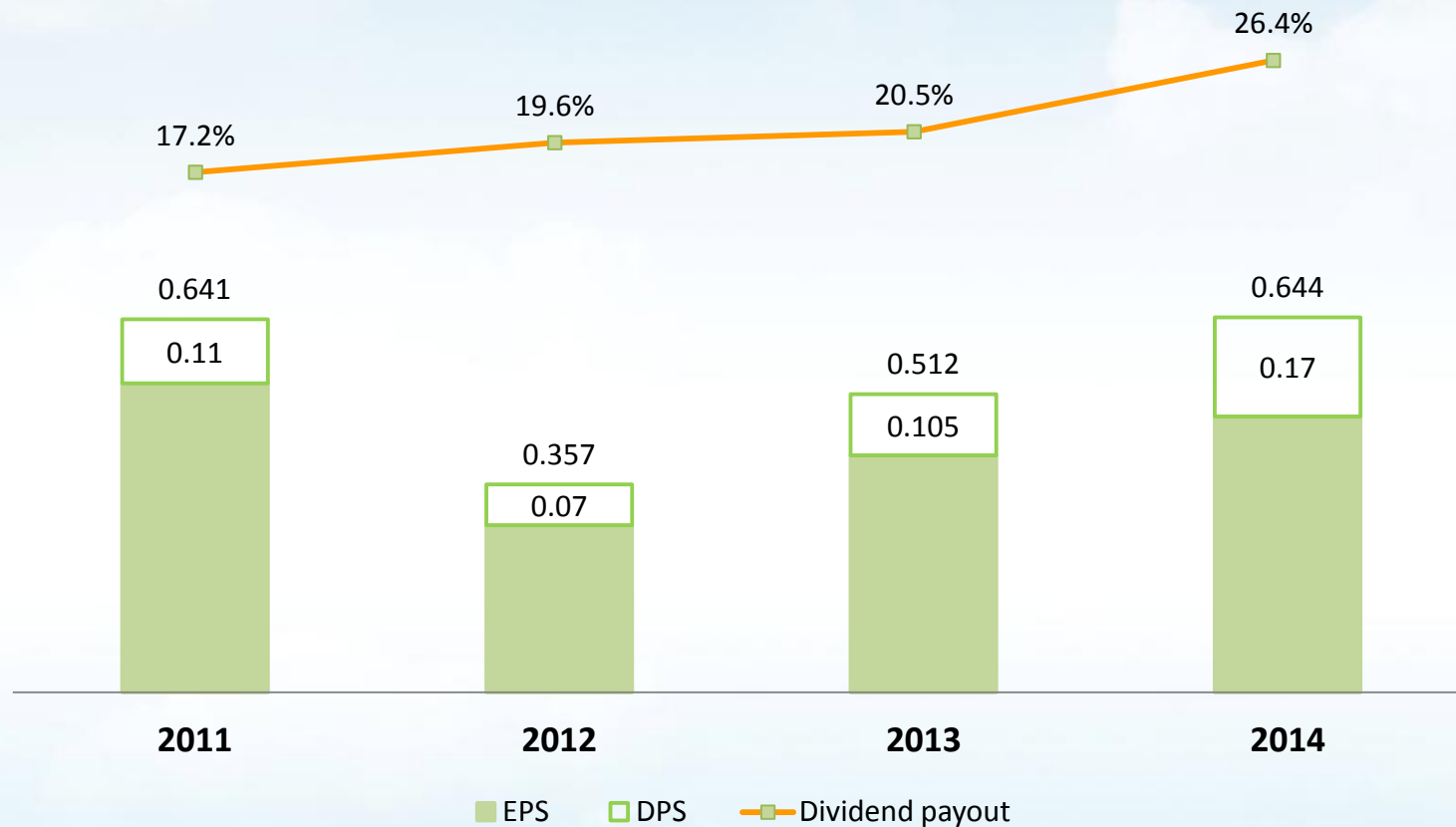
Financial Highlights



Financial Highlights

(HK\$ million)	2013	2014	Change
Turnover	29,340.6	32,668.9	+11.3%
Gross profit	8,359.8	10,225.1	+22.3%
EBITDA	6,698.1	8,285.2	+23.7%
Profit attributable to owners of the Company	3,338.4	4,206.4	+26.0%
Basic Earnings per share (HK\$)	0.512	0.644	+25.8%

Dividend payout (HK\$)



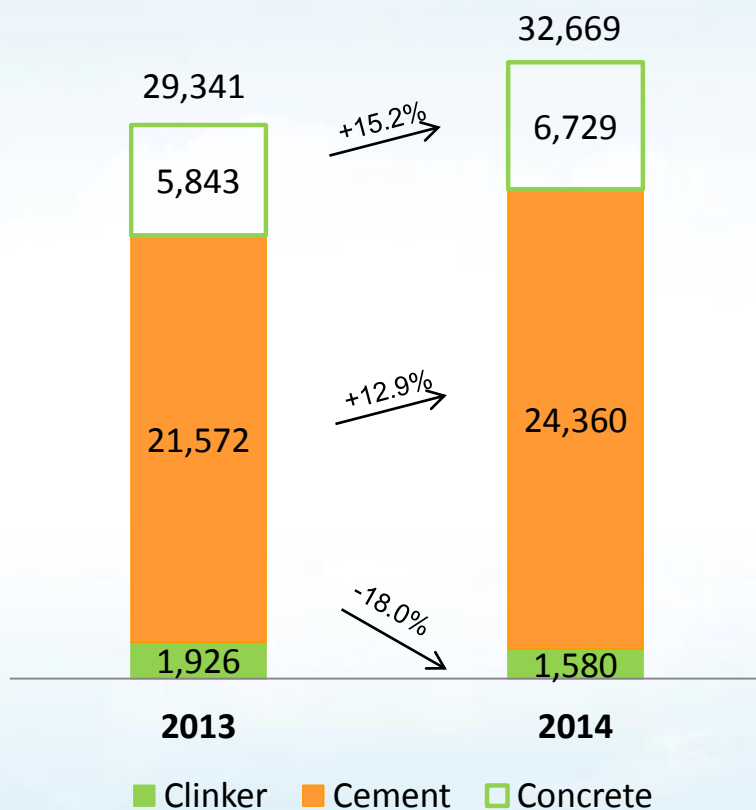
➤ Dividend payout ratio has been increasing steadily for the fourth consecutive year

Turnover by Product

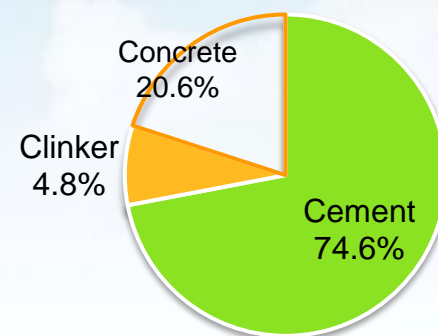
(HK\$ million)



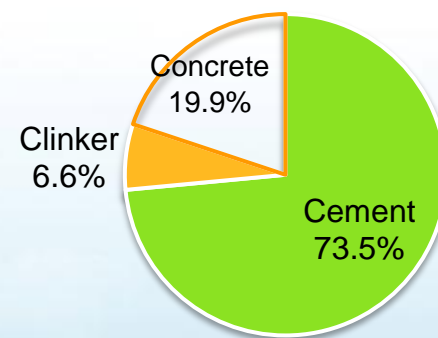
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2014

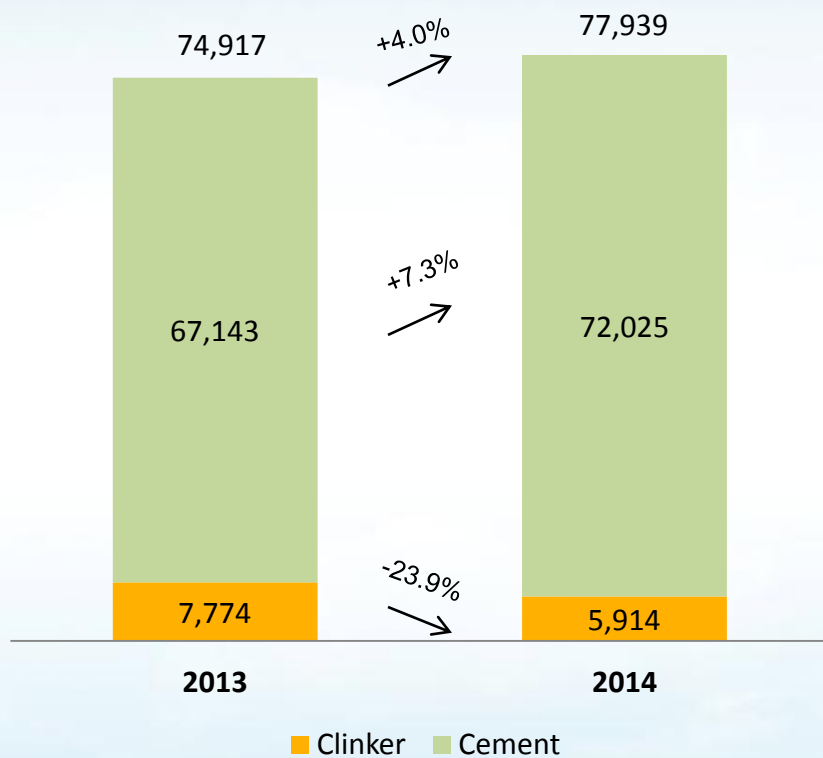


2013

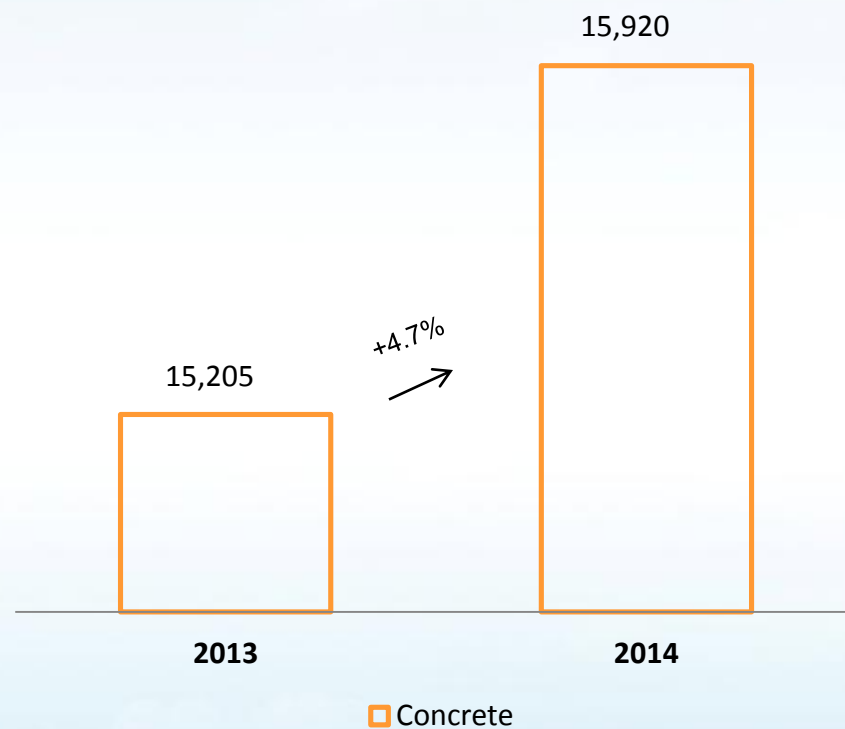


Sales Volume

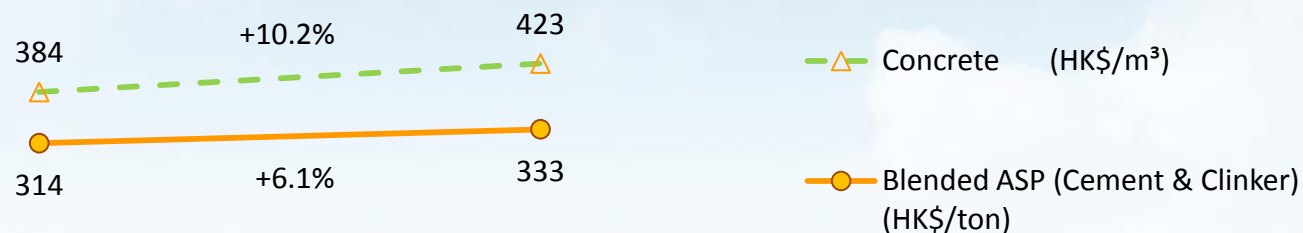
Cement & Clinker ('000 tons)



Concrete ('000 m³)



Average Selling Price



2013

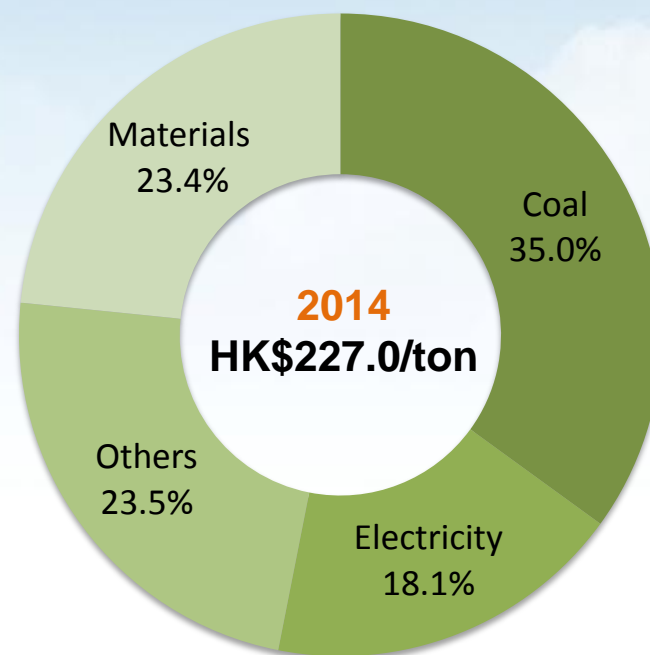
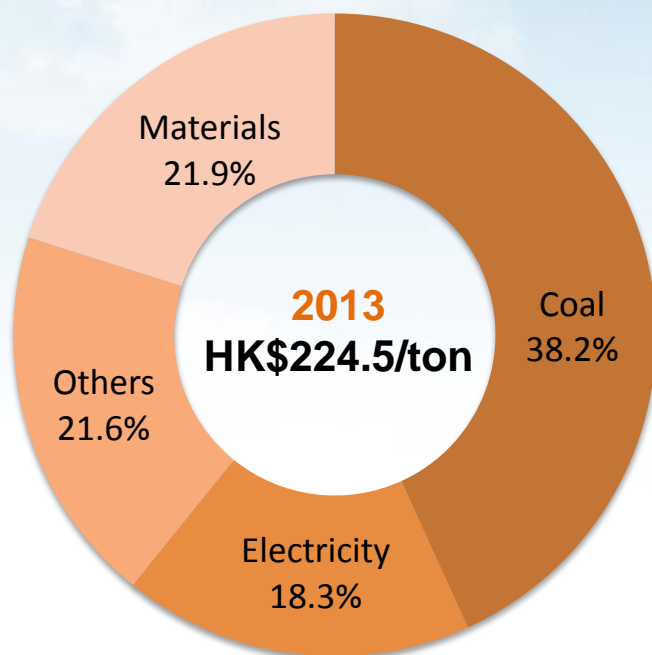
2014

Cement ASP (HK\$/ton)	2013	2014	YoY Change
Guangdong	344	373	+8.5%
Guangxi	307	321	+4.5%
Fujian	309	309	-
Hainan	345	403	+16.8%
Yunnan	328	285	-13.1%
Shanxi	267	209	-21.7%
Guizhou*	-	266	n.a.

*Remark: Operation in Guizhou started in Jul 2014

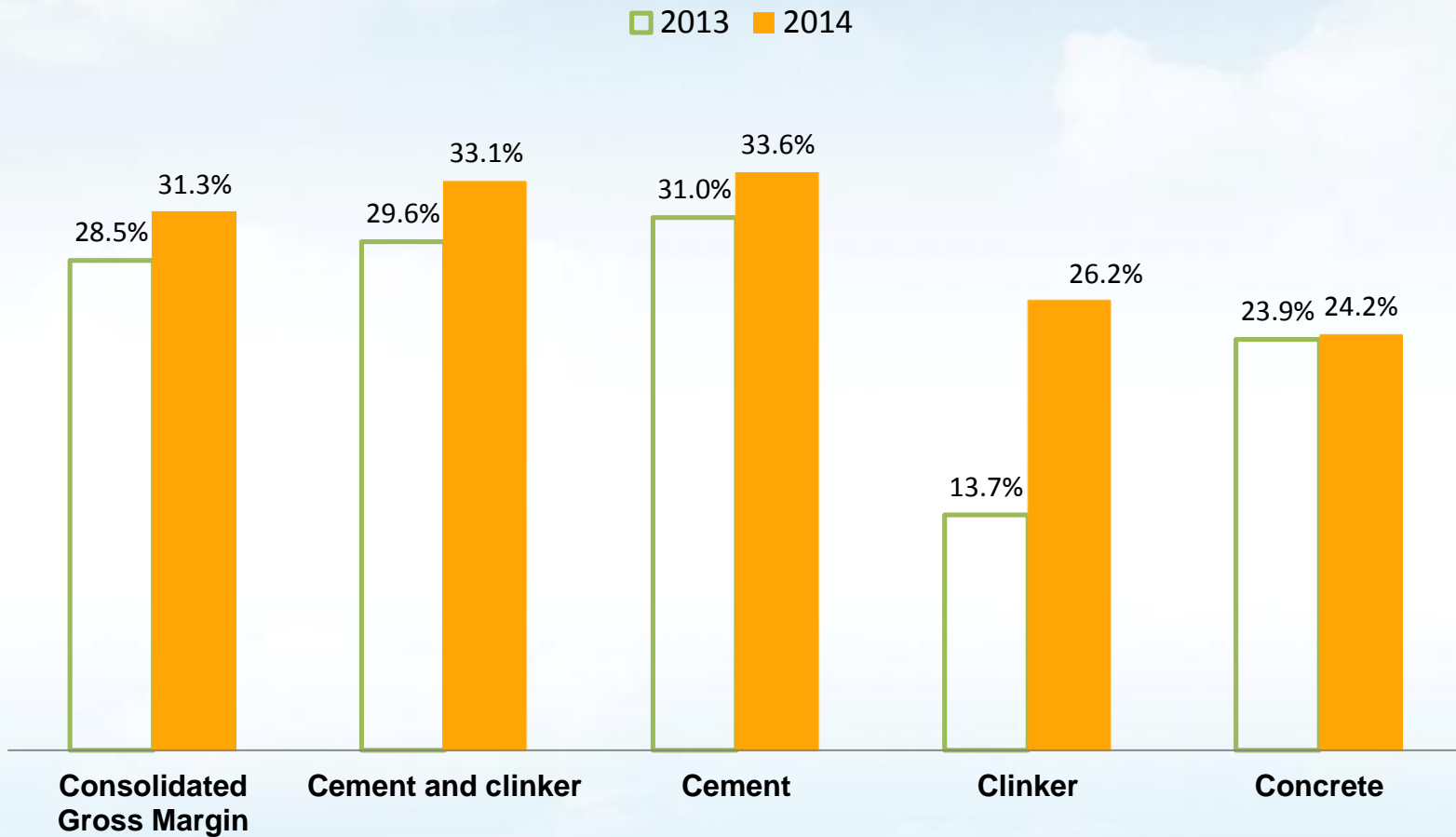


Cost Structure of Cement Products (HK\$/ton)



(HK\$/ton)	2013	2014	YoY Change
Coal	85.6	79.5	-7.1%
Electricity	41.1	41.2	-
Materials	49.3	53.1	+7.7%
Others	48.5	53.2	+9.7%
Total	224.5	227.0	+1.1%

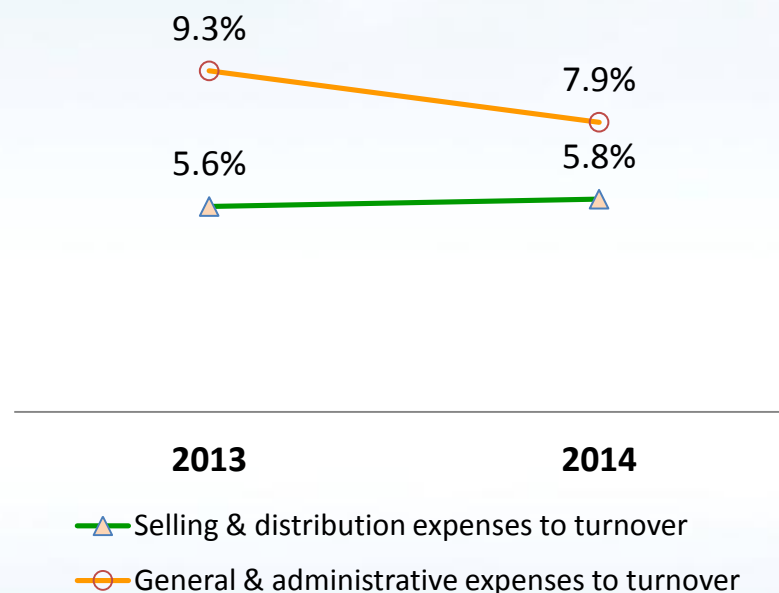
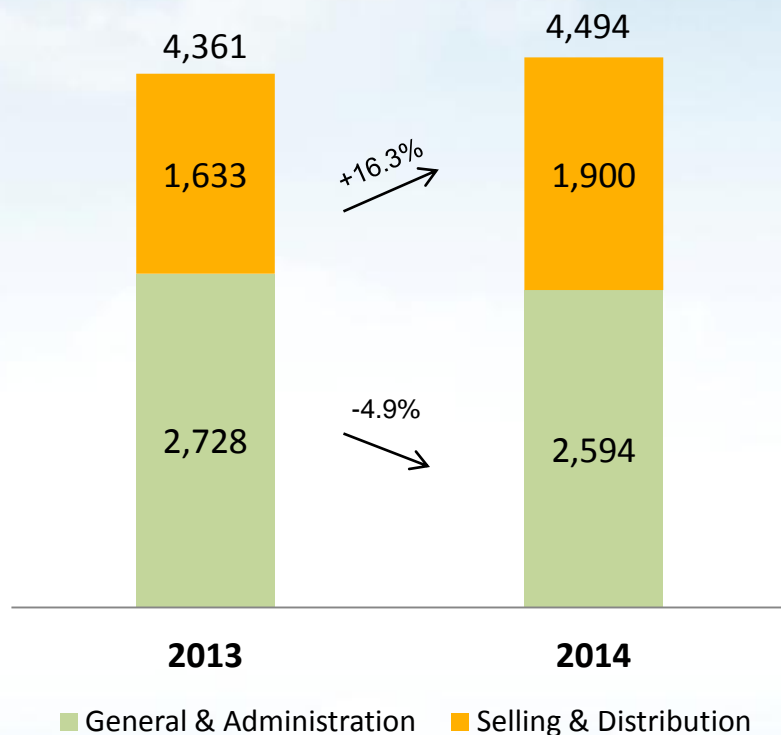
Gross Margin by Product





Selling, General & Administrative Expenses

(HK\$ million)



- Transportation costs increased as larger volume of cement and clinker products delivered from Guangxi to Guangdong for sale in 2014.
- As a % of consolidated turnover, selling and distribution expenses increased slightly to 5.8%, while general & administrative expenses reduced to 7.9%.

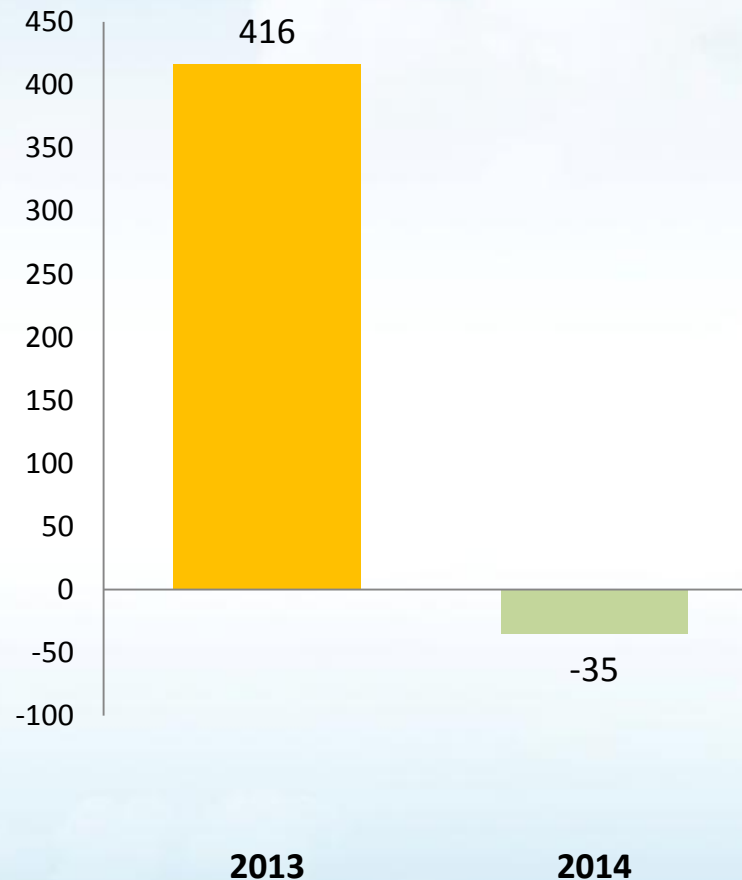
Finance Costs & Exchange Gain/Loss

(HK\$ million)

Finance costs



Exchange gain/loss



	2013	2014	Change
Taxation (HK\$ million)	1,035.8	1,630.8	+57.4%
Effective tax rate	24.0%	28.3%	+4.3ppt
Effective tax rate (excluding the results of associates and joint ventures)	25.2%	28.9%	+3.7ppt

Higher effective tax rate in 2014

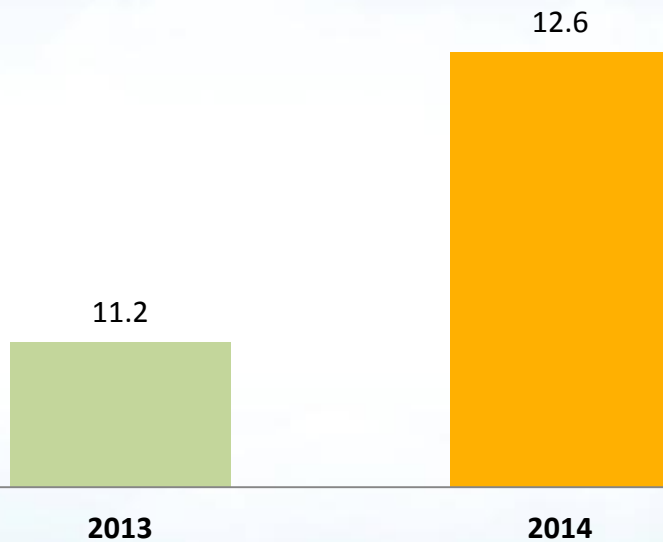
- Deferred tax assets had not been recognized on the loss incurred by certain group companies

Profitability



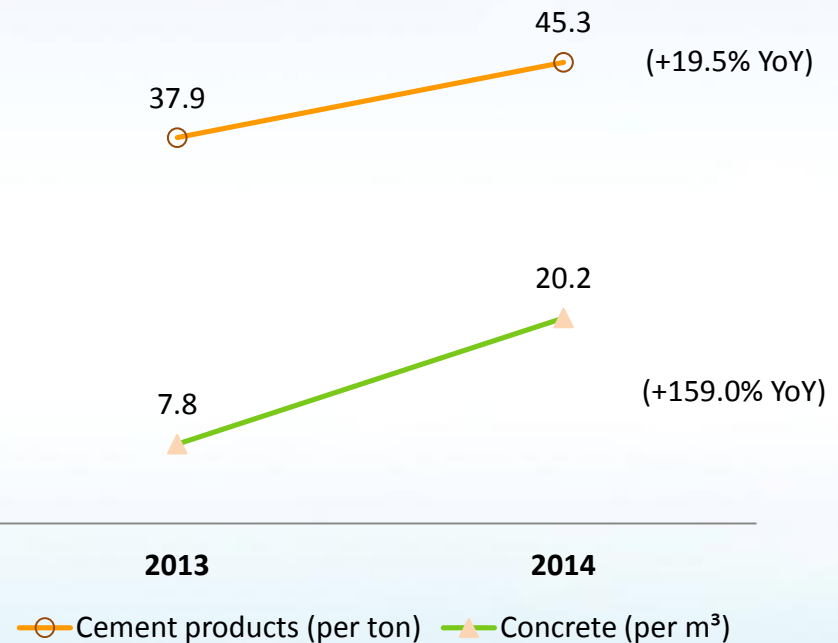
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China Resources Cement Holdings Limited

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)*



Financial Position

(HK\$ million)	31 Dec 2013	31 Dec 2014	Change
Cash and bank balances	2,821.8	4,147.8	+47.0%
Total assets	54,179.7	57,537.1	+6.2%
Net borrowings	17,618.1	16,112.7	-8.5%
Net gearing ratio	71.0%	57.2%	-13.8ppt
Net assets per share (HK\$)	3.80	4.31	+13.4%

Note:

1. Net borrowings equal to total indebtedness 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.

Cash Flow

(HK\$ million)	31 Dec 2013	31 Dec 2014	Change
Net cash generated from operating activities	5,121.1	6,858.8	+33.9%
Net cash used in investing activities	(3,316.9)	(4,557.2)	+37.4%
Net cash used in financing activities	(2,642.5)	(971.6)	-63.2%
Net increase in cash and cash equivalents for the year	(838.3)	1,330.0	+258.7%
Cash and cash equivalent at end of the year	2,821.8	4,147.8	+47.0%

- Total payments for capital expenditure of the Group are expected to be approximately HK\$4,512.4 million and HK\$2,182.5 million in the years 2015 and 2016 respectively.

Operational Review



Major development in 2014

- CR Cement continued to adopt the marketing strategy of “full-scaled production and sale” and to further solidify our regional market share and leading position
- The construction of urban waste co-processing projects in our cement plants has commenced, signifying a new page for the green development of the Group

New production capacity

- Our clinker and cement production line in Midu county, **Yunnan** and Jinsha county, **Guizhou** commenced operation in July 2014
- Jinsha project is our first set of production lines in Guizhou, representing a milestone of the Group's development in a new market

Market consolidation

- Our cooperation with Fujian Energy Group Company Limited is being effectively implemented and has further strengthened our influence in **Fujian market**

Green development

- We collaborated with international cement equipment manufacturers to promote urban waste co-processing with clinker kilns in China
- Our cement plants at Luoding County, **Guangdong** and Binyang County, **Guangxi** has commenced construction of urban waste co-processing projects

Production Capacity

(As at 31 Dec 2014)



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China Resources Cement Holdings Limited



In Operation

● Clinker and Cement Production Line

■ Cement Grinding Line

★ Concrete Batching Plant

Joint Ventures and Associates

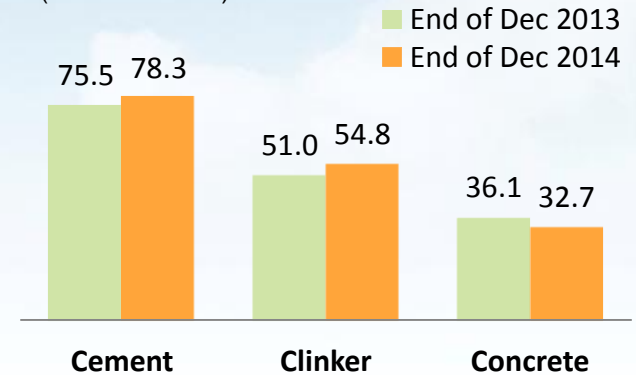
● Clinker and Cement Production Line

■ Cement Grinding Line

★ Concrete Batching Plant

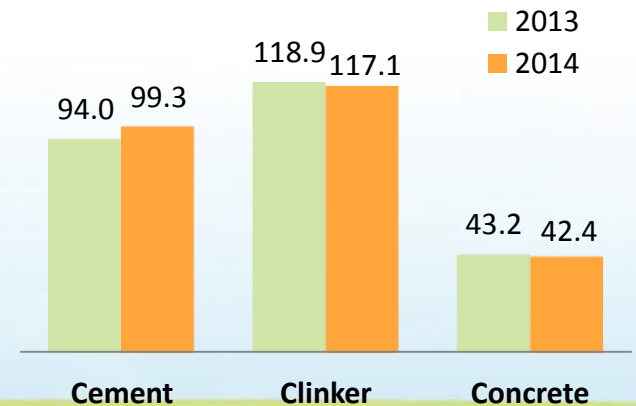
Production Capacity

(million tons/m³)



Utilization Rate

(%)

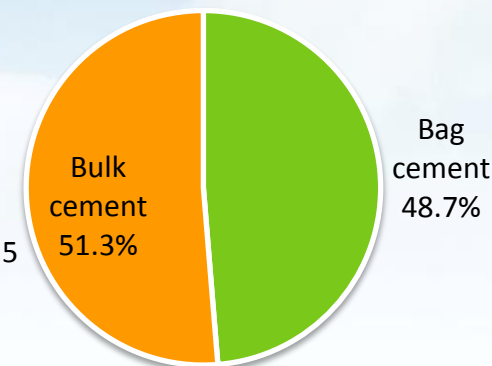
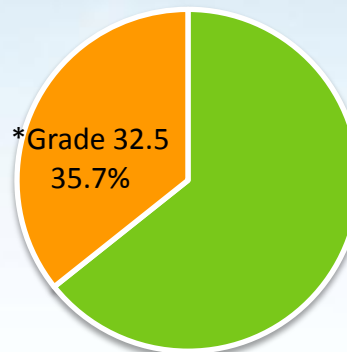
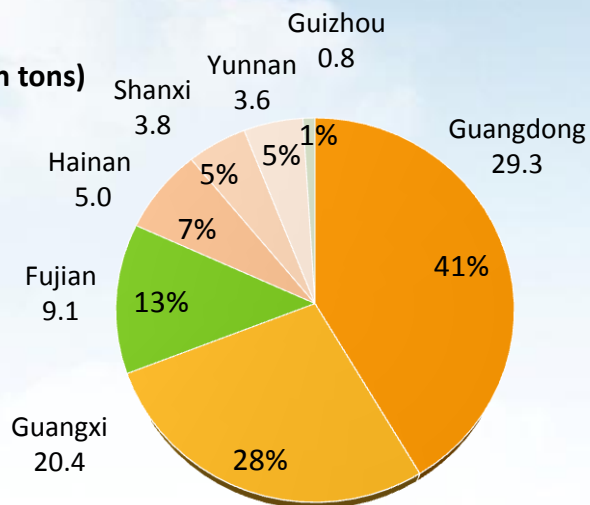


Breakdown of Cement Sales Volume



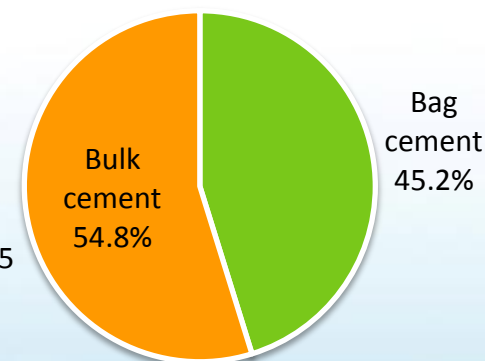
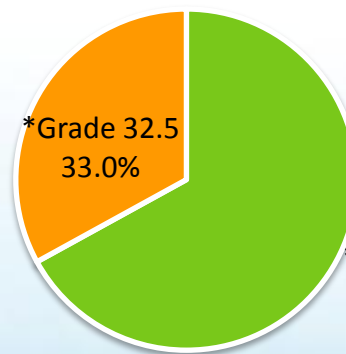
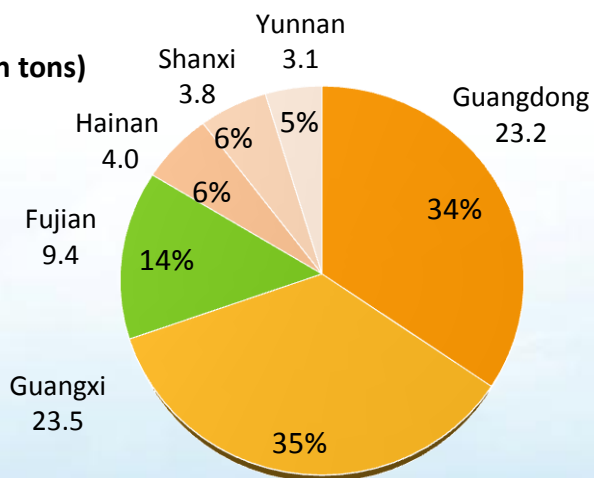
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2014 (million tons)



Southern China: 63.8m tons

2013 (million tons)

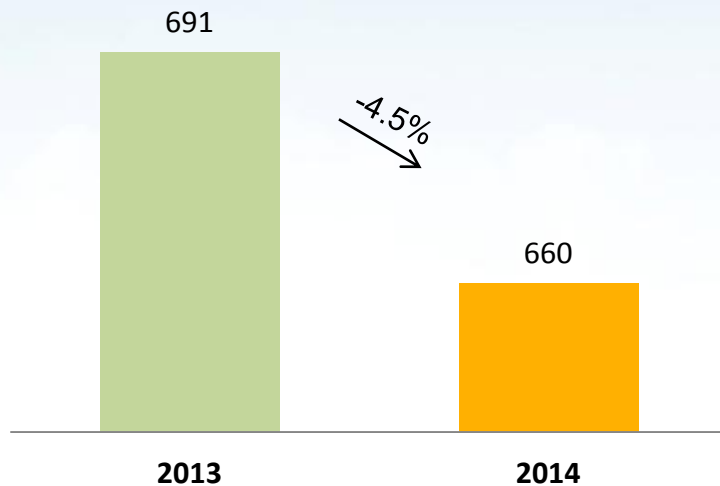


Southern China: 60.2m tons

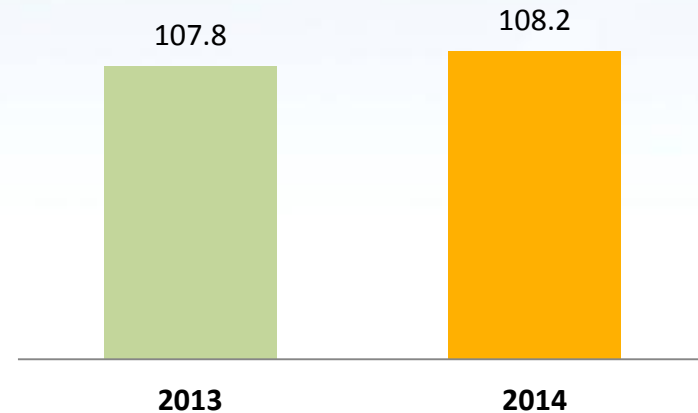
**By cement sales*

Improved Coal Consumption

Average Coal Purchase Price (HK\$/ton)



Standard Coal Consumption (kg/ton of clinker)



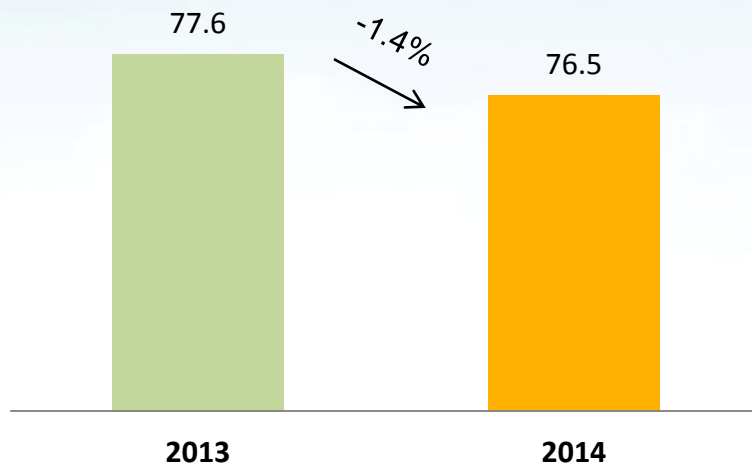
Quality of coal improved with average thermal value increased by 1.8% to 5,228 kcal per kg

Unit coal consumption reduced by 1.3% to 150.8 kg/ton of clinker

Average coal cost of production decreased by 5.8% to HK\$99.5/ton of clinker

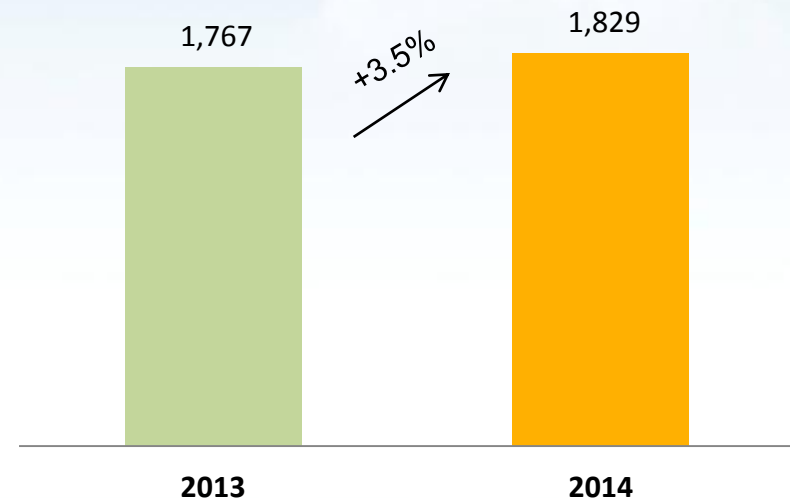
Improved Electricity Consumption

Electricity Consumption (kwh/ton of cement)



The reduced electricity consumption resulted in a cost saving of approx. HK\$59.5 million in 2014 (2013: HK\$328.3 million)

Electricity Generation (million kwh)



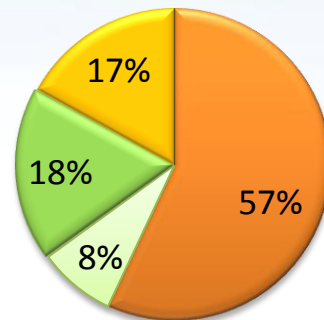
Residual heat recovery generators

- Generated approx. 29.6% (2013: 29.5%) of required electricity consumption, representing a cost saving of approx. HK\$1,136.4 million in 2014 (2013: HK\$1,124.4 million)

Coal Procurement

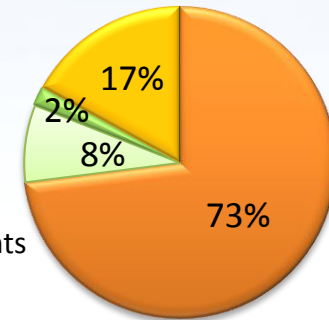
- In 2014, the Group purchased 9.3 million tons of coal, +2.2% yoy
- Short-cycle and multi-channel procurement strategy in response to the downward trend of coal market in China
- Direct coal procurement from coal suppliers reached 68%
- Bi-directional logistics to further enhance the systemic cost control

Coal Procurement in 2013



- Northern China
- Other Countries
- Vietnam
- Neighbor areas of the plants

Coal Procurement in 2014



Logistics Management

- Multiple logistic channels, including waterway freight, road freight and transshipment, to secure supply and achieve the lowest total cost in the region
 - 670,000 tons of shipping capacity on Xijiang River with 30 million tons of annual capacity
 - 57 silo terminals, mainly in Pearl River Delta region, with 38.6 million tons of annual capacity
- Introduced GPS for scheduling management in Guangdong and Fujian to strengthen our distribution capability of road transportation
- Formulated the construction plan of "Smart Card" system at our production plants to improve the quality of customer services

Safety and Environmental Protection



Safety, Energy saving and Emission reduction

- **14** of our cement production plants have been accredited ***the First-Class Enterprise in Production Safety Standardization*** by the State Administration of Work Safety in China.
- All our 41 clinker production lines are equipped with the advanced NSP technology, have completed technological upgrade on ***denitrogenation*** and are in full compliance with the latest standards on the emission levels of nitrogen oxides.
- We have completed technological upgrade on ***dust collection systems*** of 10 production plants and are in the process of tendering the technological upgrade for 28 production plants.

Award and Recognition by industry and general public

- China Resources Cement (Nanning) Limited under the Group was honored the ***“Hong Kong Green Awards 2014 - Environmental, Health and Safety Award (Corporate)” – Silver Award*** by the Green Council of Hong Kong;
- China Resources Cement (Fengkai) Limited, China Resources Cement (Nanning) Limited, China Resources Cement (Guigang) Limited and Guangzhou Heidelberg Yuexiu Cement Company Limited were among the first batch of companies being awarded the ***“One Hundred Energy-Saving Model Enterprises”*** by the China Building Materials Federation among the building materials industry.

Outlook & Prospects



Government Keynote Policy

- The accelerating approval of infrastructure projects, loosen control on real estate market, interest rate cut and improved market liquidity are positive to fixed asset investment in China

Railway: In 2015, China budgeted RMB800 billion for railway investment, the same level as last year, to achieve the railway construction target of the “Twelfth Five-Year” plan

Social housing: In 2015, commence construction of 7.4 million units

Urban transit: By 2020, 50 cities will possess rail transit with total operating length of 6,000 km

Highway: By 2030, there will be a total operating length of 136,000 km (including national highways of 118,000 km and possible extension of 18,000 km)

“One Belt and One Road” covers 16 provinces including Guangdong, Guangxi, Fujian and Yunnan where we have operations. The government will contribute US\$40 billion for setting up the Silk Road Fund as financial support to national infrastructures, resources development, industrial and financial cooperation along the Silk Road.

In Mar 2014, the Chinese government emphasized on the three issues of **“100 million people”**,

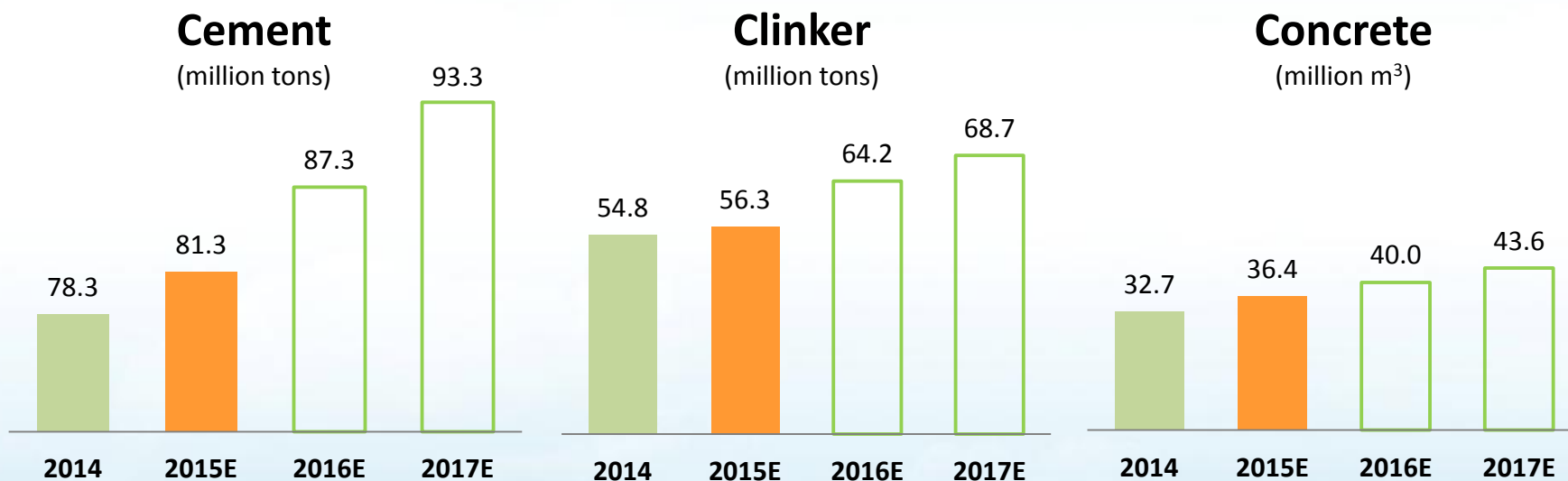
- allow urban residency status to around 100 million rural people who are already staying in cities,
- rebuild shanty town areas and villages inside cities that are home to 100 million people
- direct the urbanization of neighborhood areas for around 100 million rural residents in the central and western regions.

China launched the **“National New-type Urbanization Plan (2014-2020)”** which rolls out the development of urbanization and targets a 60% of urbanization rate by 2020.

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.
- While promoting lean management, cost reduction and efficiency enhancement, we will continue to seek acquisition opportunities, strengthen research and innovation, promote green development and contribute 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 31 Dec 2014)

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	21	19.5	7	9.4	25	15.3
Guangxi	35	31.2	17	25.0	18	10.6
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	55	32.7

Controlled by associates and joint ventures

Total	49	34.1	18	22.4	15	7.4
Attributable	-	10.9	-	7.4	-	3.4

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

Q & A

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

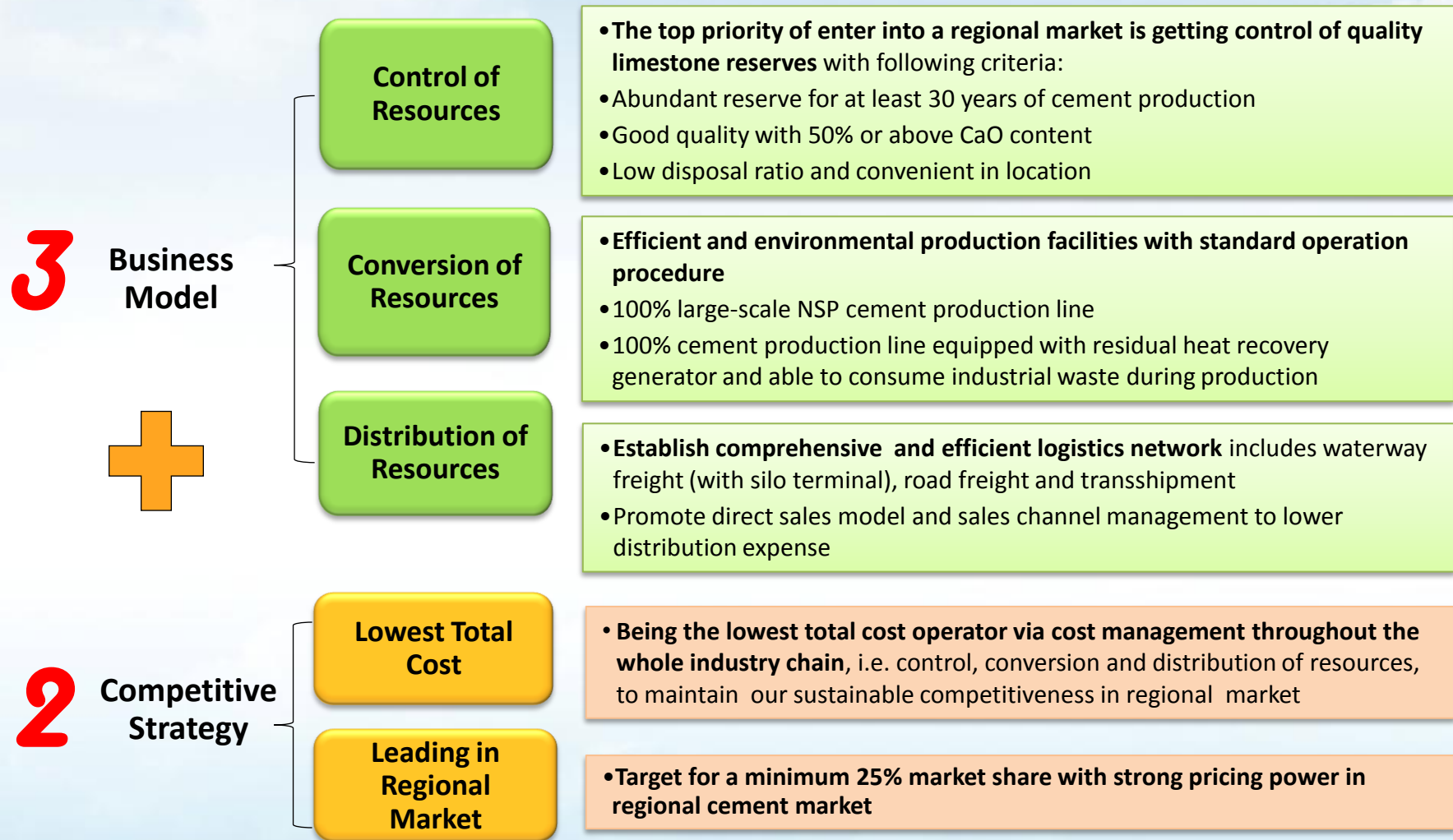
Tel: (852) 3118 6800

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

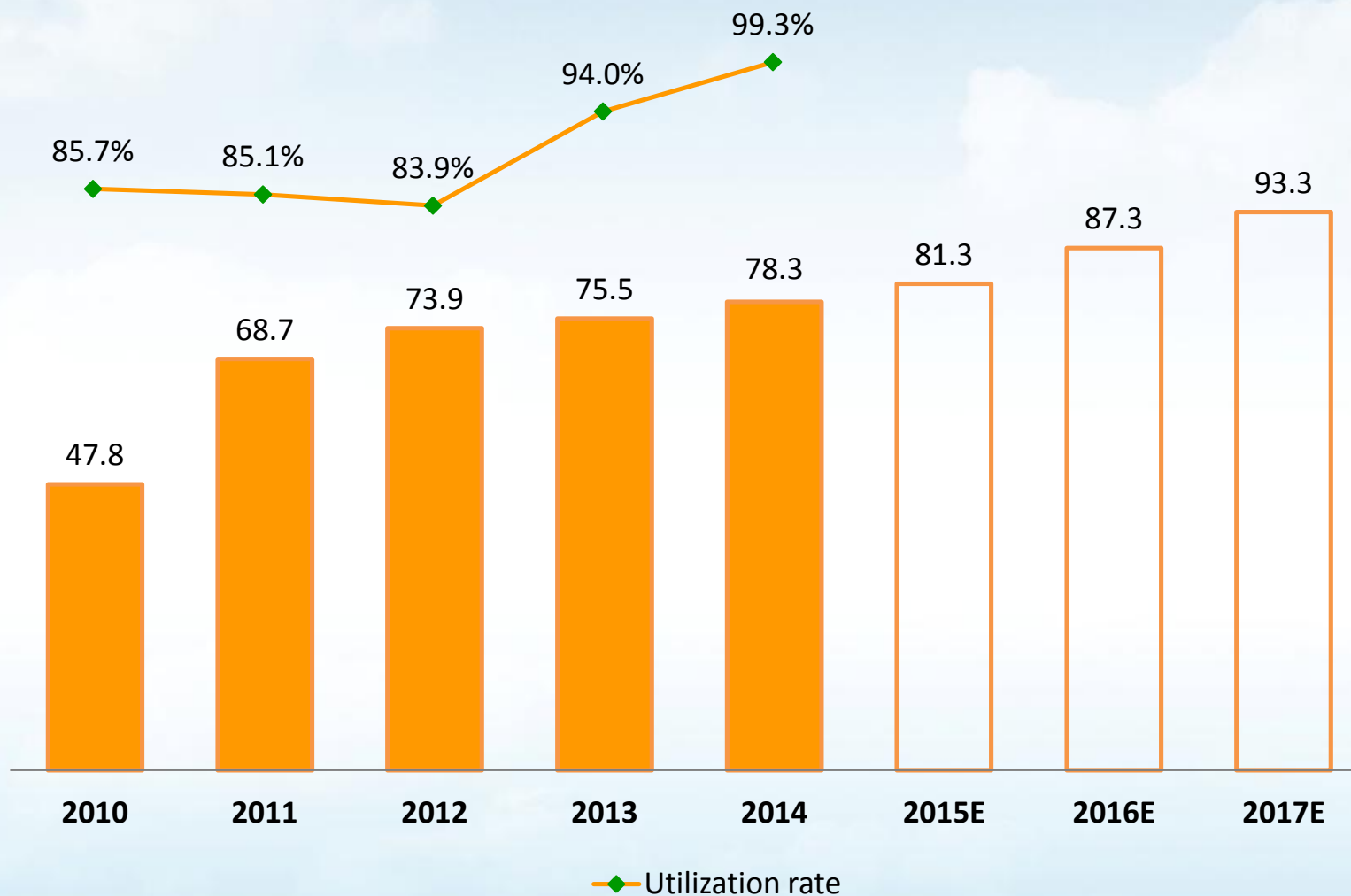


Cement capacity

(million tons)



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

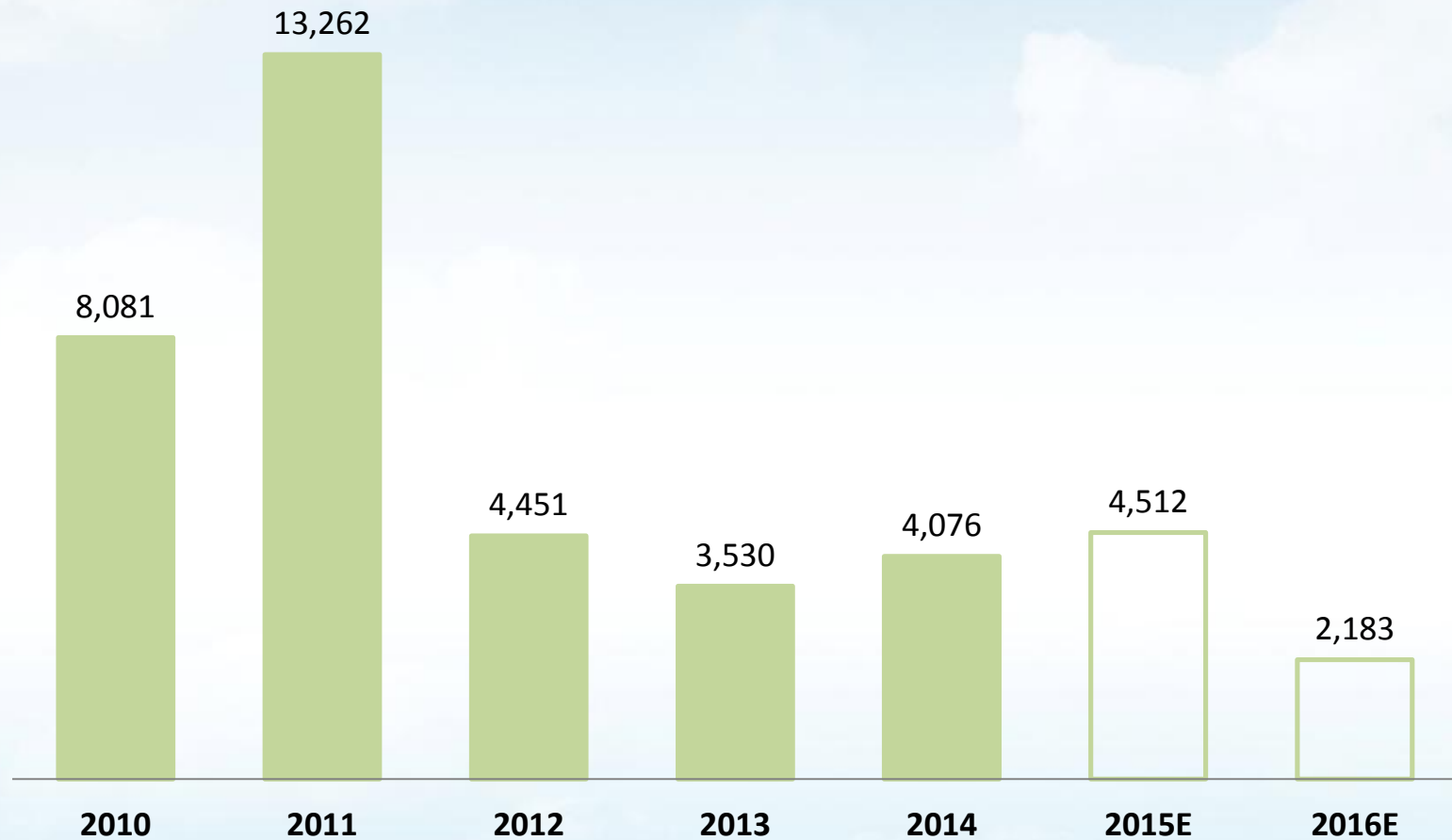


CAPEX

(HK\$ million)



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



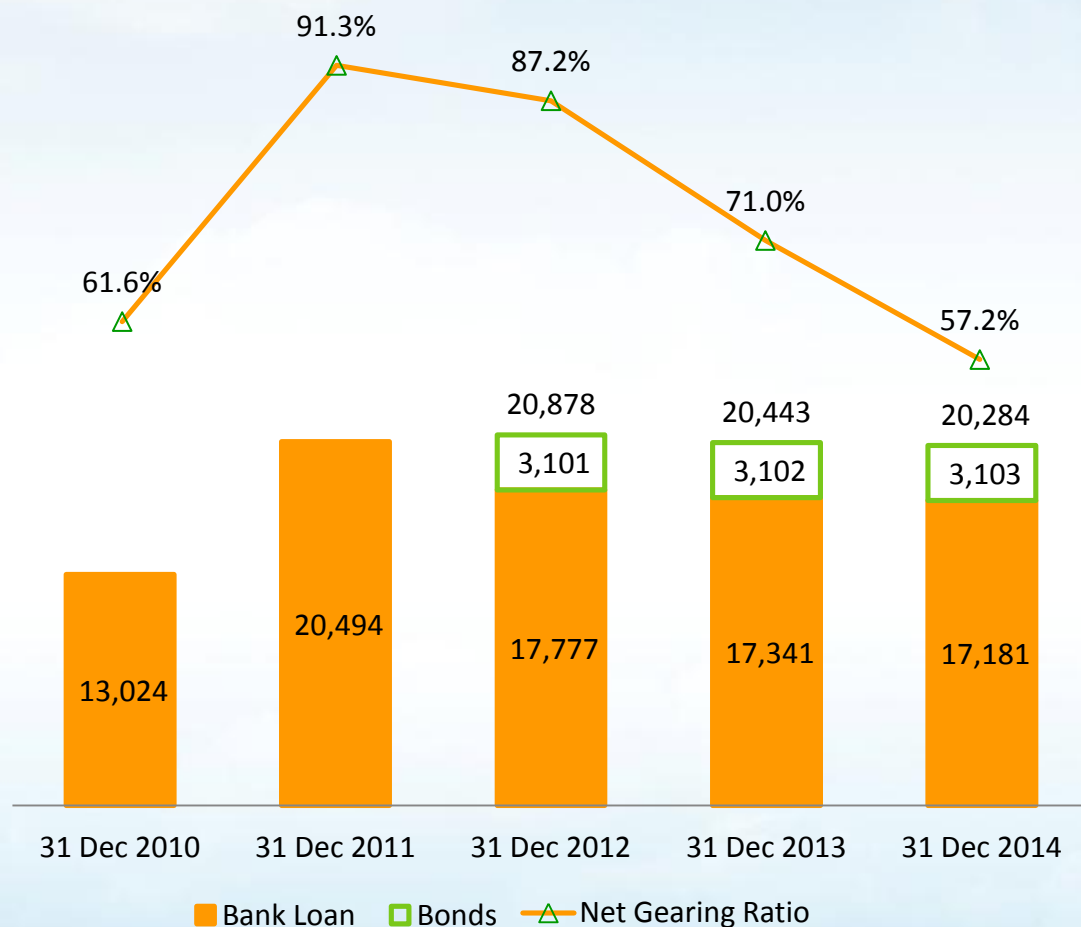
Debt Structure

(HK\$ million)

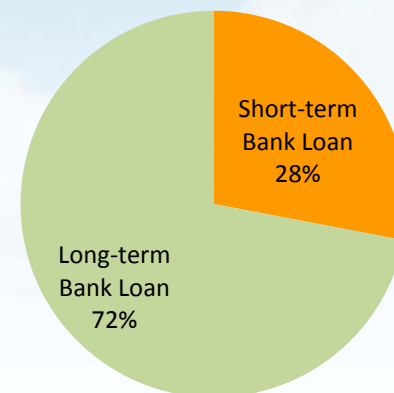
(As at 31 Dec 2014)



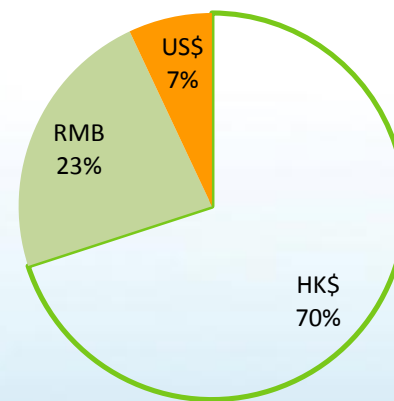
華潤水泥控股有限公司
China Resources Cement Holdings Limited



Duration



Currency



Note:

1. Net borrowings equal to total indebtedness 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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