



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

2015 Annual Results Presentation

March 2016

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Corporate Overview



Company Overview

Subsidiary of CR Group

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

Leading Position

The largest cement & concrete producer in Southern China

In 2015, we achieved sales volume of

- Cement & Clinker: **81.4m tons**
- Concrete: **12.3m cubic meters**

Lowest Total Cost

Persistent to **3+2 development strategy**

- Lean management
- Cost reduction
- Efficiency enhancement

Sustainable Development

Devote for

- Safety production
- Care for employees
- Green development and social responsibility



2015 Annual Results Summary

- Turnover decreased 18.0% to HK\$26,778.7 million
- Profit attributable to owners decreased 75.9% to HK\$1,015.0 million
- Earnings per share of HK\$0.155 (2014: HK\$0.644)
- Proposed final dividend of HK\$0.02 per share (interim: HK\$0.06)

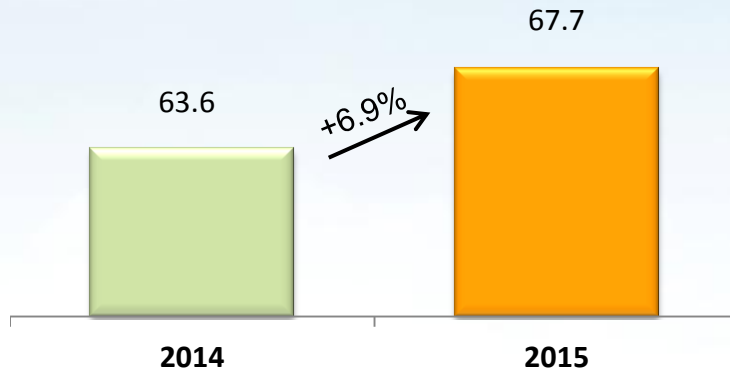
Business Review



China Economic Growth

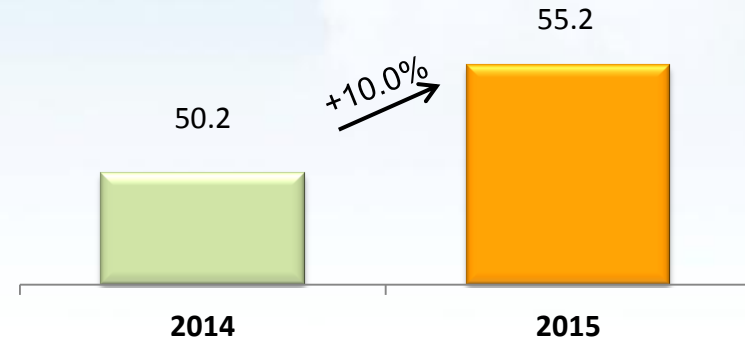
National GDP

(RMB Trillion)



National FAI

(RMB Trillion, excluding rural households)



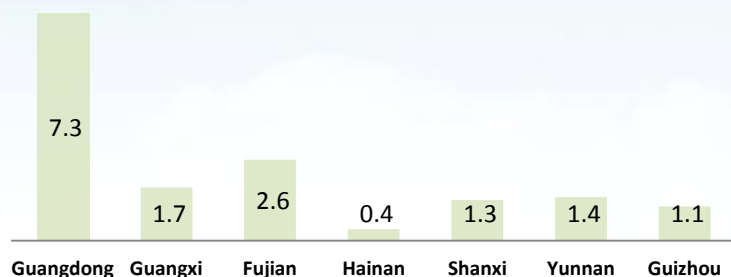
- **In 2015, the downturn pressure on China's economy had been increasing**
 - China's GDP grew by 6.9% to RMB67.7 trillion
 - National FAI increased by 10.0% to RMB55.2 trillion, representing a decrease of 5.7 percentage points over last year
- **Infrastructure construction has been an important driving force of steady economic growth**
 - Accelerating the approval of infrastructure projects
 - Actively promoting public-private-partnership model
 - Loosening the control measures on real estate and boosting property sales

Our Operating Region

- In 2015, the economic growth and FAI in the regions under the Company's operation were in general above the national average level

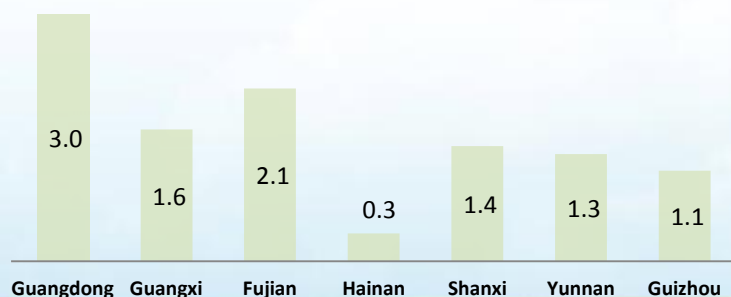
GDP

(RMB Trillion)



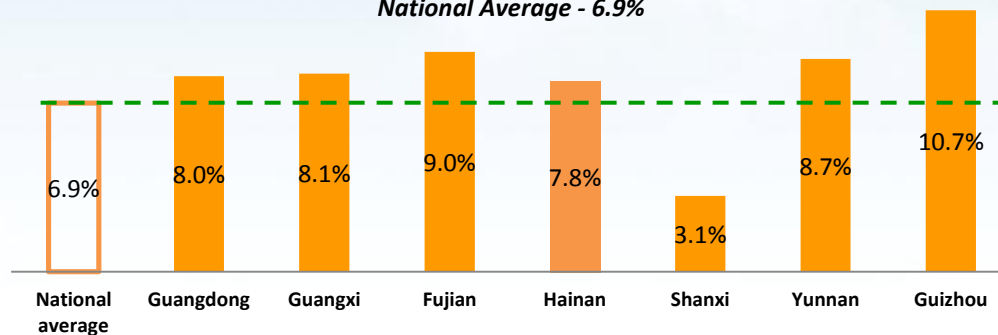
FAI excluding rural households

(RMB Trillion)



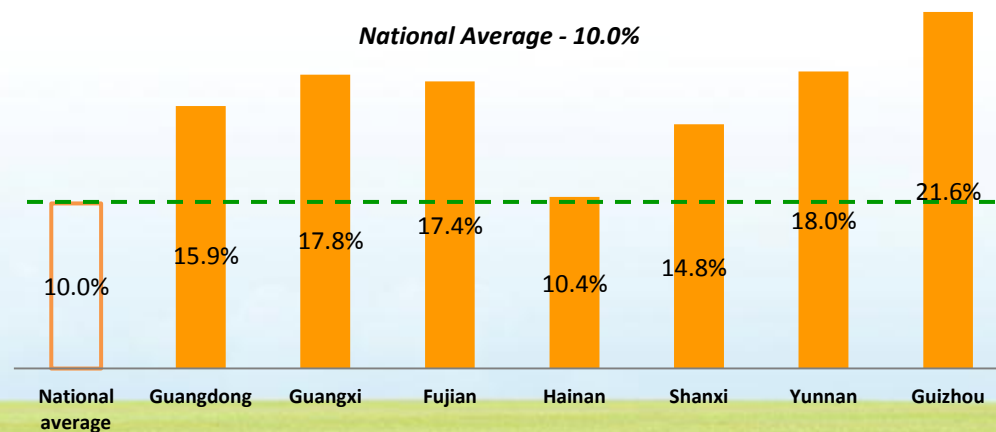
GDP Growth

National Average - 6.9%



FAI Growth

National Average - 10.0%



Cement Demand Drivers (2015)

- Infrastructure Investment (excluding power supply): RMB10.1 trillion , +17.2% yoy (2014: +21.5%)
- Real estate investment: RMB9.6 trillion, +1.0% yoy (2014: +10.5%)
- Social housing Investment: RMB1.54 trillion, +18.5% yoy (2014: +18.8%)

Railway

- FAI Investment : RMB823.8 billion in 2015, +1.9% yoy
- Operational length: +9,531 km to over 120,000 km (19,000 km are high-speed railways)

- Urban rail transit refers to subways, light rails, trams and other transportation facilities
- 15 new rail lines were put into operations with additional operating length of 438 km. As at the end of 2015, a total of 116 rail lines with operating length of over 3,612 km had been completed and operating in 26 cities in China.

Urban Rail Transit

Highway and Waterway

- Investment in highway : RMB1.5 trillion in 11M 2015, +6.5% yoy
- Investment in waterway: RMB 155.7 billion in 11M 2015, +9.0% yoy

- The floor area of commodity housing sold: 1,280 million m², +6.5% yoy
- The total floor area of newly commenced construction: 1,540 million m², -14.0% yoy;
- The total floor area of completed real estate projects: 1,000 million m², -6.9% yoy
- The total area of land purchased by real estate developers: 230 million m², -31.7% yoy
- Social housing: newly commenced construction of 7.8 million units and completion of 7.7 million units

Real Estate & Social Housing

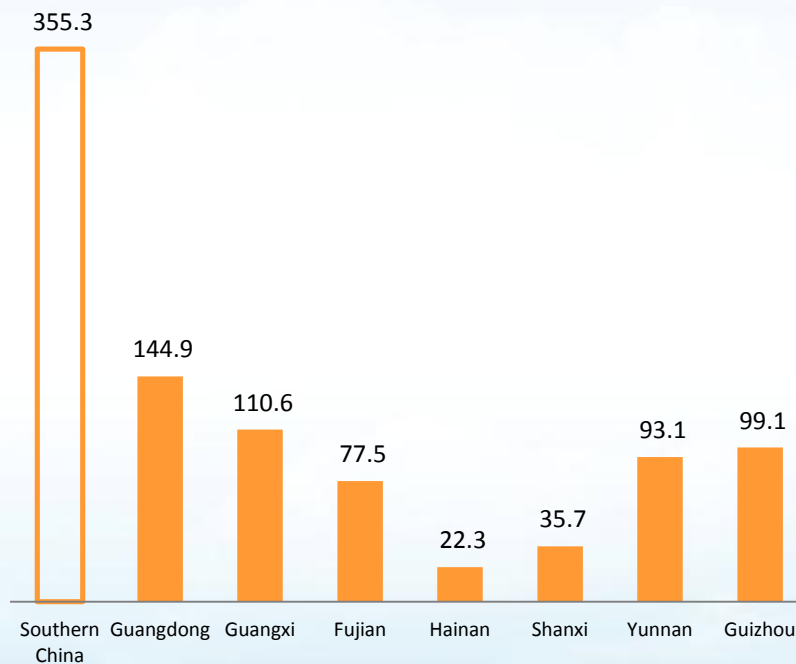
Urbanization

- New-type urbanization construction is being orderly promoted
- As of the end 2015, China's urbanization rate was 56.1%, +1.33 percentage points yoy;

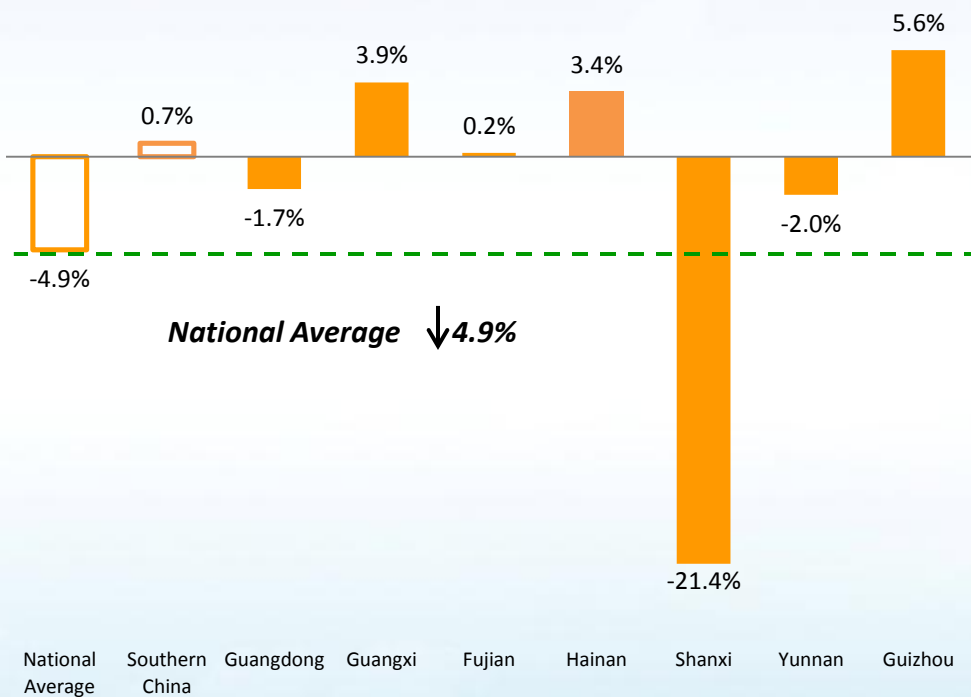
Cement Production

- In 2015, China's total cement production was 2.35 billion tons, representing a decrease of 4.9% over last year
 - The first negative demand growth of the industry in 24 years
 - Cement price fell to its lowest level since 2008

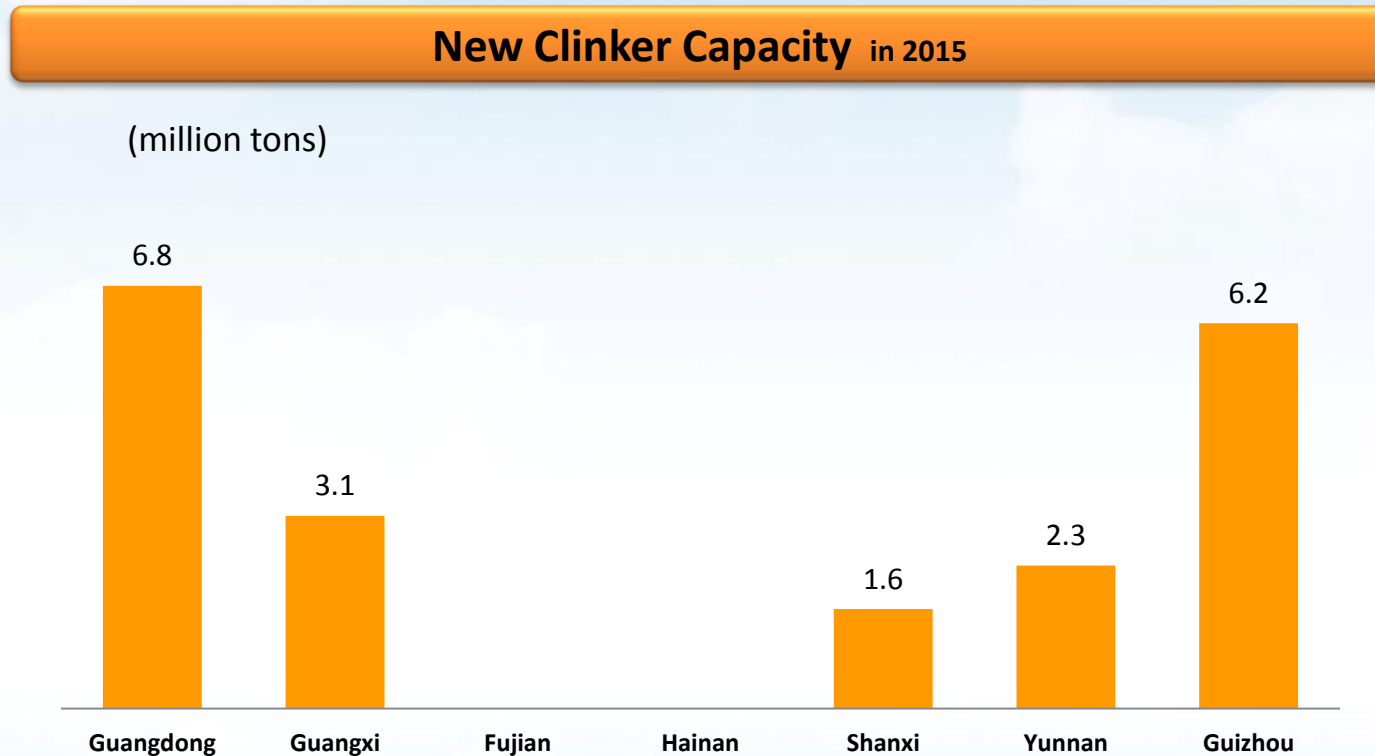
(million tons)



(YoY change)



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



Source: Geography Cement

- 34 new NSP clinker production lines were completed in China in 2015, which increased clinker production capacity by approximately 46.2 million tons, -51.4% yoy

Cement Industry Landscape

Stringent
approval of
new capacity

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.

Stricter
environmental
standards

In Jan 2015, China implemented the **new environmental protection law** for the establishment of a new mechanism of daily fines without caps to be imposed on enterprises discharging pollutants illegally, which has increased the enterprises' costs of violation of laws.

Since July 2015, the "Emission Standard of Air Pollutants for Cement Industry" has officially come into effect. The new standards on emission of nitrogen oxides and particulate matters have been tightened to 400mg/m³ and 30 mg/m³ respectively.

Upgrade
cement product
quality

According to the revised standard for Common Portland Cement, **PC32.5 grade cement was officially prohibited since December 2015**. Gradual elimination of low-grade cement will increase the use of cement products of better quality and accelerate the exit of obsolete and inefficient capacities from the market, enabling large-scale cement enterprises to raise their market shares and leading positions.

Promote
co-processing
of solid
wastes

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.**

Financial Highlights

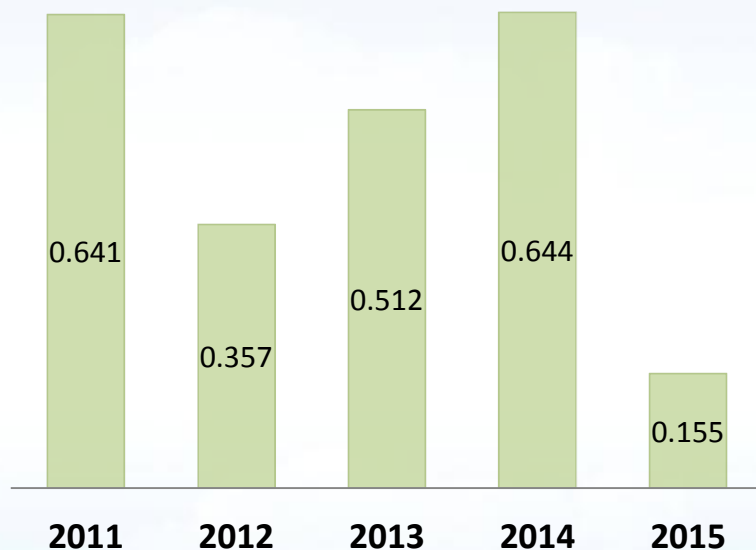


Financial Highlights

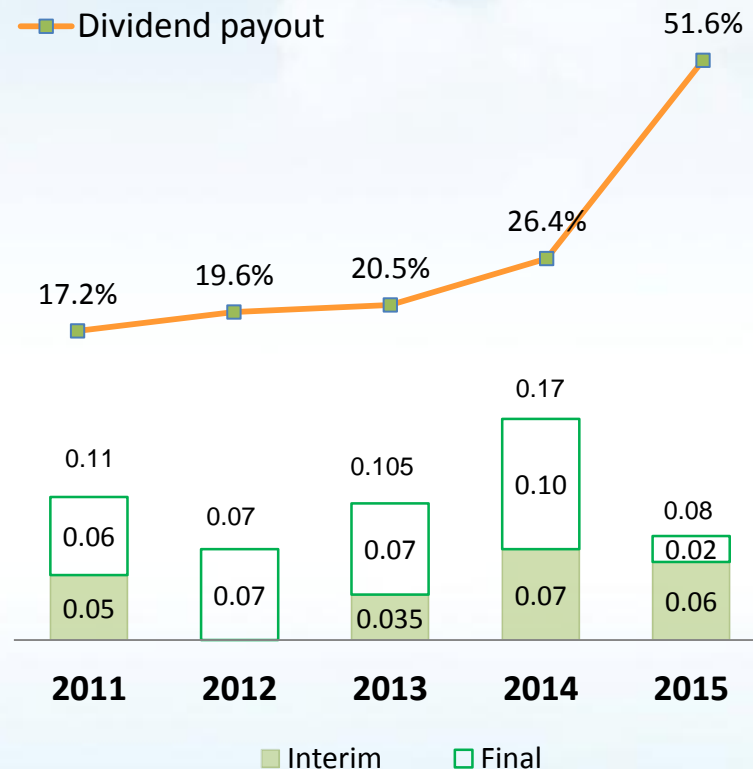
(HK\$ million)	2014	2015	YoY
Turnover	32,668.9	26,778.7	-18.0%
Gross profit	10,225.1	6,417.3	-37.2%
EBITDA	8,285.2	3,837.6	-53.7%
Exchange loss	(35.1)	(902.9)	+2472.4%
Share of results of associates & JVs	115.9	(244.2)	-310.7%
Profit attributable to owners of the Company	4,206.4	1,015.0	-75.9%
Basic earnings per share (HK\$)	0.644	0.155	-75.9%

Dividend Payout (HK\$)

Earnings per Share



Dividend per Share



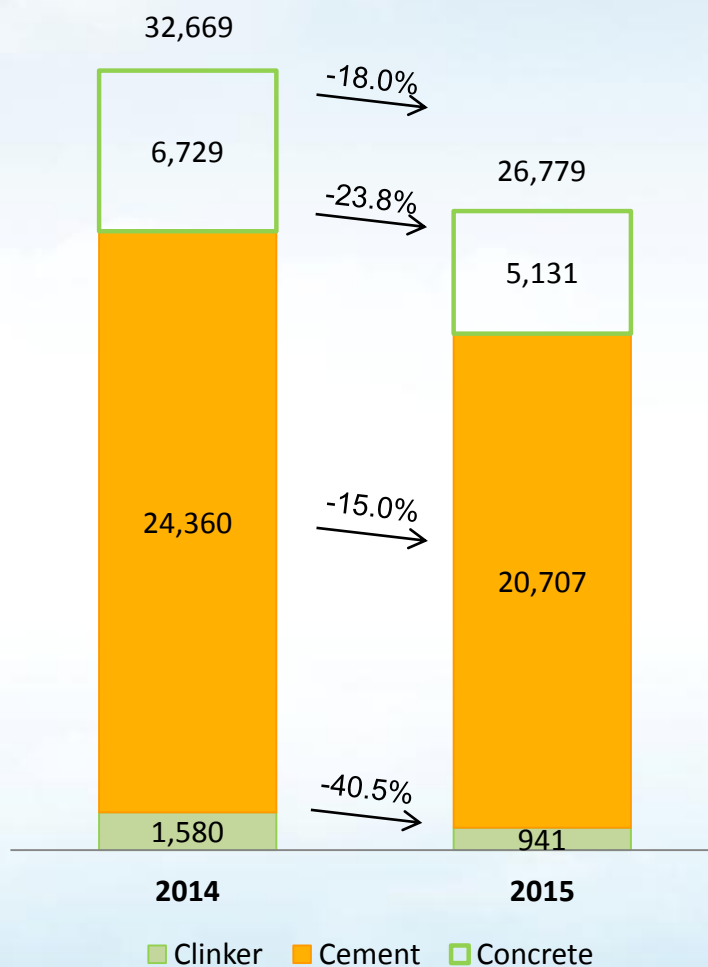
➤ Dividend payout ratio has been increasing for five consecutive years.

Turnover by Product

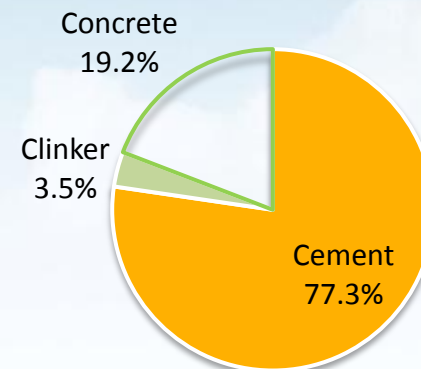
(HK\$ million)



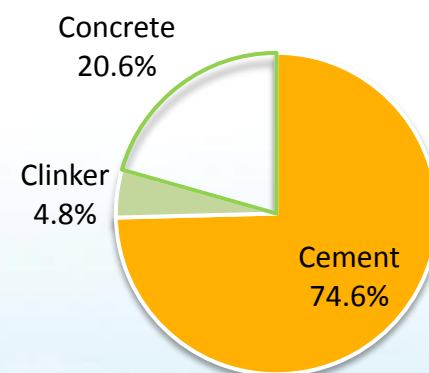
華潤水泥控股有限公司
China Resources Cement Holdings Limited



2015



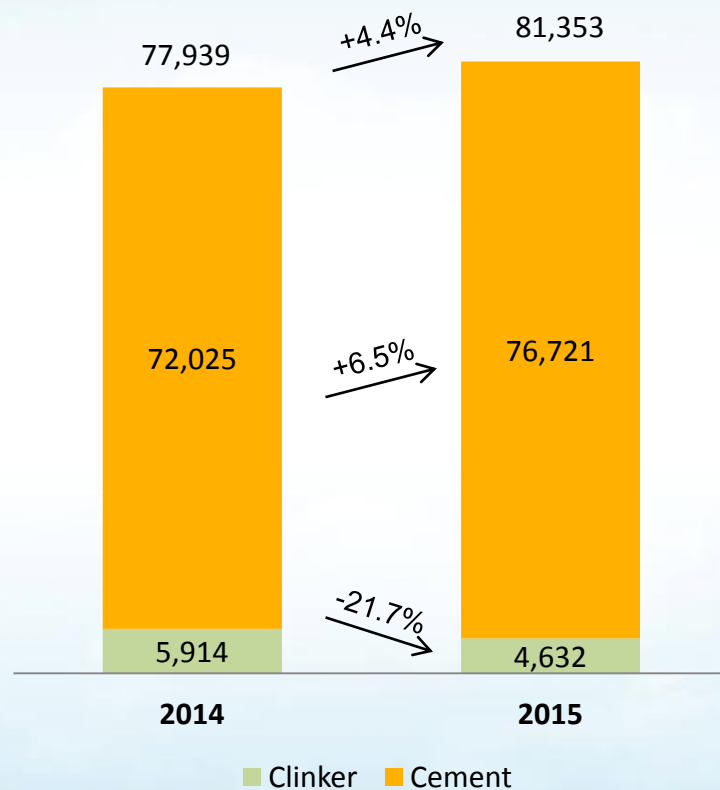
2014



Sales Volume

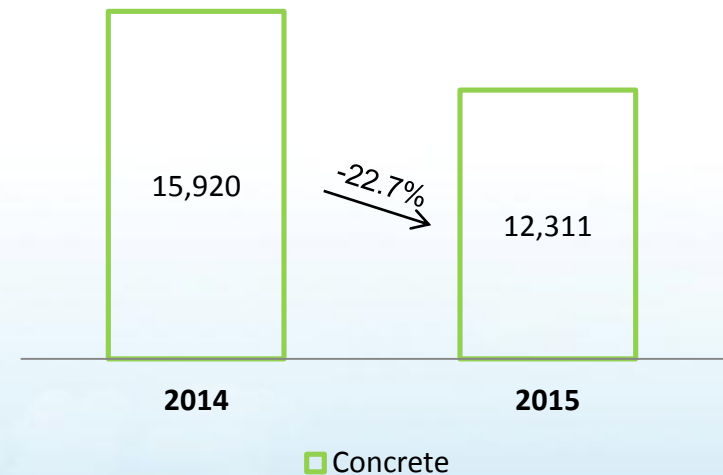
Cement & Clinker

('000 tons)



Concrete

('000 m³)

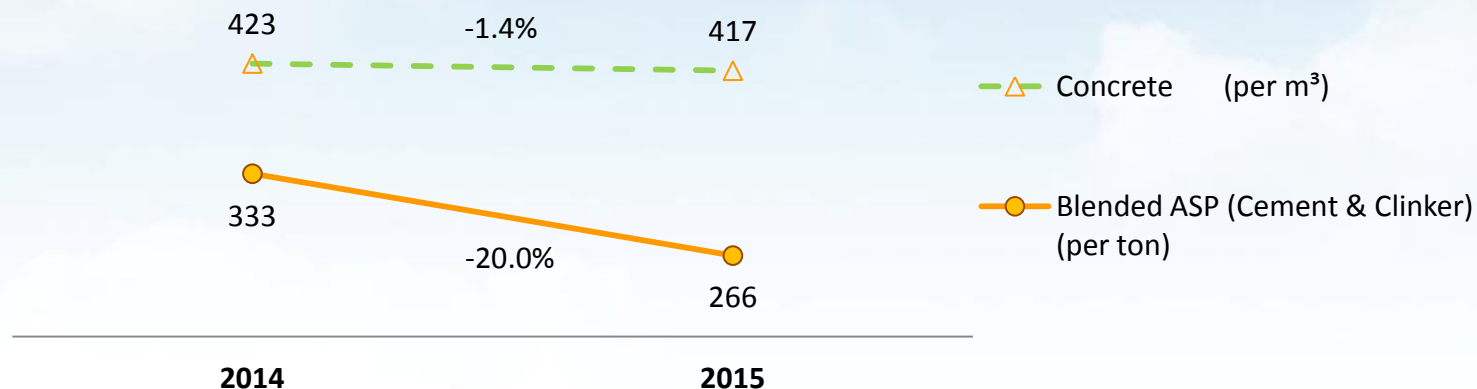


Average Selling Price

(HK\$)

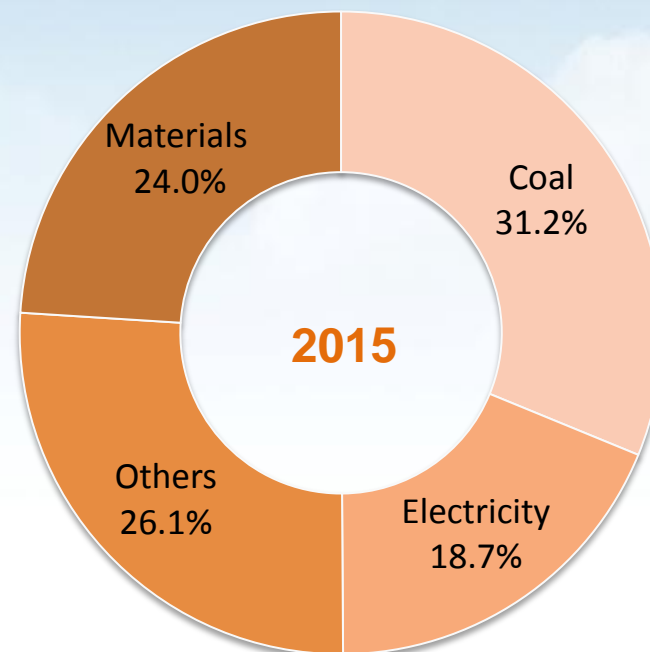
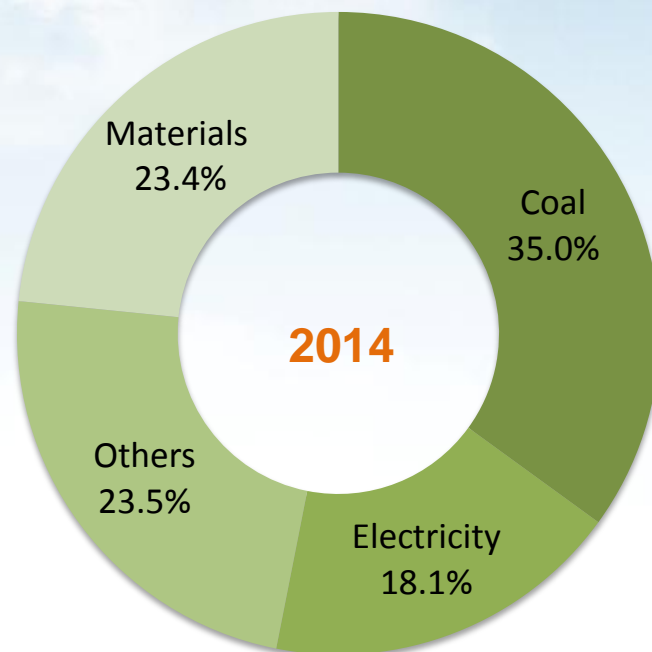


華潤水泥控股有限公司
China Resources Cement Holdings Limited



Cement ASP (HK\$/ton)	2014	2015	YoY Change
Guangdong	373	288	-22.7%
Guangxi	321	271	-15.6%
Fujian	309	239	-22.5%
Hainan	403	318	-21.2%
Shanxi	209	177	-15.5%
Yunnan	285	239	-15.9%
Guizhou	266	204	-23.4%

Cost Structure of Cement Products



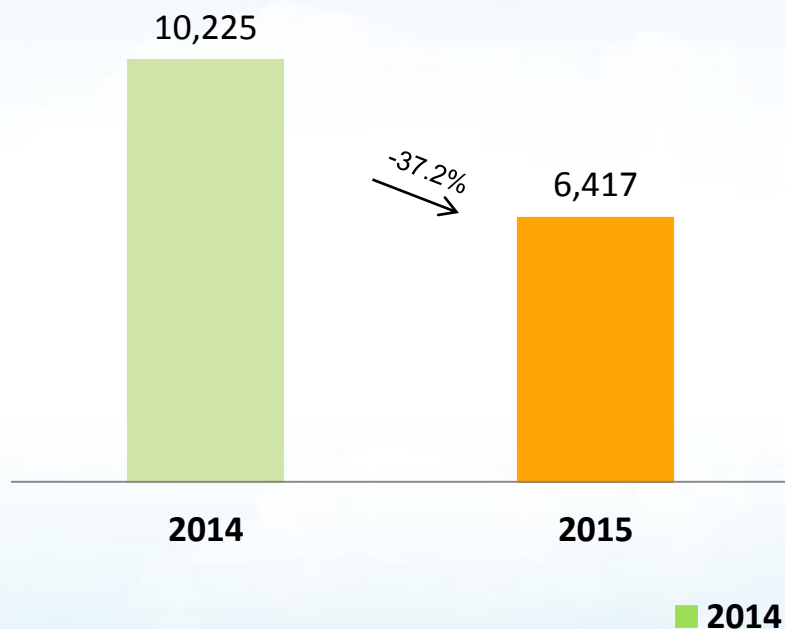
(HK\$/ton)	2014	2015	YoY Change
Coal	79.5	64.7	-18.6%
Electricity	41.2	38.9	-5.6%
Materials	53.1	49.9	-6.0%
Others	53.2	54.0	+1.5%
Total	227.0	207.5	-8.6%

Note: Cement products refer to cement & clinker

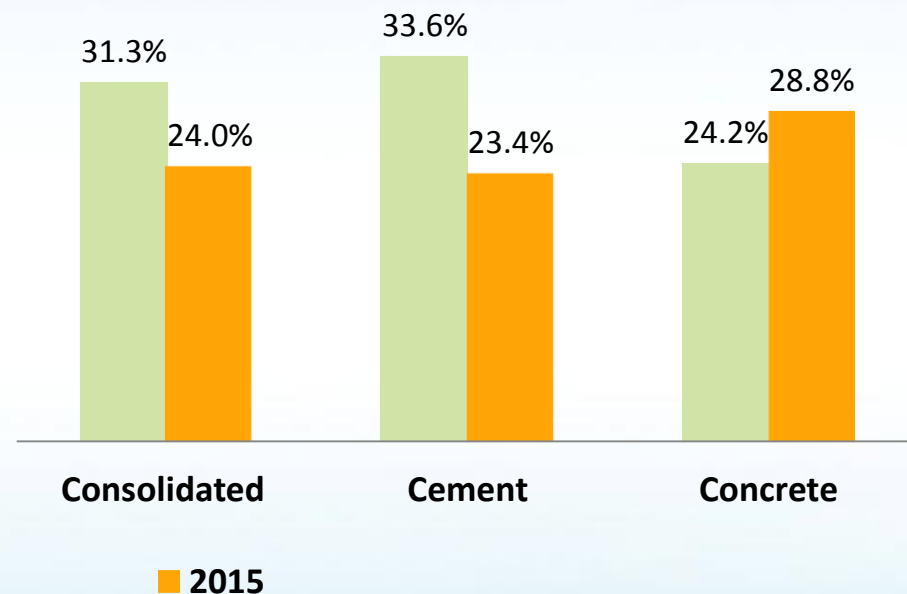
Gross Profit & Margin

Consolidated Gross Profit

(HK\$ million)



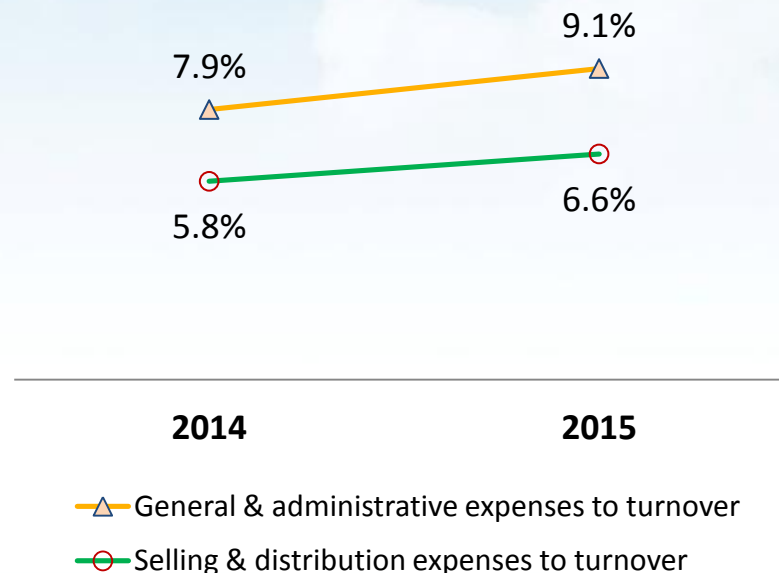
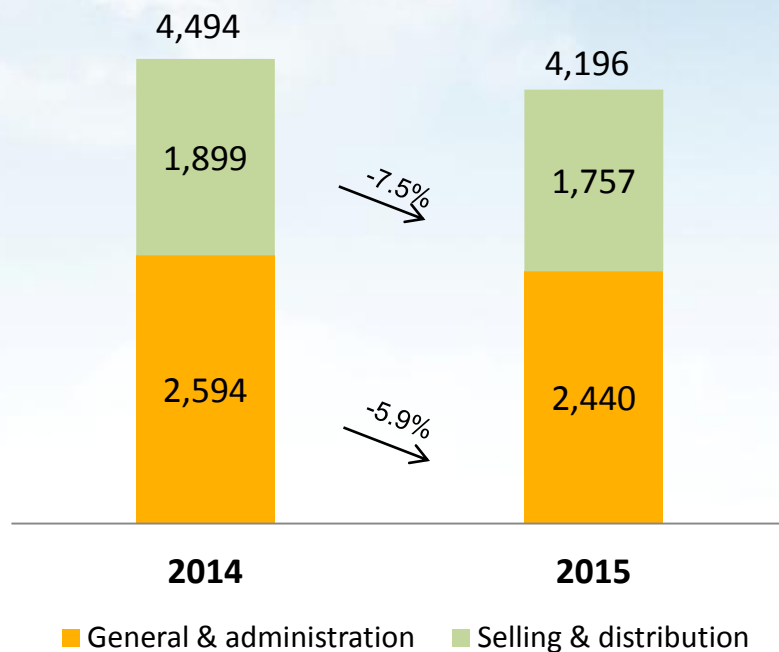
Gross Margin by Product





Selling, General & Administrative Expenses

(HK\$ million)



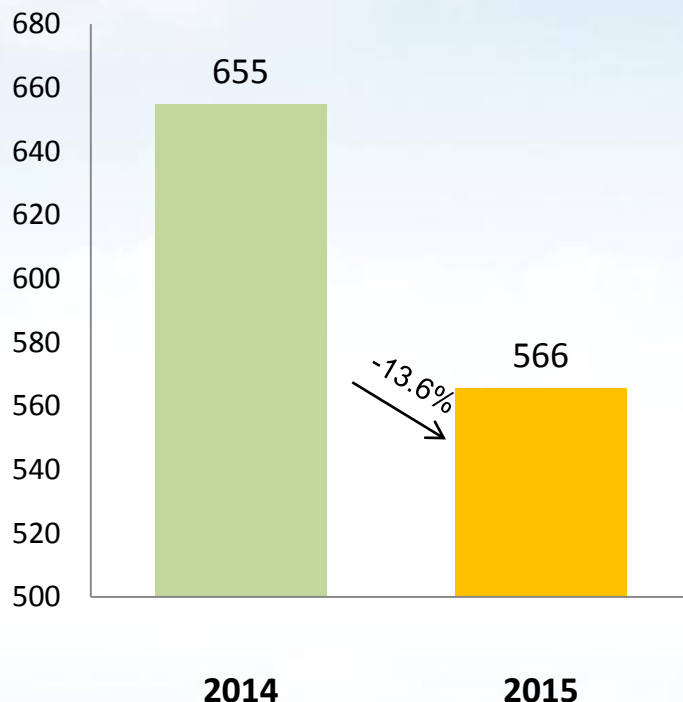
- The decrease of selling and distribution expenses for 2015 was mainly due to decrease in volume of concrete sold.
- During the year, the total impairment loss on fixed assets of HK\$141.7 million (HK\$197.1 million in 2014) and bad debts of HK\$139.3 million (HK\$18.6 million in 2014) were charged to general and administrative expenses for the year. In 2015, administrative staff cost decreased by approximately HK\$262.7 million mainly due to reduction in performance related incentive payments.



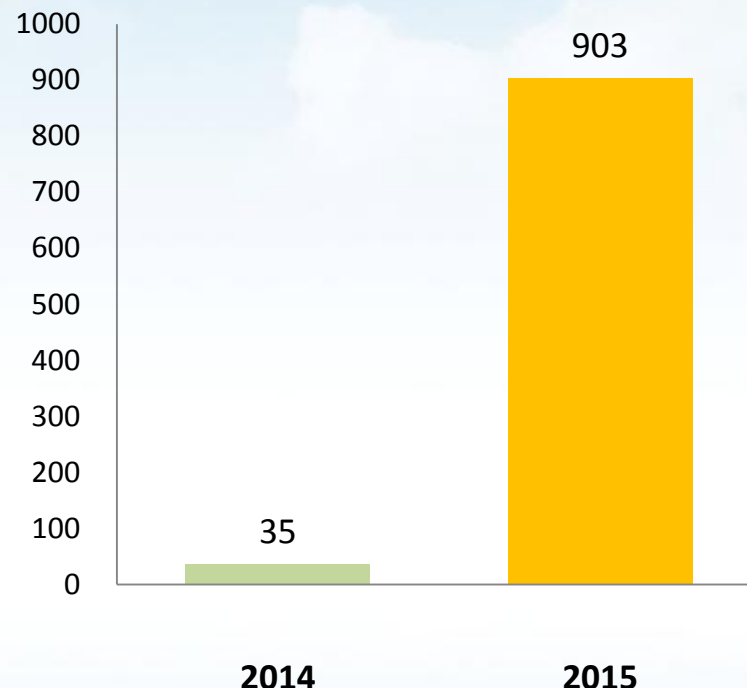
Finance Costs & Exchange Loss

(HK\$ million)

Finance costs



Exchange loss



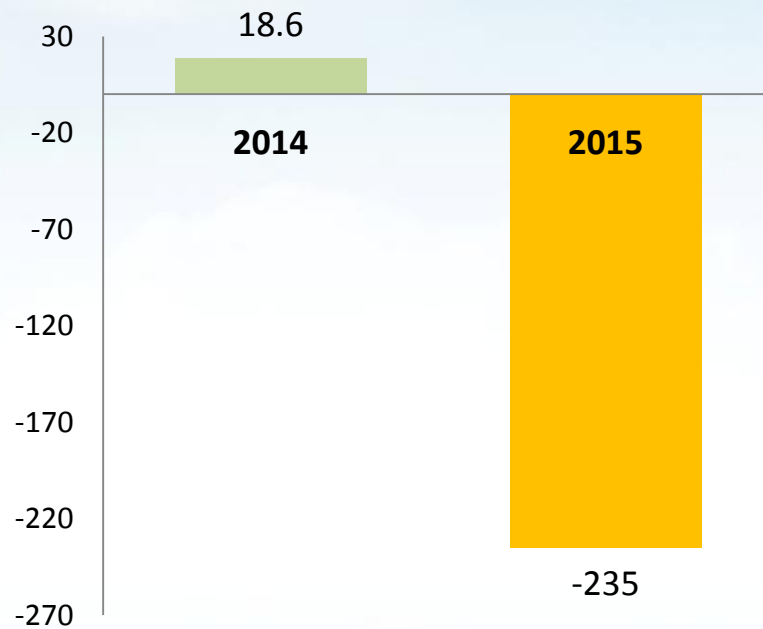
- Since 11 August 2015, the People's Bank of China has implemented a series of adjustments to the RMB central parity fixing mechanism which led to significant depreciation of RMB against other major currencies within a short period of time. An exchange loss was generated from non-RMB net borrowings for the year.



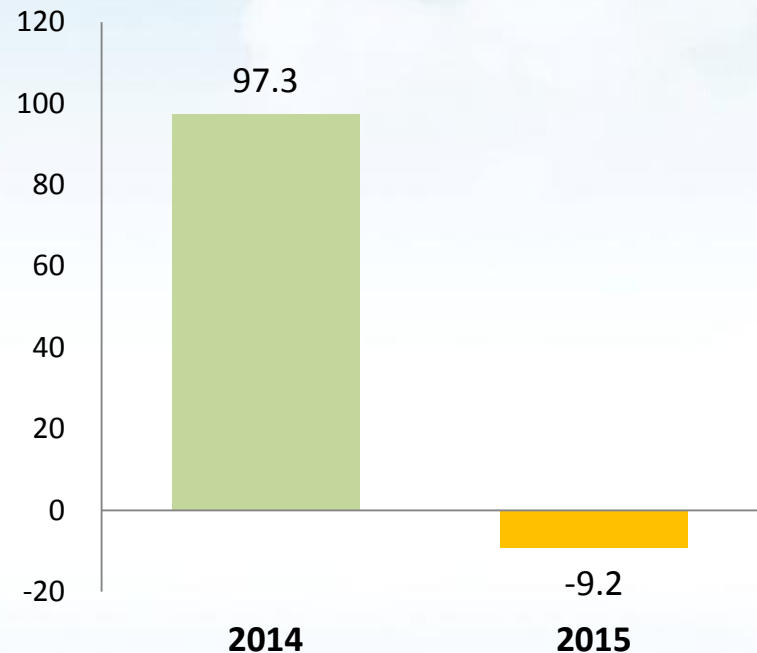
Share of results of associates& JVs

(HK\$ million)

Share of results of associates



Share of results of joint ventures



- The associates of the Group contributed losses of HK\$141.8 million, HK\$43.6 million and HK\$51.5 million from the operations in Inner Mongolia, Fujian and Yunnan respectively.
- Our joint ventures are principally operating in Guangzhou area.

	2014	2015	YoY
Taxation (HK\$ million)	1,630.8	47.5	-97.1%
Effective tax rate (excluding tax over-provision, the results of associates and joint ventures and the non-deductible exchange loss)	24.6%	25.7%	+1.1ppt

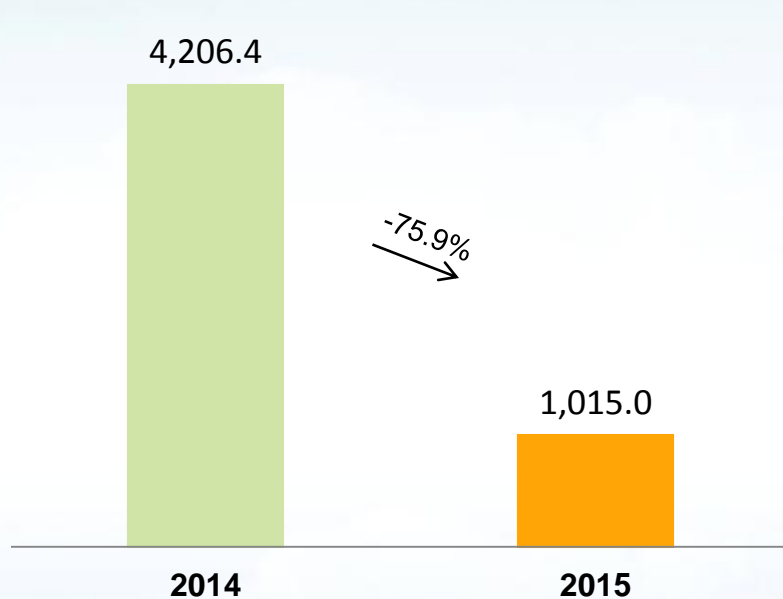
- An amount of HK\$499.4 million representing the over-provision of enterprise income tax that was previously provided at 25% for the period from 1 January 2013 to 30 September 2014 was reversed and included in taxation for the year.

Net Profit & Margin

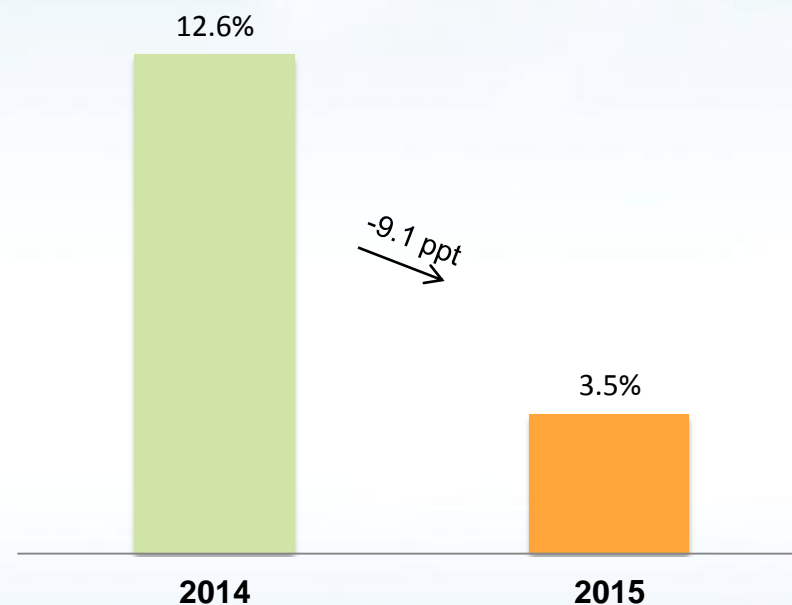


Profit attributable to owners of the Company

(HK\$ million)



Net Margin



Note: Net Margin = Profit for the year / Turnover

Financial Position

(HK\$ million)	31 Dec 2014	31 Dec 2015	Change
Cash and bank balances	4,147.8	1,937.7	-53.3%
Total assets	57,537.1	54,216.8	-5.8%
Net borrowings	16,112.7	16,945.3	+5.2%
Net gearing ratio	57.2%	63.8%	+6.6ppt
Net assets per share (HK\$)	4.31	4.07	-5.6%

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.*
- 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 year.*

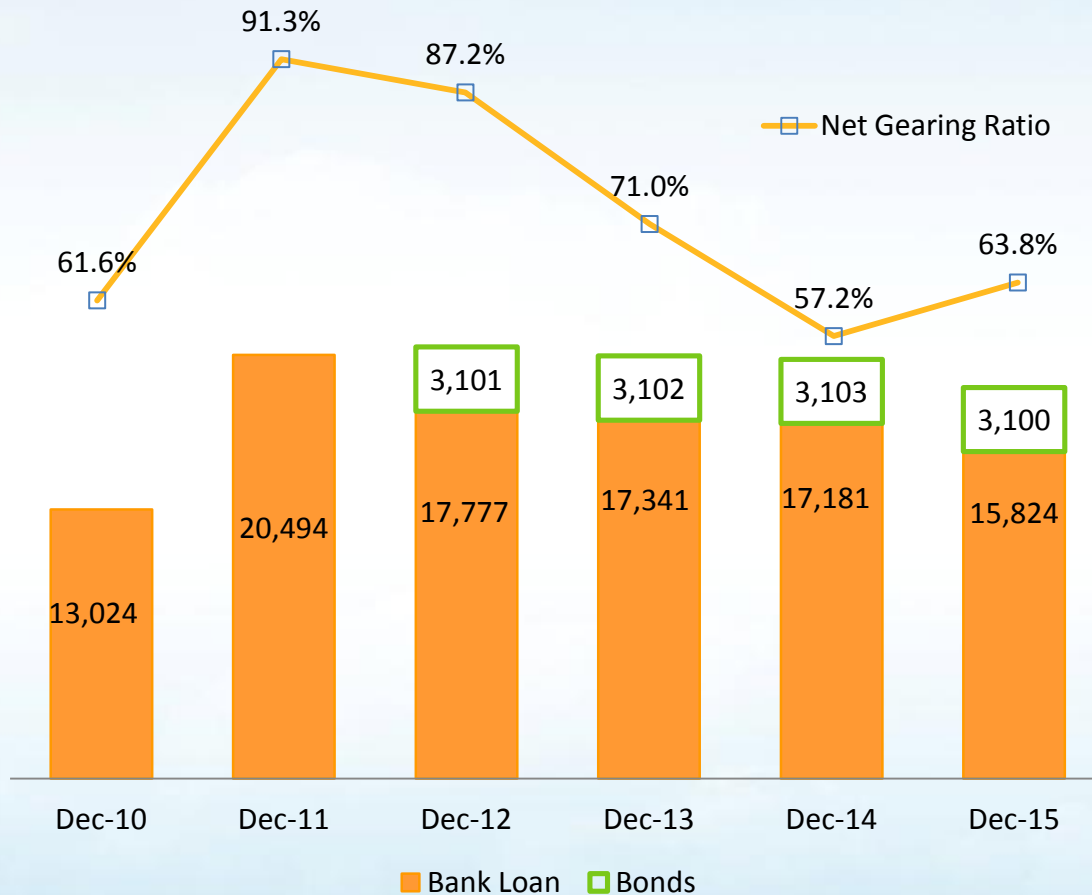
Cash Flow

(HK\$ million)	31 Dec 2014	31 Dec 2015	Change
Net cash generated from operating activities	6,858.8	4,833.6	-29.5%
Net cash used in investing activities	(4,557.2)	(4,641.9)	+1.9%
Net cash used in financing activities	(971.6)	(2,245.1)	+131.1%
Net increase (decrease) in cash and cash equivalents for the year	1,330.0	(2,053.4)	-254.4%
Cash and cash equivalent at end of the year	4,147.8	1,937.7	-53.3%

- Total payment for capital expenditure of the Group in 2015 was HK\$5,640 million.
- Expected capital expenditures are approximately HK\$3.5 billion and HK\$1.9 billion in 2016 and 2017 respectively.

Debt Structure

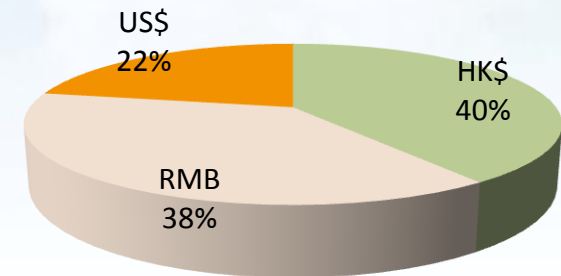
(HK\$ million)



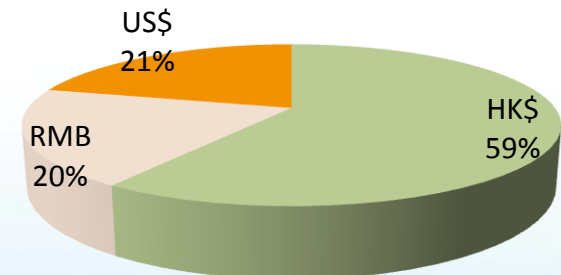
Note:

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.
3. The US dollar bond due on 5 October 2017 has an coupon interest rate of 2.125%.

Currency (2015)



Currency (2014)



Operational Review



Major development in 2015



New production capacity

- Clinker production line in Fengkai County, Guangdong and cement grinding line in Lianjiang City, Guangdong; adding the Group's clinker and cement capacity by 1.6 million tons and 1.0 million tons.
- Three concrete batching plants, increasing our annual concrete capacity by 1.8 million m³

Market consolidation

- Expanding in Yunnan: In September and December, the Group has made two agreements with Kunming Iron & Steel Holding Co., Ltd., for capital injection into Yunnan Cement & Building Materials Group Co., Ltd. Upon completion, the Group holds 50% of the equity interest.

Green development

- In November, the Company incorporated a wholly-own subsidiary, China Resources Environmental Protection Engineering Investments Limited, which will focus on green environmental projects including co-processing of urban waste, sludge and hazardous waste projects, etc. by using cement kilns.
- In December, the Group's first urban waste co-processing project in the cement plant at Binyang County, Guangxi commenced operations.

Production Capacity



In Operation

● Clinker and Cement Production Line

■ Cement Grinding Line

★ Concrete Batching Plant

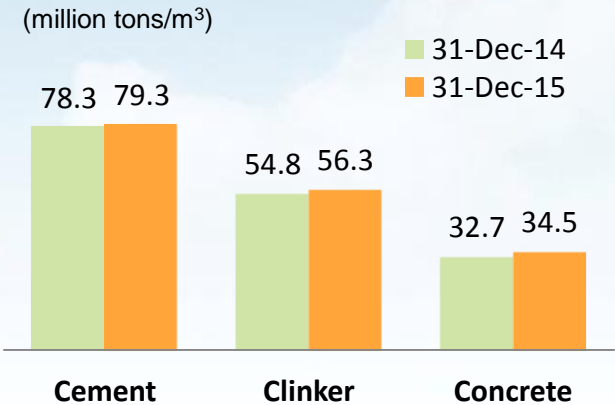
Joint Ventures and Associates

● Clinker and Cement Production Line

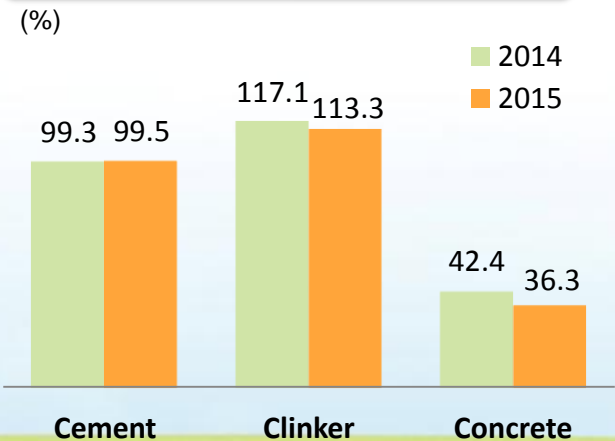
■ Cement Grinding Line

★ Concrete Batching Plant

Production Capacity

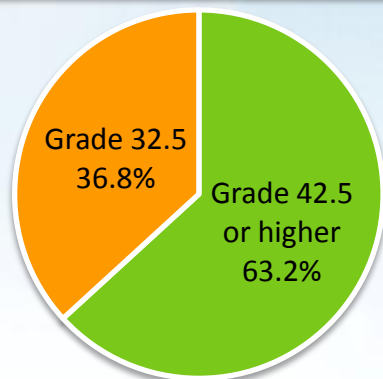


Utilization Rate

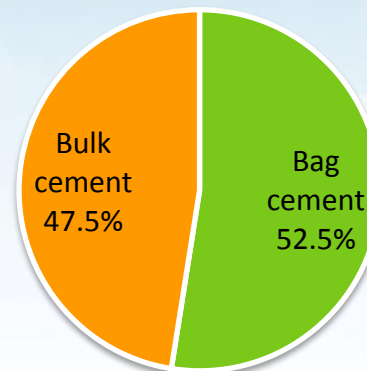


Breakdown of Cement Sales Volume

Product type in 2015



By sales amount



By volume

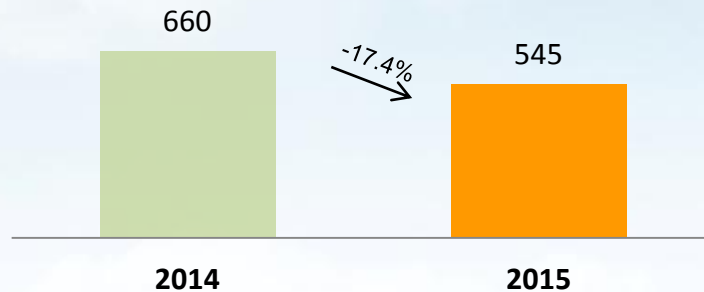
Province/AR	million tons	YoY	% to total
Guangdong	30.8	4.8%	40.1%
Guangxi	22.3	9.5%	29.0%
Fujian	8.7	-4.7%	11.3%
Hainan	5.0	0.7%	6.6%
Shanxi	3.0	-19.8%	4.0%
Yunnan	4.7	28.6%	6.1%
Guizhou*	2.2	190.2%	2.9%
Total	76.7	6.5%	100%

**Note: Operation in Guizhou started in Jul 2014*

Improved Energy Consumption

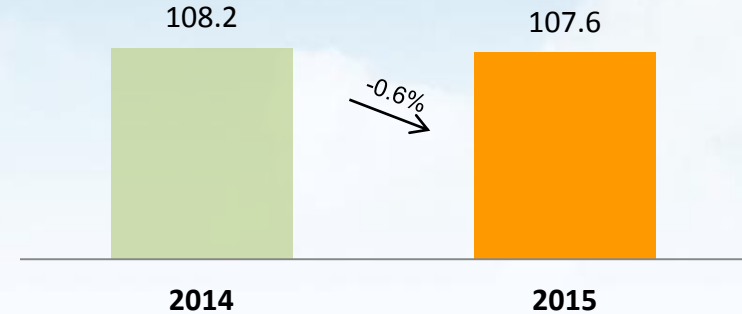
Average Coal Purchase Price

(HK\$/ton)



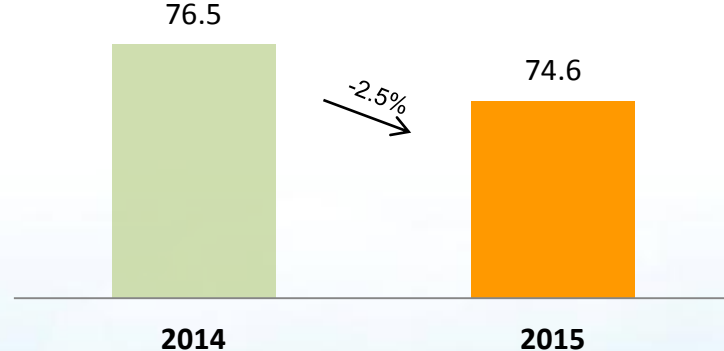
Standard Coal Consumption

(kg/ton of clinker)



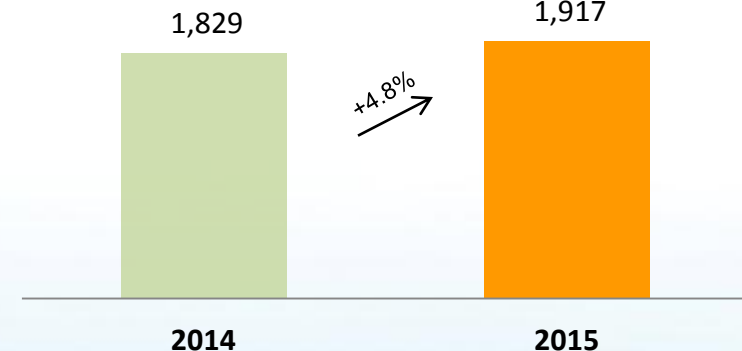
Electricity Consumption

(kwh/ton of cement)



Residual Heat Electricity Generated

(million kwh)



- Average coal cost of production decreased by 19.0% to HK\$80.6 per ton of clinker produced in 2015.
- The reduced electricity consumption resulted in a cost saving of approx. HK\$103.8 million in 2015.
- Residual heat recovery generators - 31.6% of required electricity consumption, representing a cost saving of approx. HK\$1,145.3 million in 2015.

Coal Procurement (2015: 9.3 million tons)

- The proportion of direct coal procurement from coal producers increased to approximately 74% (2014: 68%)
- Adopted low inventory strategy to optimize procurement management.
- Actively explore domestic and international sources of coal procurement, stabilize cooperation with strategic suppliers and take advantage of centralized procurement for effective costs management.



Logistics Management

- **Logistics information systems:**
 - Truck transportation and scheduling management system in Guangdong, Fujian and Yunnan
 - Information collection system in Guangdong, Guangxi, Fujian and Yunnan
 - Pilot construction of “Smart Card” system in Fengkai, Dongguan and Luoding
- **Implementation of bi-directional logistics**
- **Shipping capacity control in Xijiang**
 - 715,000 tons of shipping capacity on Xijiang River with annual capacity of 32 million tons
 - 53 silo terminals, mainly in Pearl River Delta region, with annual capacity of 39.4 million tons

Safety and Environmental Protection



Safety, Energy saving and Emission reduction

- Since 2015, 18 cement production plants have passed the assessments as the **First-Class Enterprise in Production Safety Standardization**.
- All clinker production lines have completed technological upgrade on **denitrogenation** and the emission level of nitrogen oxides is better than the national standards of 400mg/m³.
- The emission levels of **particulate matters** for all production plants are in compliance with the national standard of 30mg/m³. As of 31 Dec 2015, bag filter systems have replaced the static electricity dust collection systems for 31 clinker production lines. The remaining production lines are expected to complete technological upgrade by the end of 2016.

Awards and Recognition

- China Resources Cement (Tianyang) Limited - **Hong Kong Green Awards 2015 – Environmental, Health and Safety Award (Large Corporation) – Gold Award** by the Green Council of Hong Kong;
- China Resources Cement (Pingnan) Limited and China Resources Cement (Tianyang) Limited: The **One Hundred Energy-Saving Model Enterprises** by the China Building Materials Federation among the building materials industry;
- China Resources Cement (Fengkai) Limited: The medal and certificate of the **Environmental Protection Model Enterprise of Large-Scale Cement Group in China** by the China Cement Association;
- China Resources Cement (Zhangping) Limited was regarded as one of the **first batch of 2015 Energy Management System Model Enterprise** in Fujian Province.
- China Resources Cement (Zhangping) Limited and China Resources Cement (Yongding) Limited passed the **Key Energy Consumption Enterprise Energy Management System of Fujian Province**.

Outlook & Prospects



- China has entered a new norm whereby its economy growth is shifting from high speed to medium-to-high speed.



Year 2016 is the opening year for the “Thirteenth Five-Year” plan. The Chinese government set a **GDP growth target** of 6.5% to 7.0%, a **FAI growth target** of about 10.5%, whereby infrastructure and real estate will still be the main constituents.

Five economic tasks: “eliminating excessive capacities, destocking, deleveraging, lowering costs and shoring up growth in weak areas”, which has laid the solid foundation for the economic development during the “Thirteenth Five-Year” period.

“One Belt One Road” Initiative: The core area of the “One Belt One Road” Initiative covers 16 provinces including Guangdong, Guangxi, Fujian and Yunnan where the Group has operations.

Cement Demand Drivers in Future

- Infrastructure and real estate will still be the main constituents; with the promotion of new-type urbanization, the demand for investments in infrastructure constructions and public services will continue to increase and will result in sustainable and steady demand for the cement industry.

Infrastructure

Railway/ Urban Transit:

- During the “Thirteenth Five-Year” period, the FAI of railway will reach RMB3.5 trillion to RMB3.8 trillion for construction of 30,000 km of new lines. In 2016, the investment plans for national railway construction will amount to over RMB800 billion. For urban rail transit, subways of a total operational length of 6,000 km will be built and repaired in 50 cities in China and the annual average increase will be 670 km.

Highway:

- Approximately 13,000 km of national expressways will be constructed and expanded by 2020. The total planned operational length of national expressways will reach 118,000 km with a possible extension of 18,000 km in the future.

Underground utility tunnels:

- The government proposed to complete the construction of a batch of underground utility tunnels in line with the advanced international standards and put them into operation by 2020.

Real estate

- The government proposed to boost real estate investments by reforming the housing and household registration systems, developing the residential property tenancy market and liberalizing the settlement and rental policy restrictions on non-registered households.

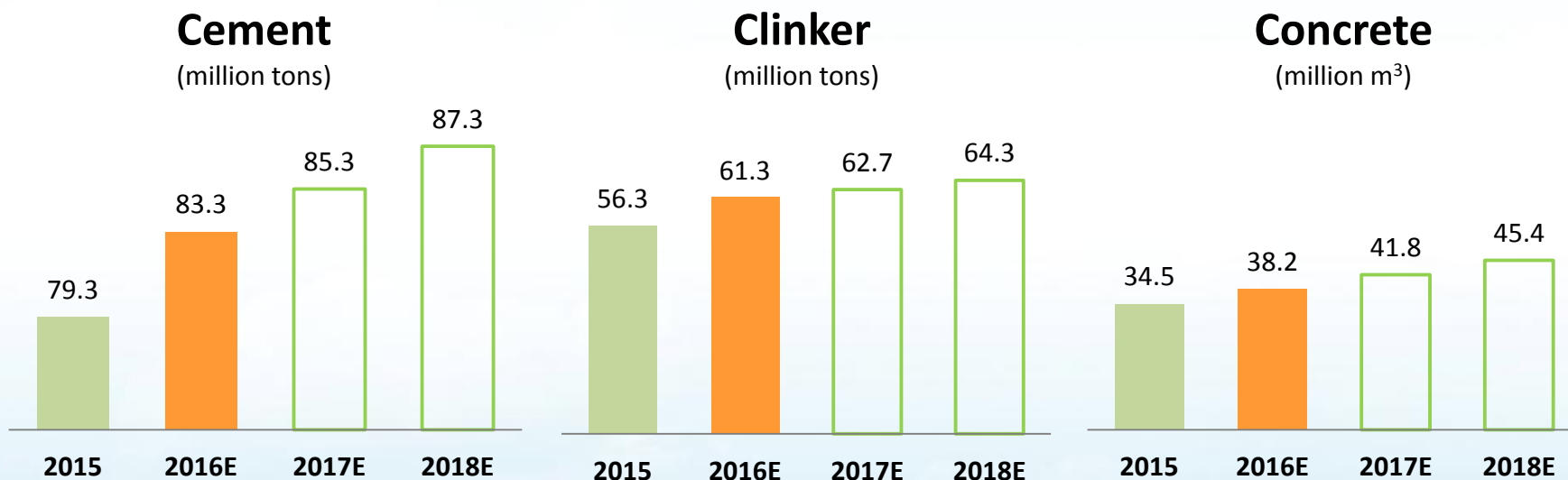
Urbanization

- According to the China’s “National New-type Urbanization Plan (2014-2020)”, the targeted urbanization rate will reach 60% by 2020.

Strategies and Prospects

- Adhere to the “3+2” development strategy, through control, conversion and distribution of resources, making us the producer with the lowest total cost and leading market position in the region.
- While promoting lean management, cost reduction and efficiency enhancement, we will continue to seek acquisition opportunities in the regions at which the Group has operations and at the same time explore investment opportunities in countries and regions along the Belt and Road of the “One Belt One Road” Initiative, strengthen research and innovation, promote green development and contribute to the healthy development of the cement industry in China.

Capacity Expansion through Organic Growth



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

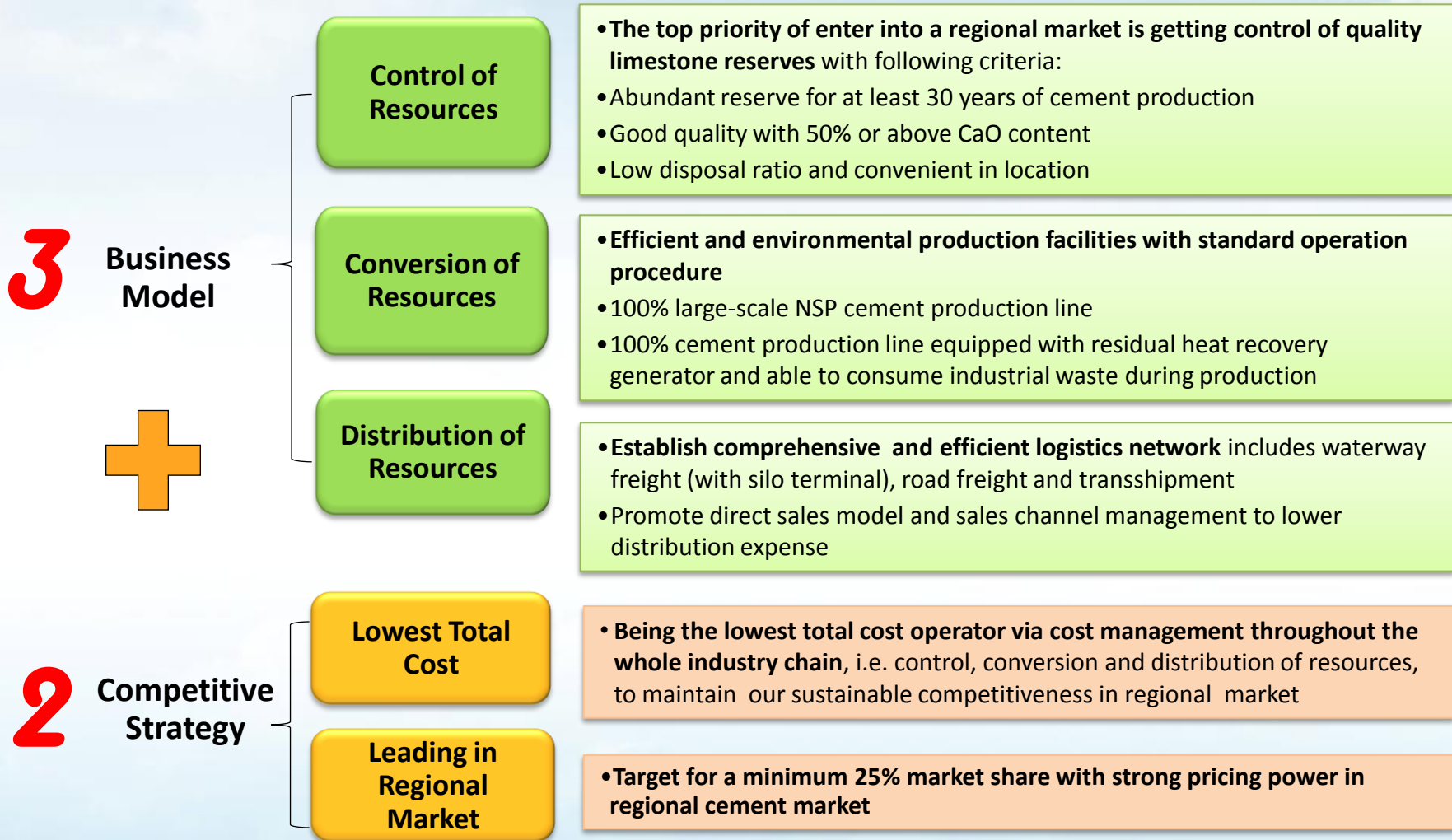
Appendix

Our vision is to become a respected world-class cement company.

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



CR Cement – “3+2” Development Strategy



CR Cement's Production Capacity

Controlled by the Group

(As at 31 Dec 2015)

Province/AR/SAR	Cement		Clinker		Concrete	
	No. of lines	million tons	No. of lines	million tons	No. of plants	million m ³
Guangdong	22	20.5	8	10.9	25	15.3
Guangxi	35	31.2	17	25.0	21	12.4
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	91	79.3	42	56.3	58	34.5

Controlled by associates and joint ventures

Province/AR	Cement		Clinker		Concrete	
	No. of lines	million tons	No. of lines	million tons	No. of plants	million m ³
Guangdong	8	4.8	2	3.7	1	0.5
Fujian	14	10.9	7	7.9	9	5.4
Yunnan	37	24.6	21	18.0	-	-
Inner Mongolia	26	17.8	9	10.8	5	1.5
Total	85	58.1	39	40.4	15	7.4
Attributable	-	19.2	-	13.4	-	3.4

Cement Capacity

(million tons)



Financial Summary

(HK\$ million)	2015	2014	2013	2012	2011
Turnover	26,778.7	32,668.9	29,340.6	25,345.3	23,240.0
EBITDA	3,837.6	8,285.2	6,698.1	5,235.5	6,633.7
Profit attributable to owners of the Company	1,015.0	4,206.4	3,338.4	2,324.4	4,179.0
Basic earnings per share (HK\$)	0.155	0.644	0.512	0.357	0.641
Total Assets	54,216.8	57,537.1	54,179.7	52,159.1	50,579.7
Equity attributable to owners of the Company	26,556.9	28,179.9	24,820.9	21,375.7	19,298.7
Net borrowings	16,945.3	16,112.7	17,618.1	18,641.9	17,625.5
Net assets per share (HK\$)	4.07	4.31	3.80	3.28	2.96

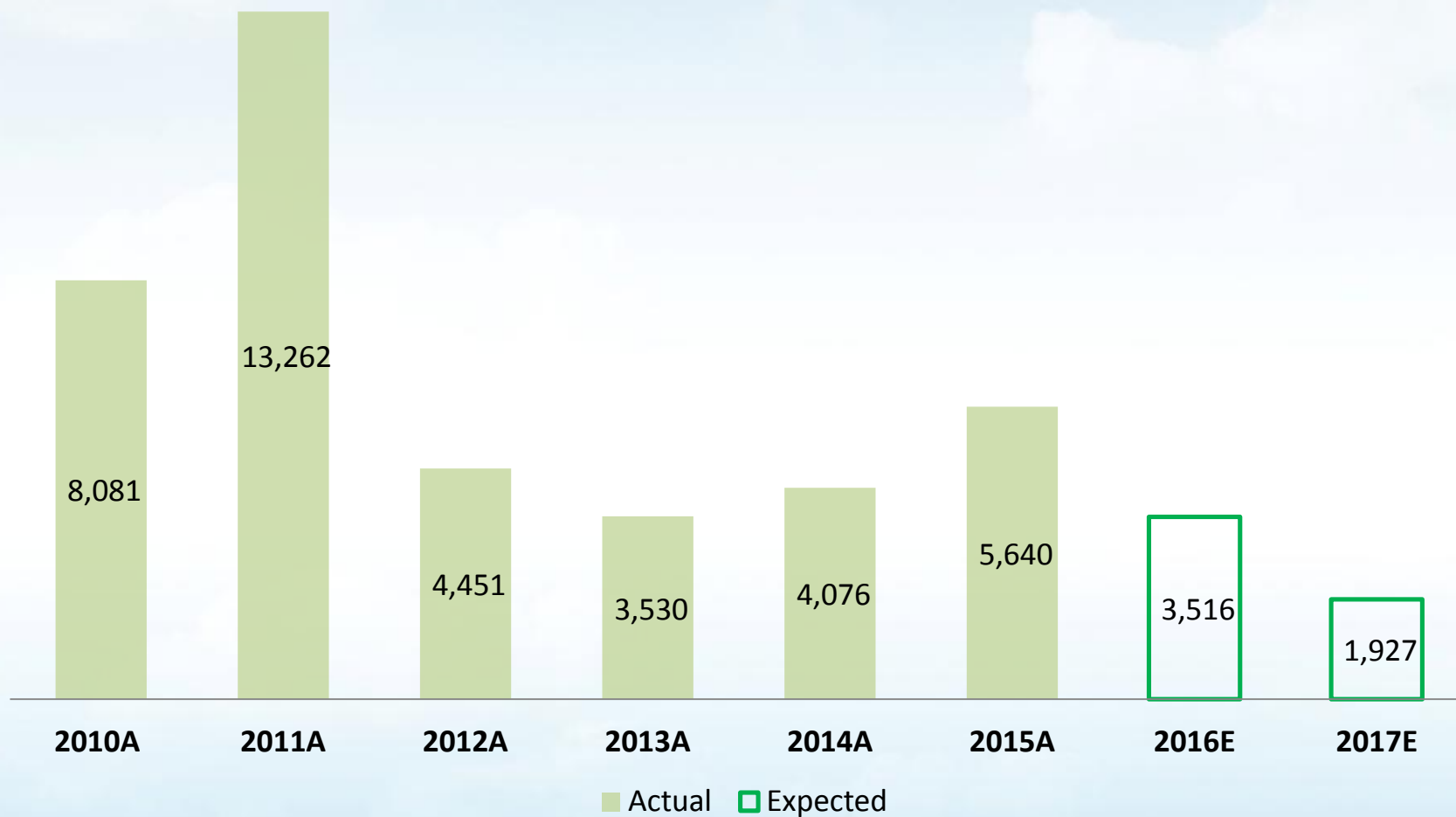
Note:

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.



Capital Expenditure

(HK\$ million)



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Important Shareholders' Dates

Events	Planned Dates
2015 annual results announcement	11 March 2016
Publication of 2015 annual report	23 March 2016
Announcement of the unaudited quarterly financial information for the three months ending 31 March 2016	22 April 2016
Annual general meeting	13 May 2016, 3:30 p.m.
Last day of dealings in Shares with entitlement to final dividend 2015	16 May 2016
Ex-dividend date	17 May 2016
Deadline for lodging transfer documents for entitlement to final dividend 2015	18 May 2016, 4:30 p.m.
Book closure date	19 May 2016
Payment of final dividend 2015	31 May 2016
2016 interim results announcement	5 August 2016
Publication of 2016 interim report	17 August 2016
Announcement of the unaudited quarterly financial information for the nine months ending 30 September 2016	21 October 2016

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