



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

# 1Q 2015 Investor Presentation

April 2015

# Agenda



-  **Financial Updates**
-  **Operational Review**
-  **Outlook & Prospects**
-  **Appendix**

# Financial Updates



# 1Q15 Financial Highlights

(HK\$ million)	2014	YoY	1Q14	1Q15	YoY
Turnover	32,668.9	+11.3%	6,797.1	6,202.4	-8.7%
Gross profit	10,225.1	+22.3%	2,162.0	1,606.6	-25.7%
Profit before taxation	5,754.1	+33.4%	1,061.8	580.4	-45.3%
Profit attributable to owners of the Company	4,206.4	+26.0%	767.7	660.3	-14.0%
Basic earnings per share (HK\$)	0.644	+25.8%	0.118	0.101	

# Financial Position

(HK\$ million)	31 Dec 2014	31 Mar 2015	Change
Cash and bank balances	4,147.8	2,993.6	-27.8%
Total assets	57,537.1	56,997.2	-0.9%
Net borrowings	16,112.7	17,474.1	+8.4%
Net gearing ratio	57.2%	60.8%	+3.6ppt
Net assets per share (HK\$)	4.31	4.40	2.1%

**Note:**

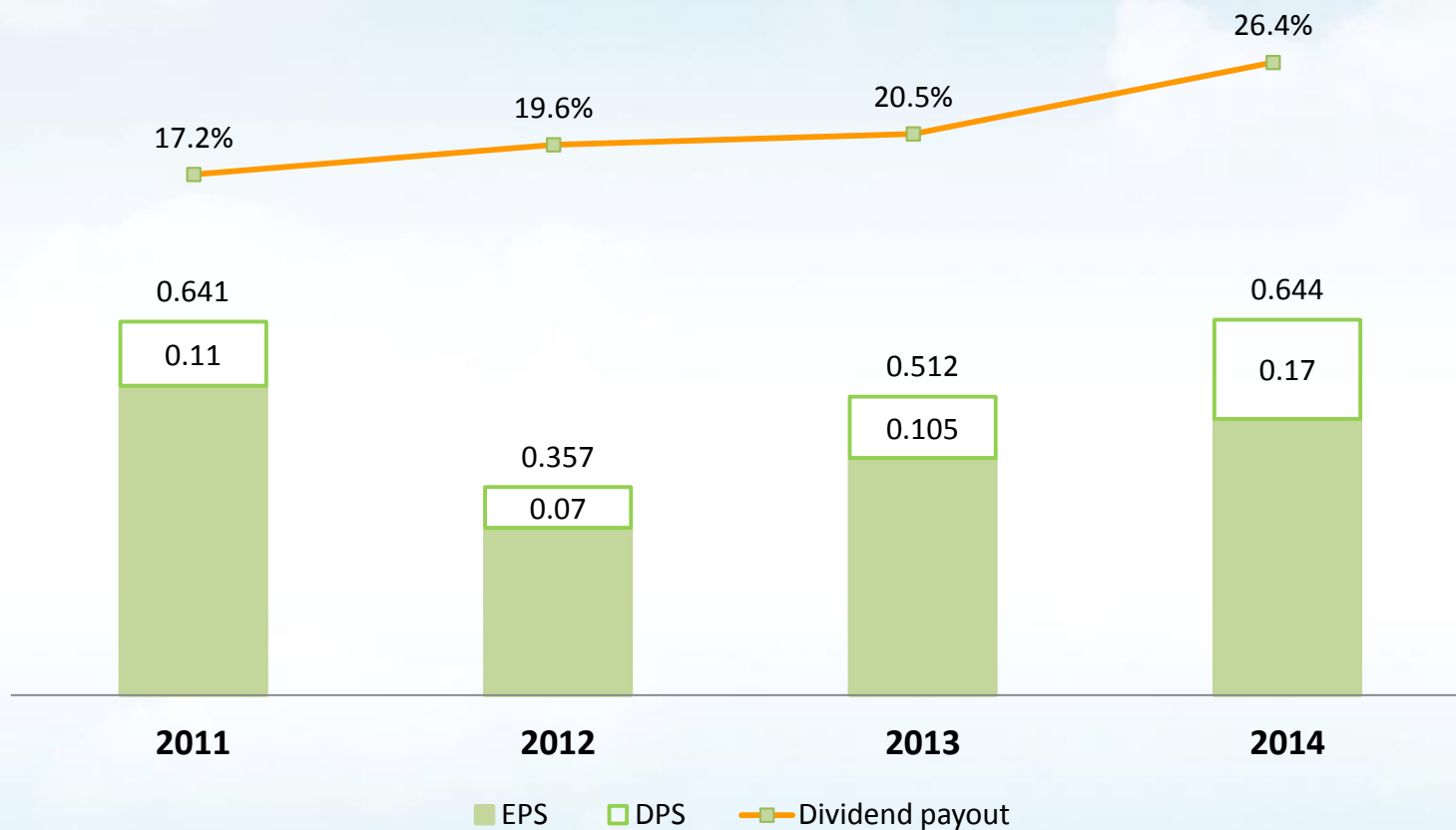
- 1. Net borrowings equal to total indebtedness less cash and bank balances and pledged bank deposits.*
- 2. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.*
- 3. Net assets per share is calculated by dividing equity attributable to owners of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

# Cash Flow

(HK\$ million)	<u>31 Dec 2013</u>	<u>31 Dec 2014</u>	<u>Change</u>
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 payment for capital expenditure of the Group is expected to be approximately HK\$4,512.4 million in 2015.

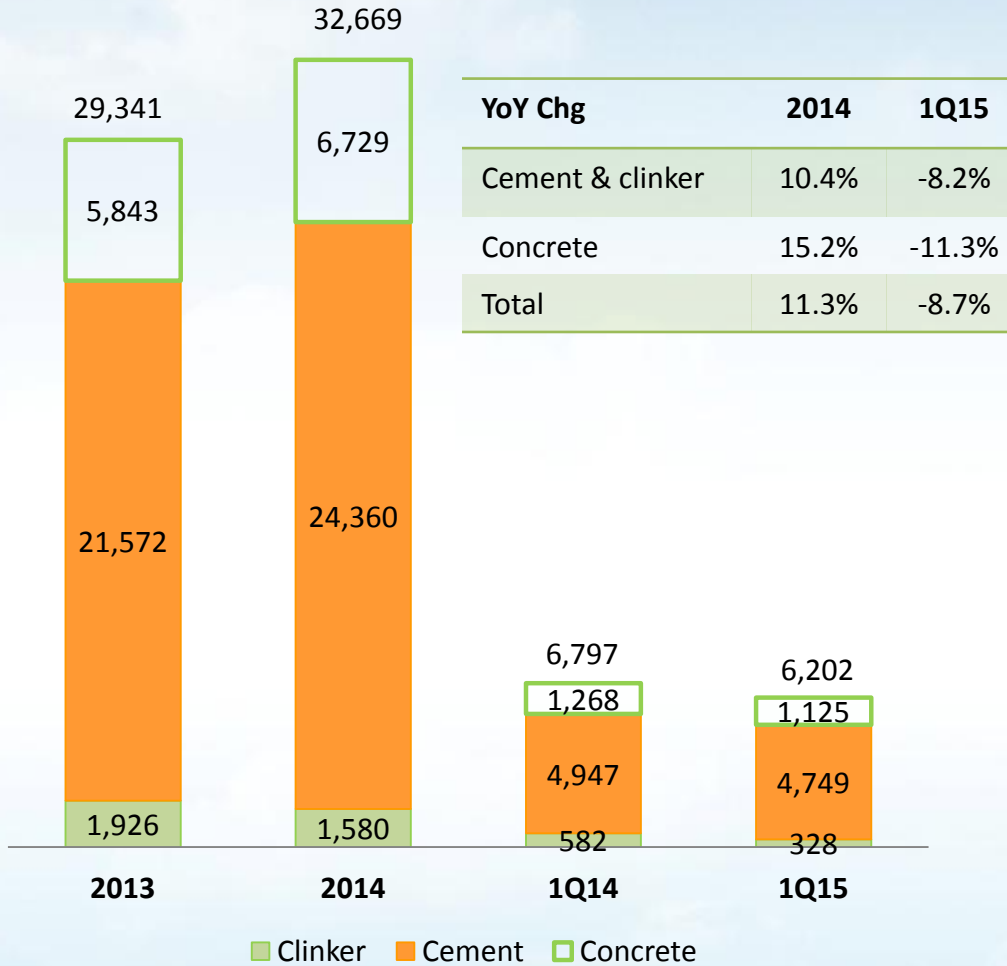
# Dividend payout (HK\$)



➤ Dividend payout ratio has been increasing steadily for four consecutive years

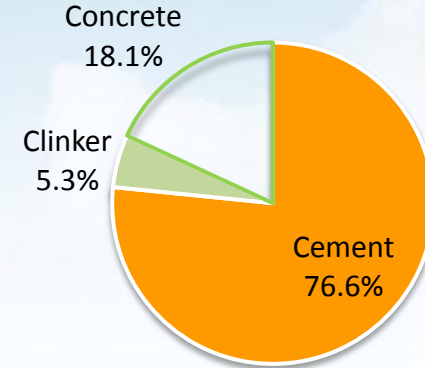
# Turnover by Product

(HK\$ million)

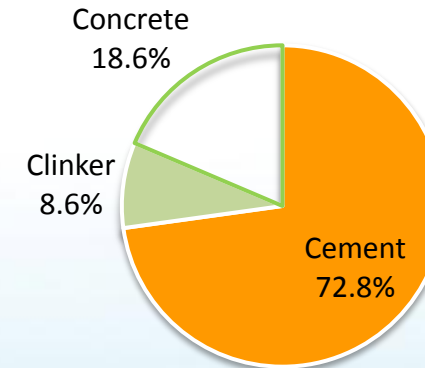


YoY Chg	2014	1Q15
Cement & clinker	10.4%	-8.2%
Concrete	15.2%	-11.3%
Total	11.3%	-8.7%

## 1Q15



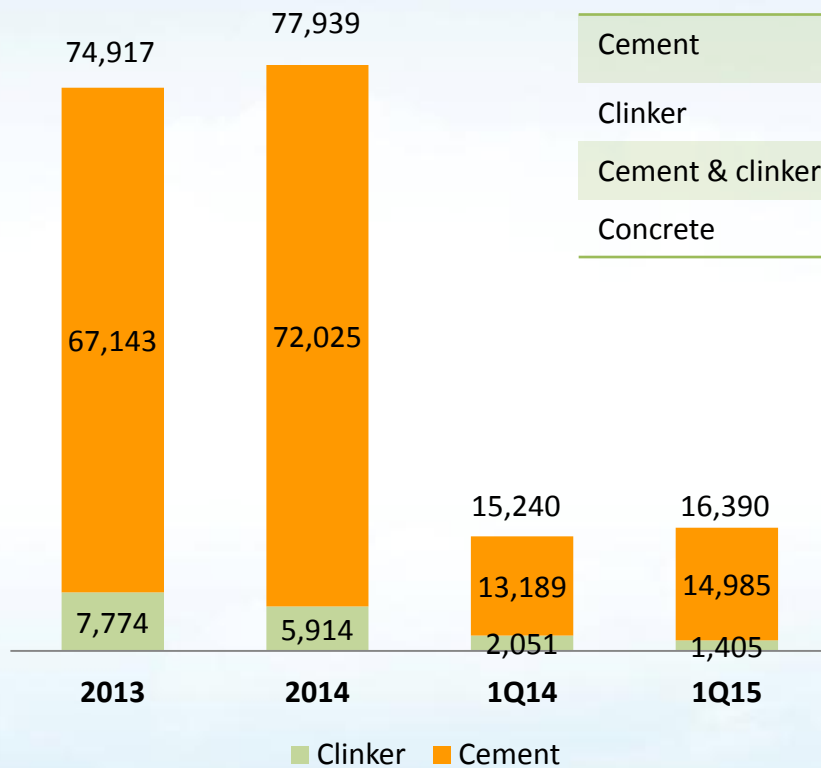
## 1Q14



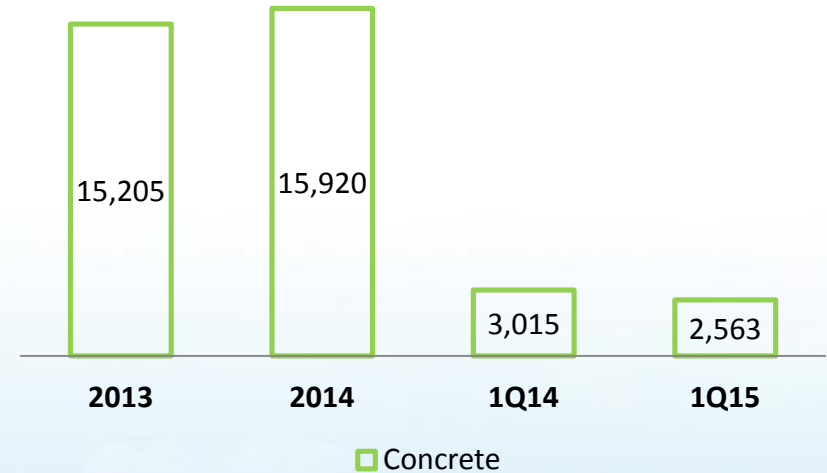


# Sales Volume

## Cement & Clinker ('000 tons)



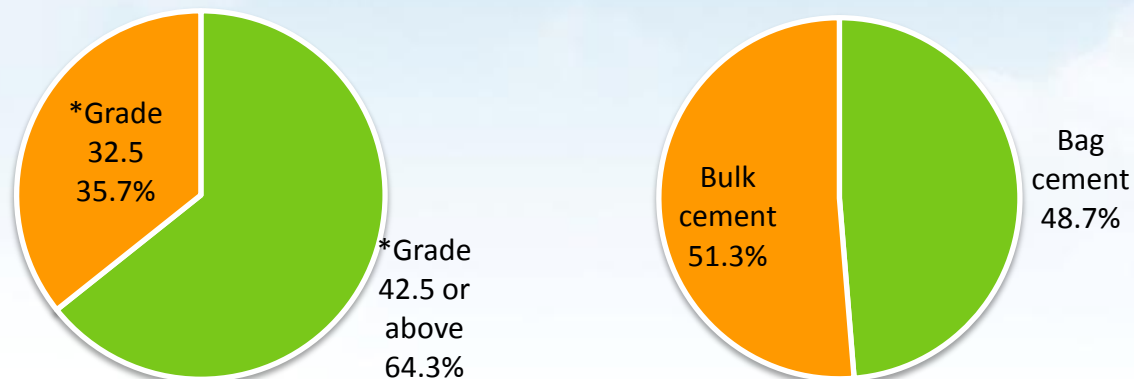
## Concrete ('000 m<sup>3</sup>)



YoY Chg	2014	1Q15
Cement	7.3%	13.6%
Clinker	-23.9%	-31.5%
Cement & clinker	4.0%	7.5%
Concrete	4.7%	-15.0%

# Breakdown of Cement Sales Volume

## By Product Type (2014)



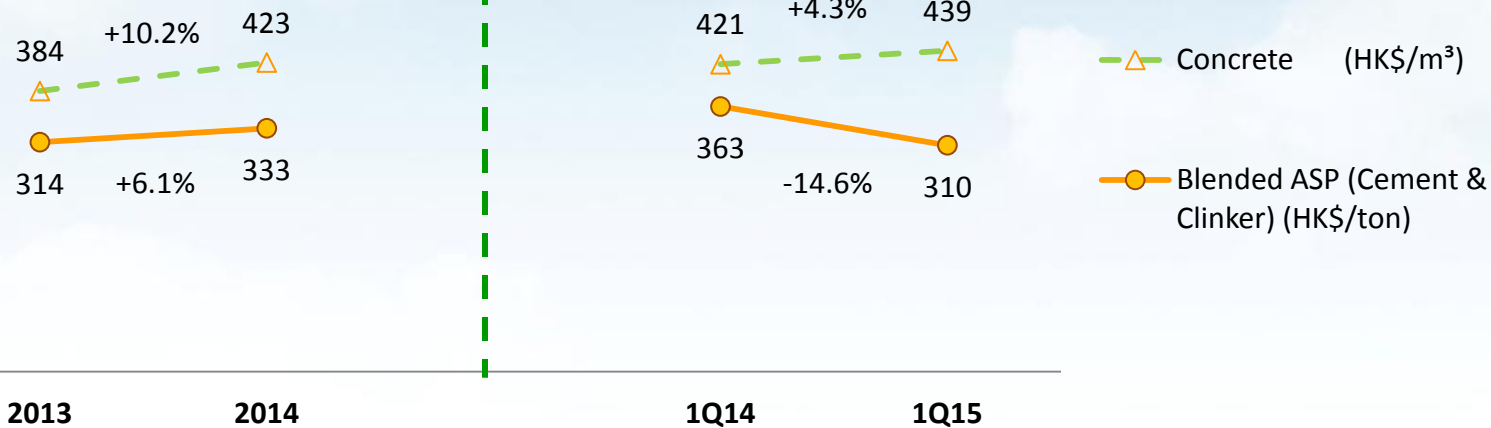
*\*By cement sales*

## By Region (2014 & 1Q15)

Million tons	2014	% to Total Sales Volume	1Q14	% to Total Sales Volume	1Q15	% to Total Sales Volume
Guangdong	29.3	40.7%	5.5	41.8%	6.5	43.6%
Guangxi	20.4	28.3%	3.8	29.1%	4.0	27.0%
Fujian	9.1	12.6%	1.8	13.3%	1.9	12.5%
Hainan	5.0	7.0%	1.0	7.2%	0.9	5.9%
Shanxi	3.8	5.3%	0.4	2.9%	0.3	1.9%
Yunnan	3.6	5.1%	0.8	5.7%	1.1	7.0%
Guizhou*	0.8	1.1%	-	-	0.3	2.1%

*\*Operation in Guizhou started in Jul 2014*

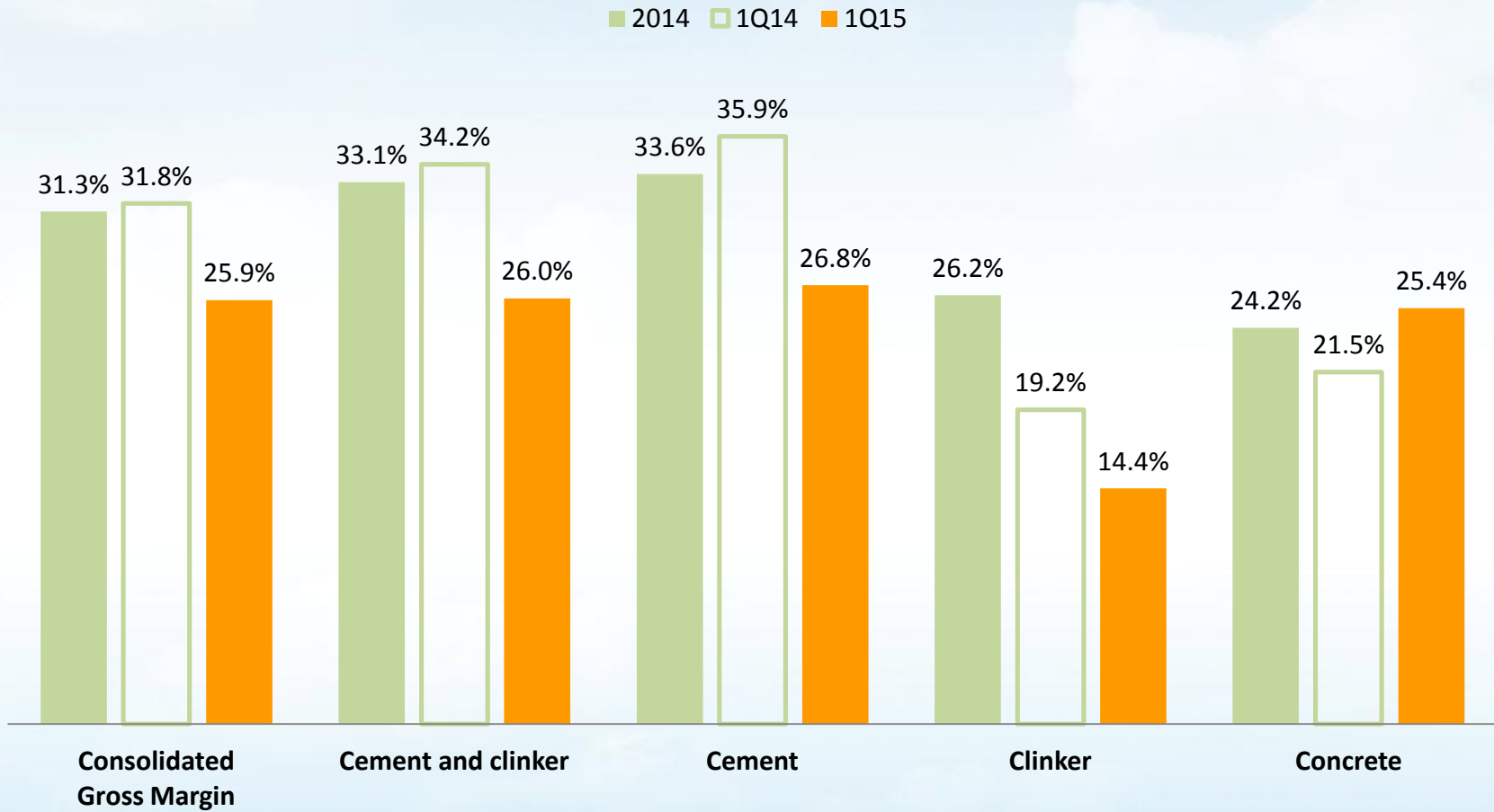
# Average Selling Price



Cement ASP (HK\$/ton)	2014	YoY	1Q14	1Q15	YoY
Guangdong	373	+8.5%	413	341	-17.5%
Guangxi	321	+4.5%	345	329	-4.6%
Fujian	309	-	360	275	-23.7%
Hainan	403	+16.8%	430	342	-20.5%
Shanxi	209	-21.7%	238	176	-26.2%
Yunnan	285	-13.1%	288	240	-16.8%
Guizhou*	266	n.a.	-	240	n.a.

\*Operation in Guizhou started in Jul 2014

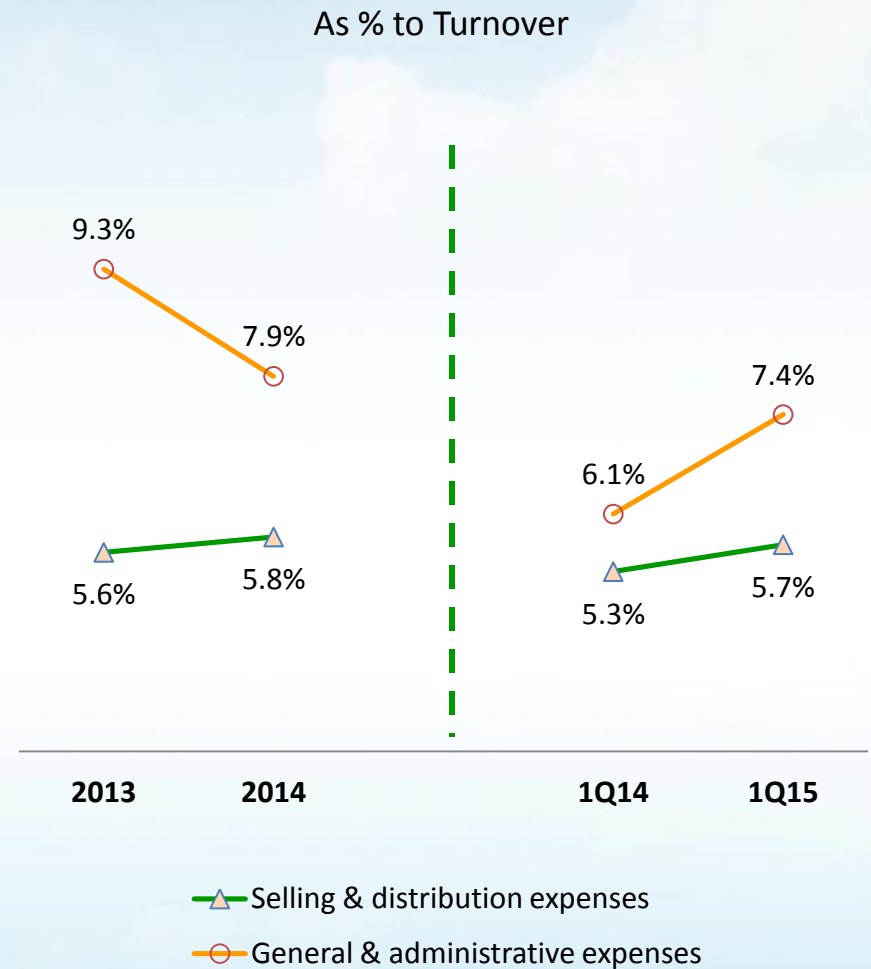
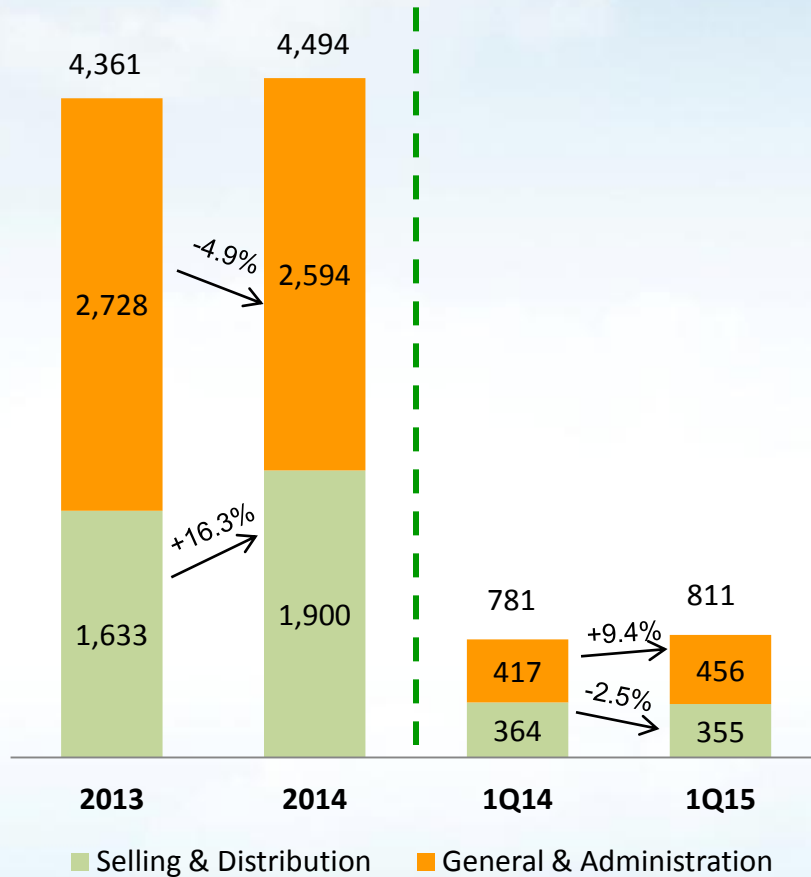
# Gross Margin by Product





# Selling, General & Administrative Expenses

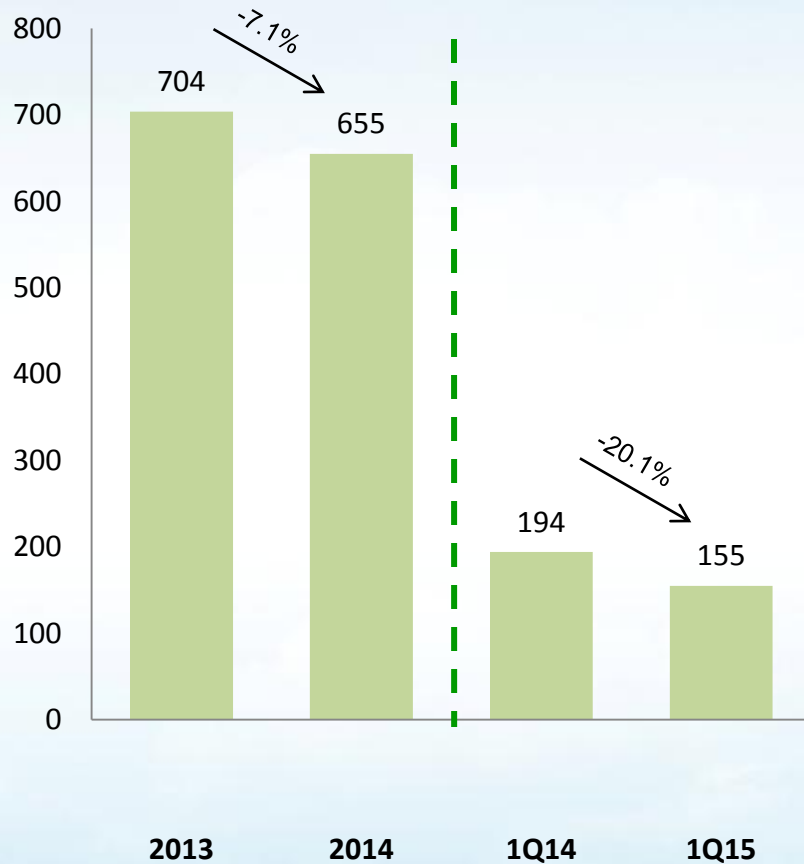
(HK\$ million)



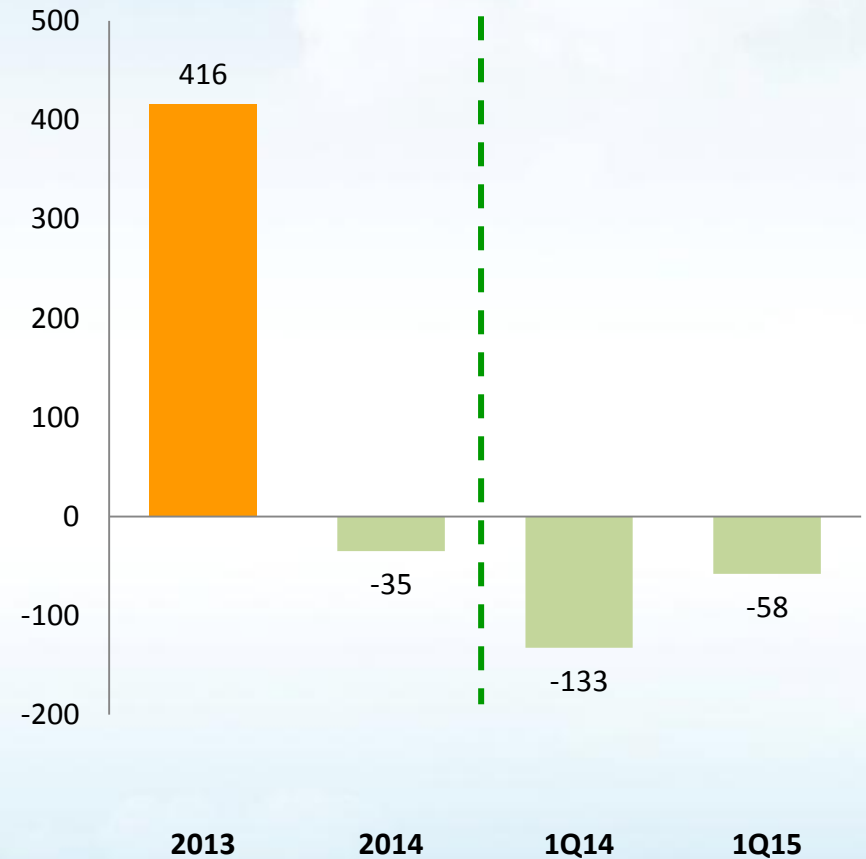
# Finance Costs & Exchange Gain/Loss

(HK\$ million)

Finance costs

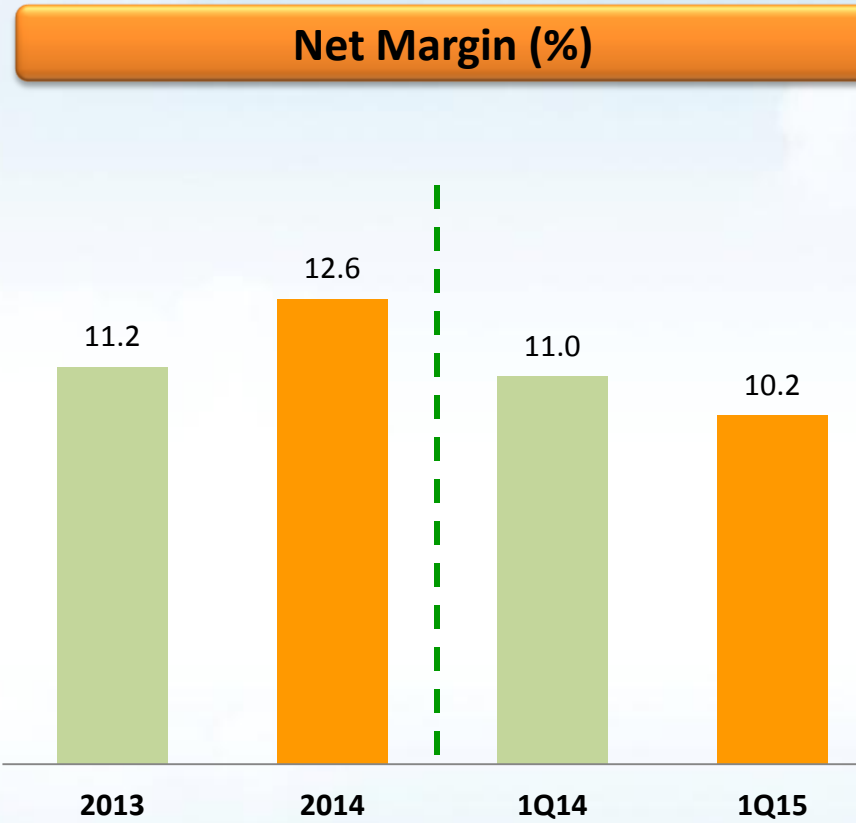


Exchange gain/(loss)



	2014	YoY	1Q14	1Q15	YoY
Taxation (HK\$ million)	1,630.8	+57.4%	311.9	-52.3	-116.8%
Effective tax rate (excluding the results of associates and joint ventures and tax reversal)	28.9%	+3.7ppt	27.9%	31.9%	+4.0ppt

- Deferred tax assets had not been recognized on the loss incurred by certain group companies.
- An amount of HK\$265,482,000 representing the over-provision of enterprise income tax for the year ended 31 December 2013 is reversed and included in taxation expense for the Period.



*Note: Net Margin = Net Profit ÷ Turnover*



# Operational Review



## 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

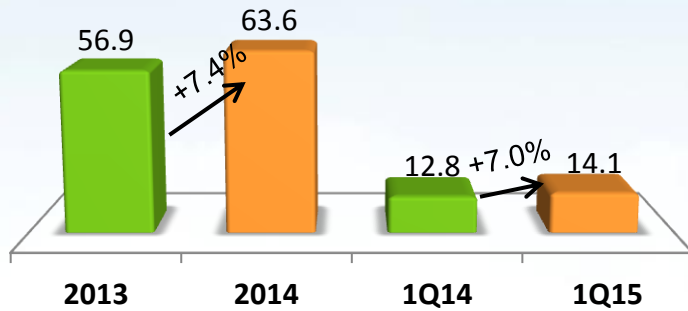
In 2014, we achieved sales volume of

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

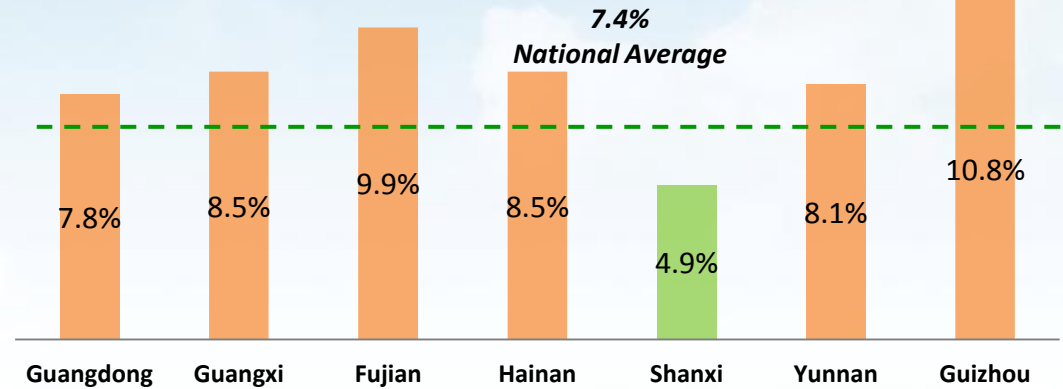
# Steady Economic Growth

## National GDP

(RMB Trillion)

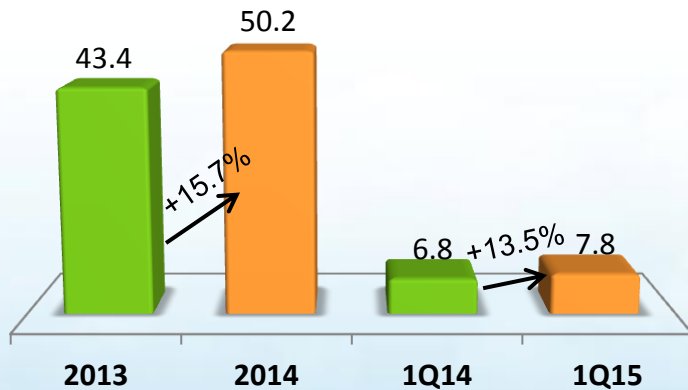


## CRC's Operating Area (2014 GDP)

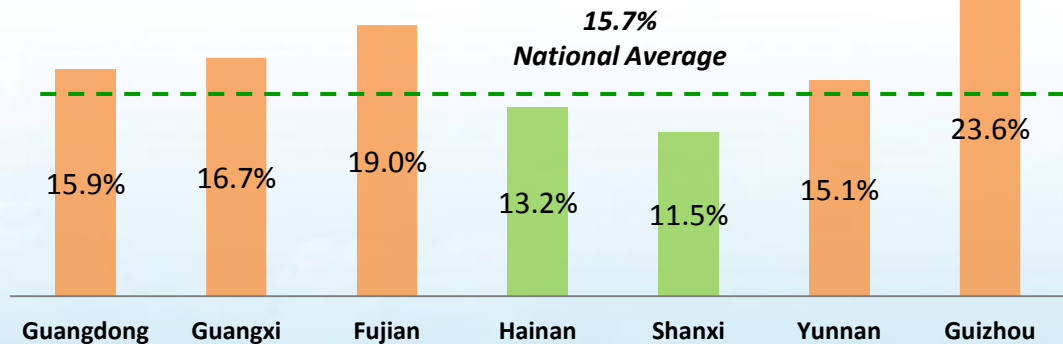


## National FAI

(RMB Trillion, 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 m<sup>2</sup>, + 9.2% yoy
  - Newly commenced: 1.8 billion m<sup>2</sup>, -10.7% yoy; Completion: 1.1 billion m<sup>2</sup>, + 5.9% yoy
- The government continues to intensify social housing construction and shanty town re-development

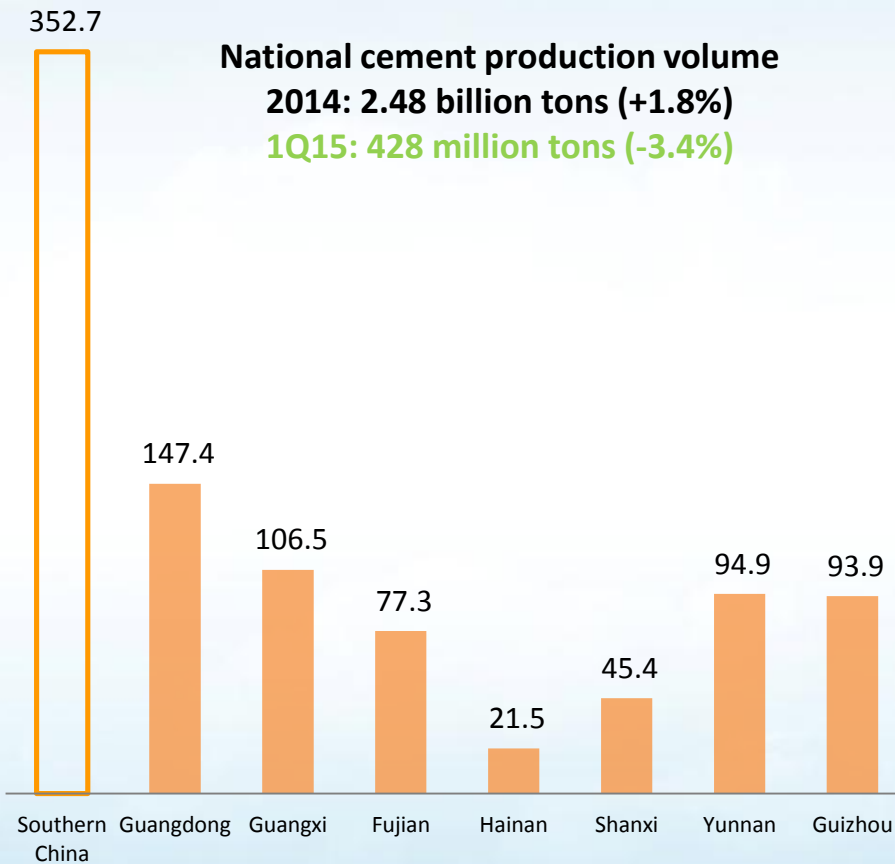
## Real Estate and Social Housing

# Cement Industry – Demand (Cont'd)

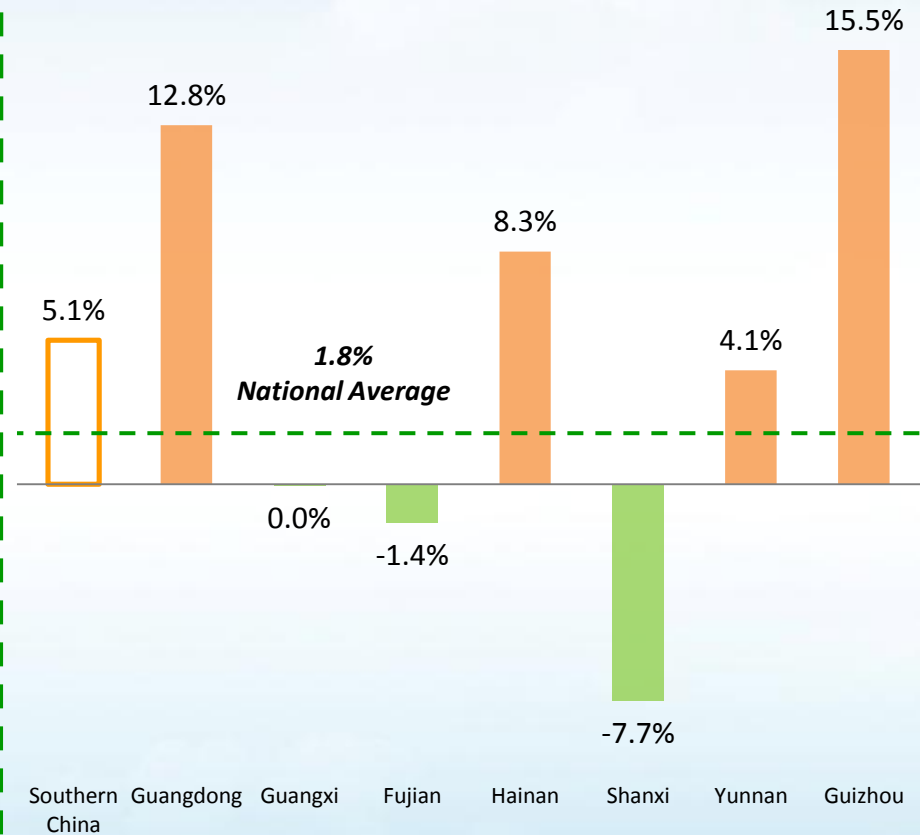
## 2014 Cement production

(million tons)

**National cement production volume**  
**2014: 2.48 billion tons (+1.8%)**  
**1Q15: 428 million tons (-3.4%)**



(YoY change)

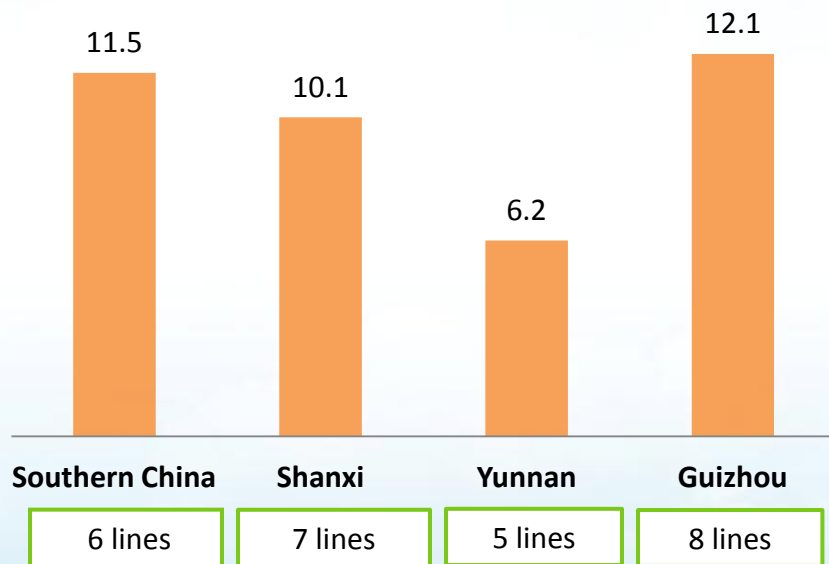


# Cement Industry – Supply

## New Clinker Capacity released in 2015 (note 2)

(million tons)

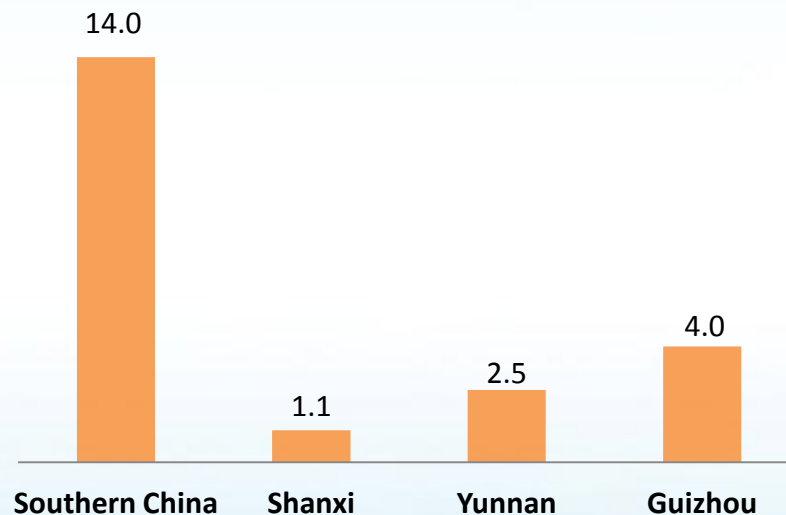
In 2015, clinker capacity will increase by **76.3 million tons** in China, according to our estimates.



## Obsolete Capacity Eliminated in 2014 (note 3)

(million tons)

In 2014, there were **81.0 million tons** of obsolete capacities 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 is based on our estimates
  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

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** 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.

Elimination of obsolete capacity

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.

Removal of grade 32.5 composite cement

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

# Production Capacity



## In Operation

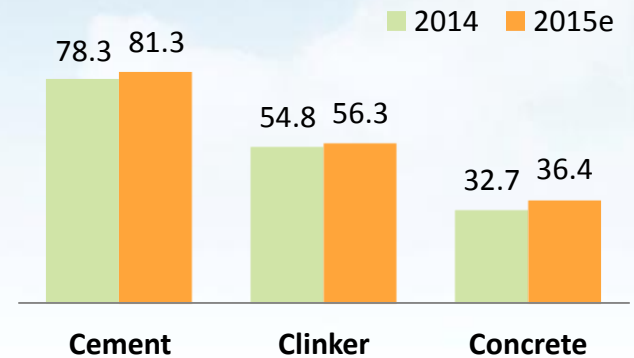
- Clinker and Cement Production Line
- Cement Grinding Line
- ★ Concrete Batching Plant

## Joint Ventures and Associates

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

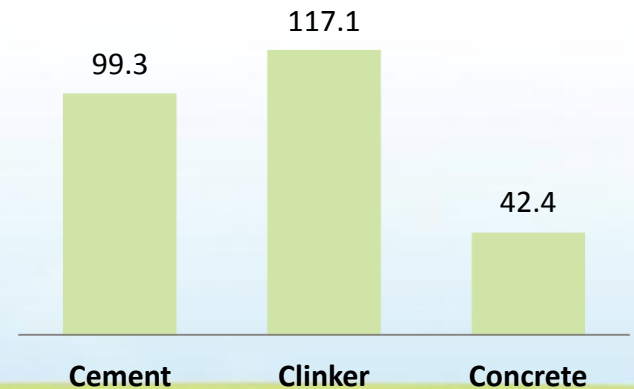
## Production Capacity at End of Year

(million tons/m<sup>3</sup>)



## Utilization Rate for 2014

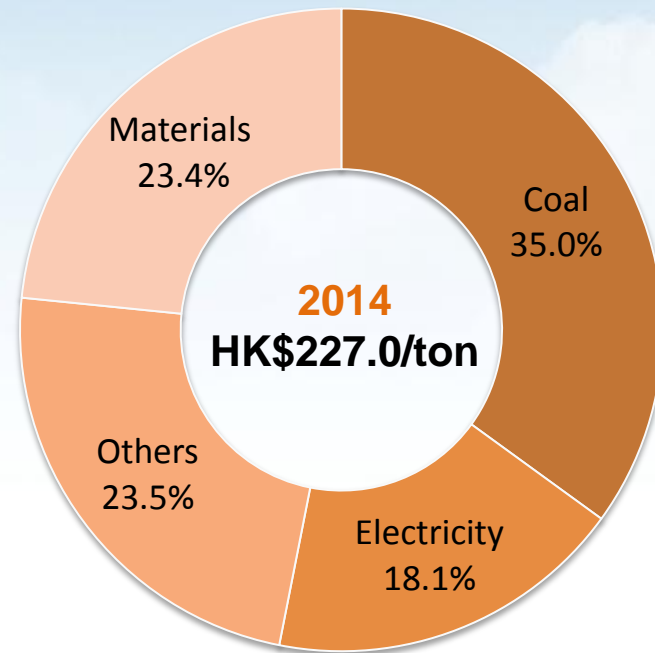
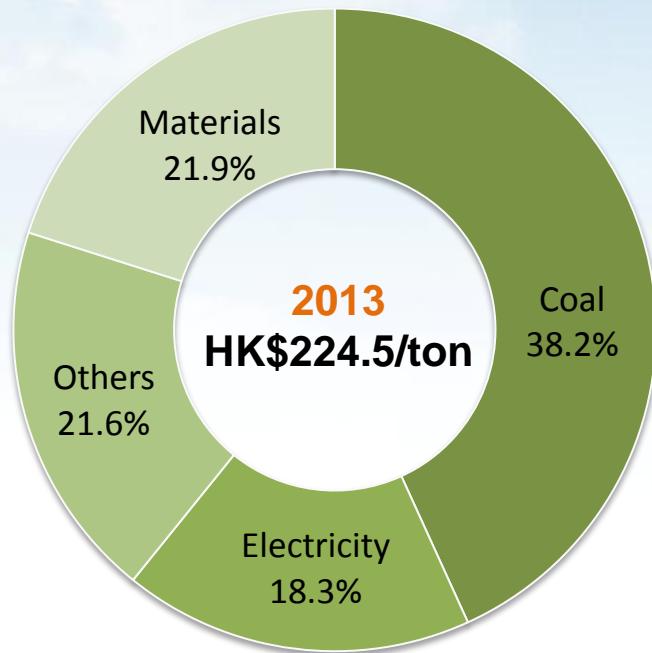
(%)





# Cost Structure of Cement Products

(HK\$/ton)

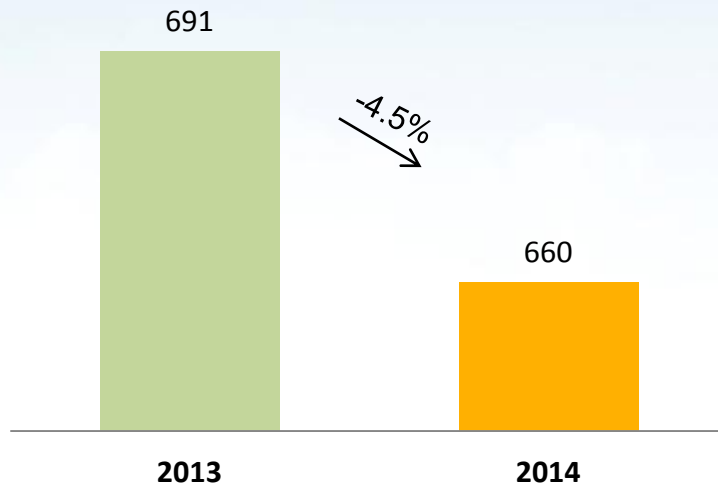


(HK\$/ton)	2013	2014	YoY Change
Coal	85.6	79.5	-7.1%
Electricity	41.1	41.2	-
Materials	49.3	53.1	+7.7%
Others	48.5	53.2	+9.7%
Total	224.5	227.0	+1.1%

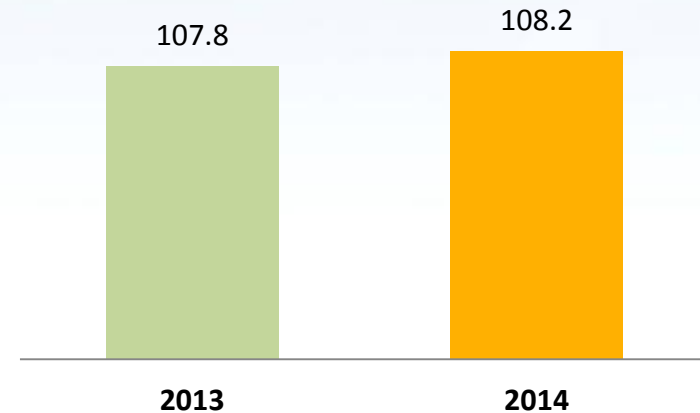
*Note: Cement products comprise cement & clinker*

# Improved Coal Consumption

## Average Coal Purchase Price (HK\$/ton)



## Standard Coal Consumption (kg/ton of clinker)



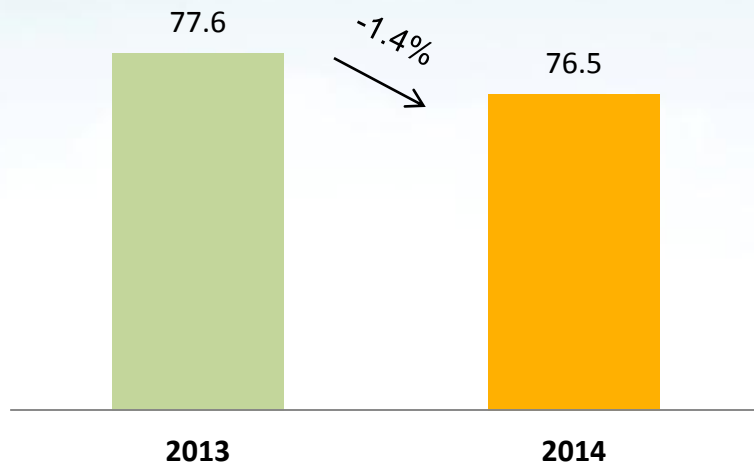
Quality of coal improved with average thermal value increased by 1.8% to 5,228 kcal per kg

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

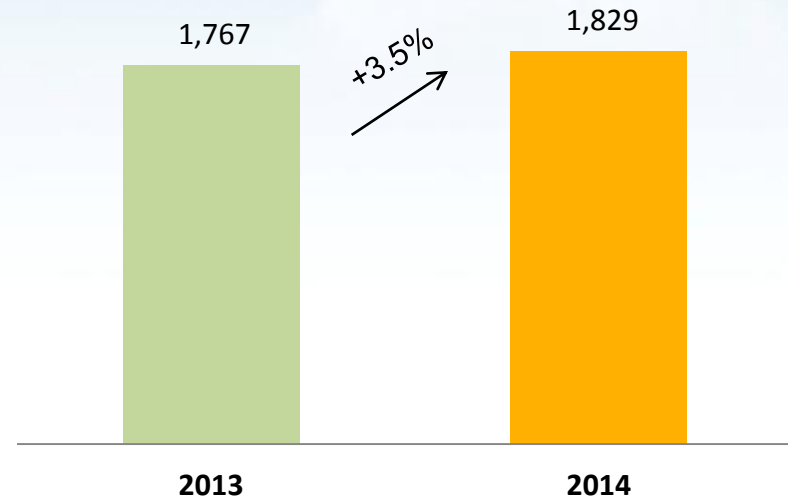
# Improved Electricity Consumption

## 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)



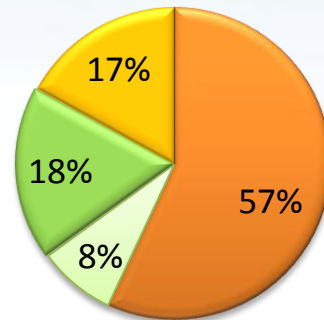
### Residual heat recovery generators

- 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

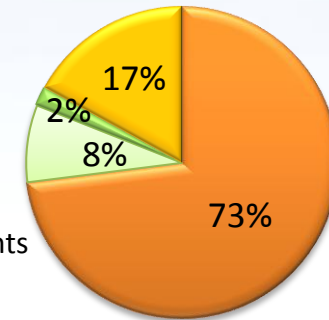
- In 2014, the Group purchased 9.3 million tons of coal, +2.2% yoy
- Short-cycle and multi-channel procurement strategy in response to the downward trend of coal market in China
- Direct coal procurement from coal suppliers reached 68%
- Bi-directional logistics to further enhance the systemic cost control

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, 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.
- As of March 2015, we have completed technological upgrade on ***dust collection systems*** of 22 production plants and are in the process of tendering the technological upgrade for 16 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”**,

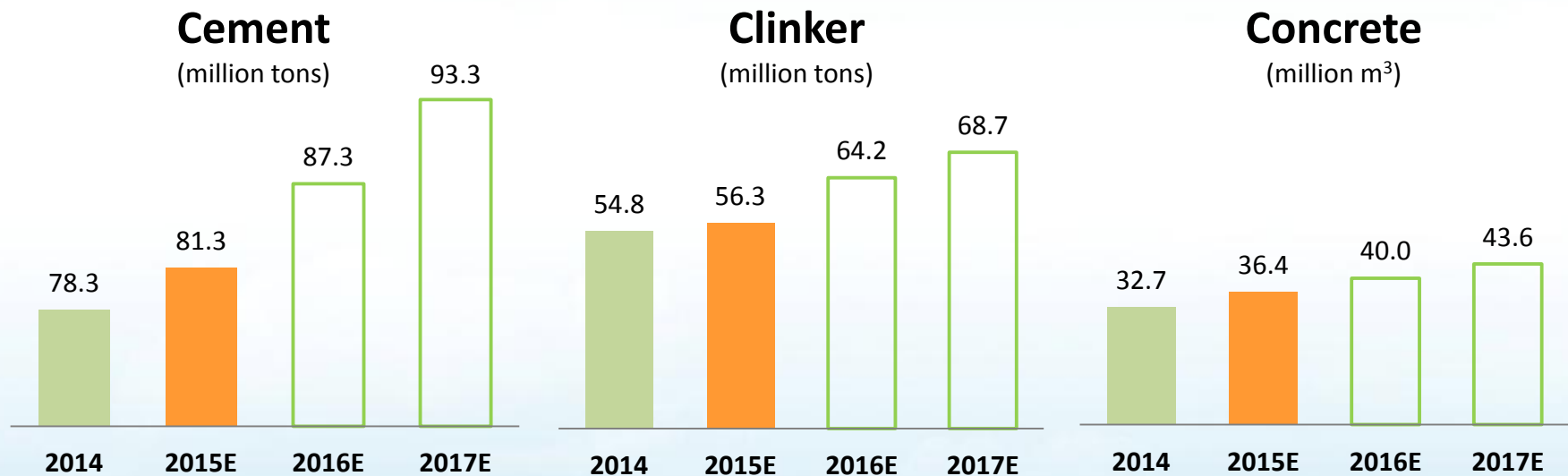
- allow urban residency status to around 100 million rural people who are already staying in cities,
- rebuild shanty town areas and villages inside cities that are home to 100 million people
- direct the urbanization of neighborhood areas for around 100 million rural residents in the central and western 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 Mar 2015)

## Controlled by the Group

Province/SAR	Cement		Clinker		Concrete	
	No. of lines	million tons	No. of lines	million tons	No. of plants	million m <sup>3</sup>
Guangdong	21	19.5	7	9.4	26	15.9
Guangxi	35	31.2	17	25.0	19	11.2
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
<b>Total</b>	<b>90</b>	<b>78.3</b>	<b>41</b>	<b>54.8</b>	<b>57</b>	<b>33.9</b>

## Controlled by associates and joint ventures

<b>Total</b>	<b>48</b>	<b>34.1</b>	<b>18</b>	<b>22.4</b>	<b>15</b>	<b>7.4</b>
<b>Attributable</b>	<b>-</b>	<b>10.9</b>	<b>-</b>	<b>7.4</b>	<b>-</b>	<b>3.4</b>

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

# Appendix

## Investor Relations Contact

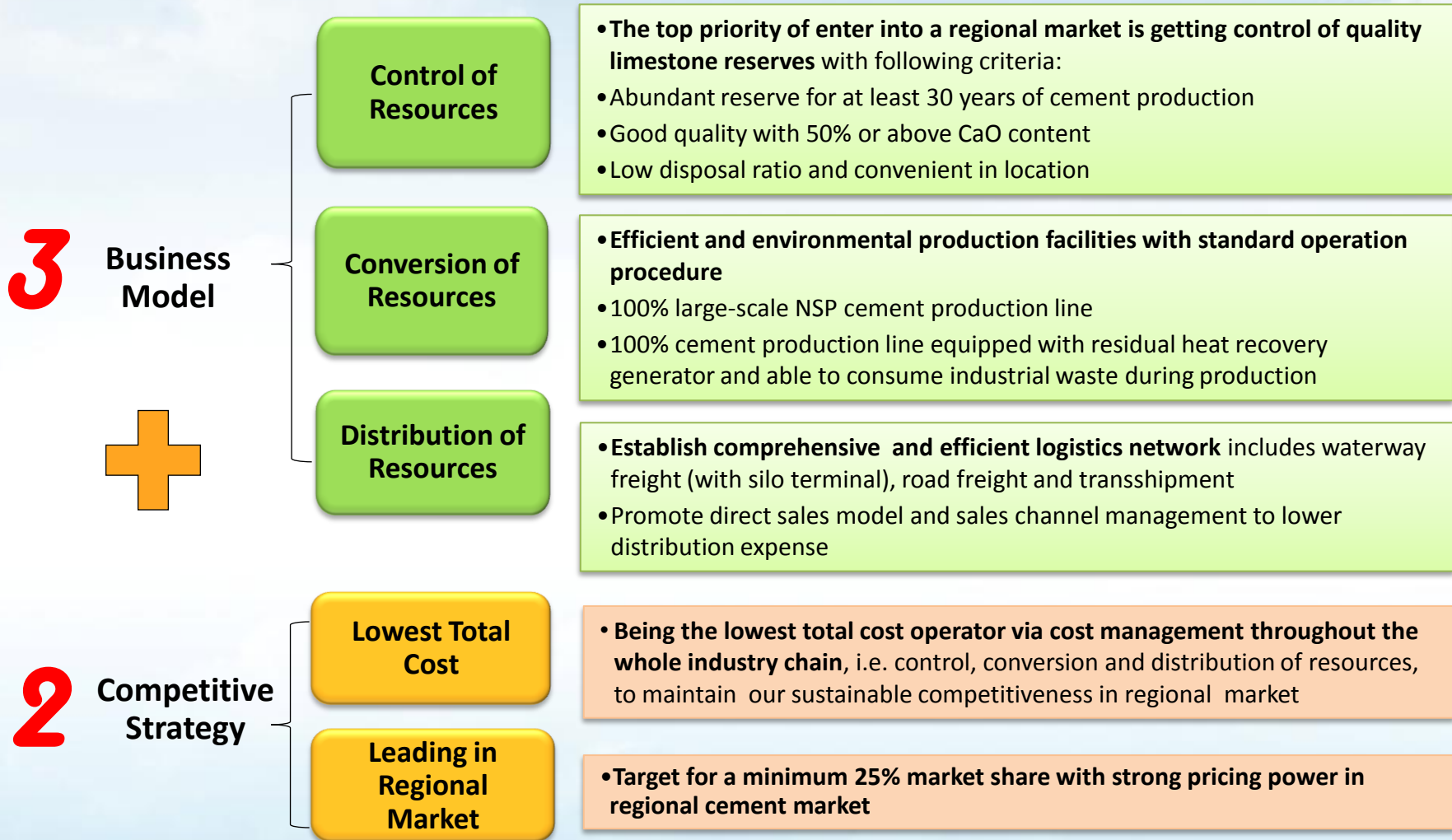
**Tel:** (852) 3118 6800

**E-mail:** [crcement@crc.com.hk](mailto:crcement@crc.com.hk)

**Address:** China Resources Cement Holdings Limited, Room 4608-08, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

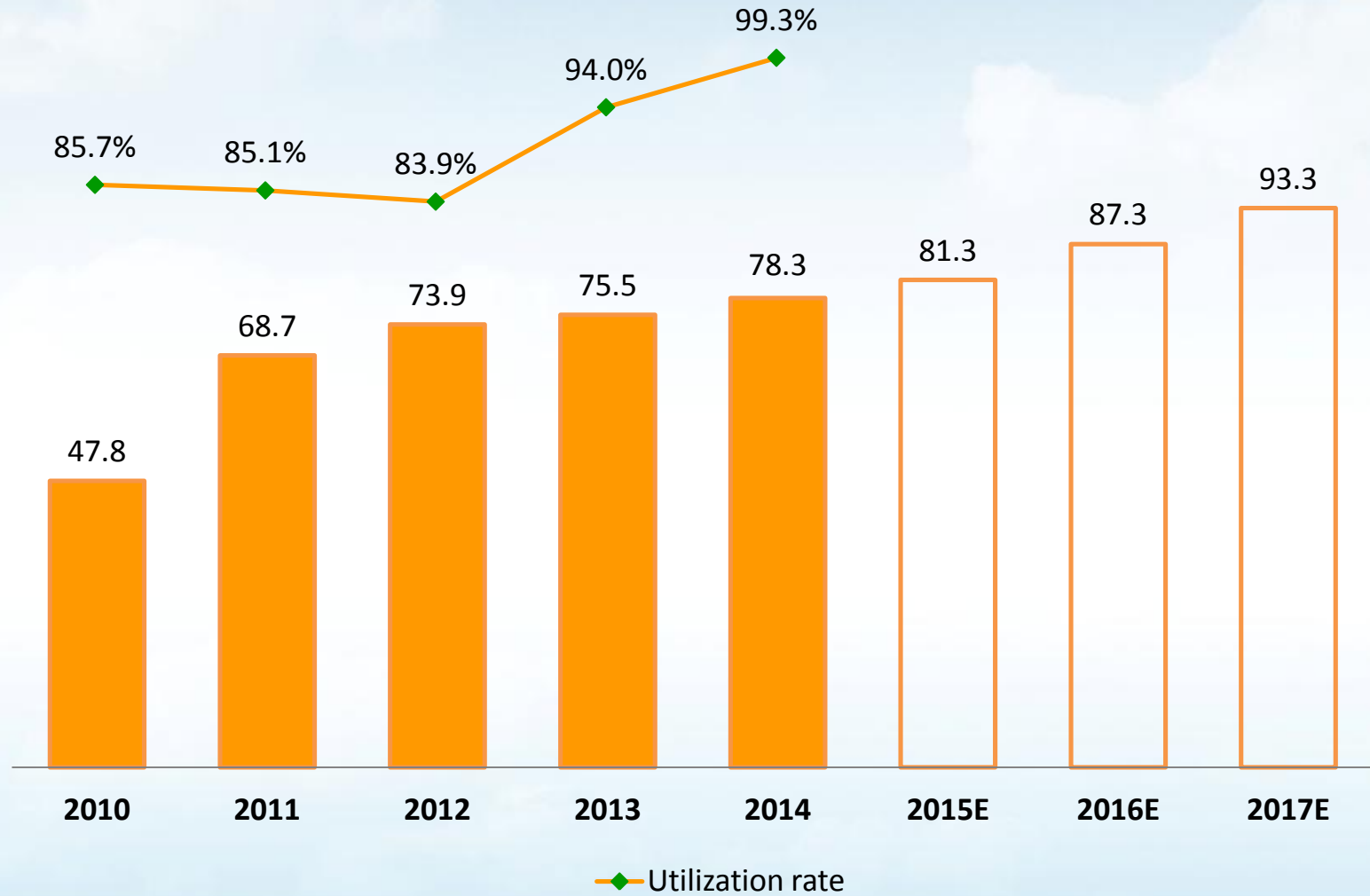


# CR Cement – “3+2” Development Strategy



# Cement capacity

(million tons)



# CAPEX

(HK\$ million)





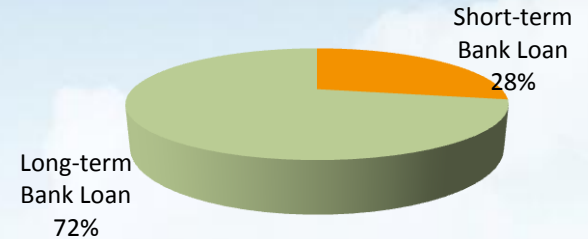
# Debt Structure

(HK\$ million)

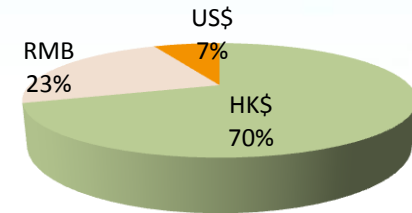


(As at 31 Dec 2014)

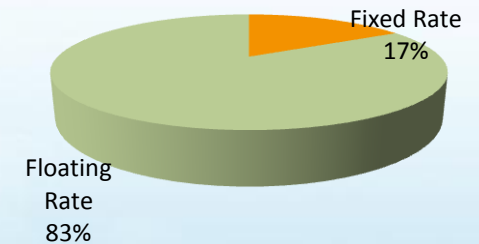
## Duration



## Currency



## Fixed and Floating Rate



**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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