



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

(於開曼群島註冊成立之有限公司)  
(*incorporated in the Cayman Islands with limited liability*)

股份代號 Stock Code : 1313

## Investor Presentation October 2014





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# Agenda



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

# Financial Updates



# 3Q14 Results Highlights

(HK\$ million)	9M13	9M14	YoY Change	3Q13	3Q14	YoY Change
Turnover	19,872.8	23,387.8	+17.7%	7,014.6	8,226.8	+17.3%
Gross profit	4,883.7	7,272.4	+48.9%	1,917.4	2,441.2	+27.3%
Profit before taxation	2,570.3	4,323.3	+68.2%	1,172.1	1,535.2	+31.0%
Profit attributable to owners of the Company	2,142.5	3,256.2	+52.0%	996.8	1,200.2	+20.4%
Basic earnings per share (HK\$)	0.329	0.498	+51.4%	0.153	0.184	+20.3%

# Financial Position

(HK\$ million)	31 Dec 2013	30 Sep 2014	Change
Cash and cash equivalent	2,825.0	2,703.9	-4.3%
Total assets	54,179.7	56,370.8	+4.0%
Net borrowings	17,618.1	17,204.7	-2.3%
Net gearing ratio	71.0%	63.5%	-7.5ppt
Net assets per share (HK\$)	3.80	4.15	+9.2%

**Note:**

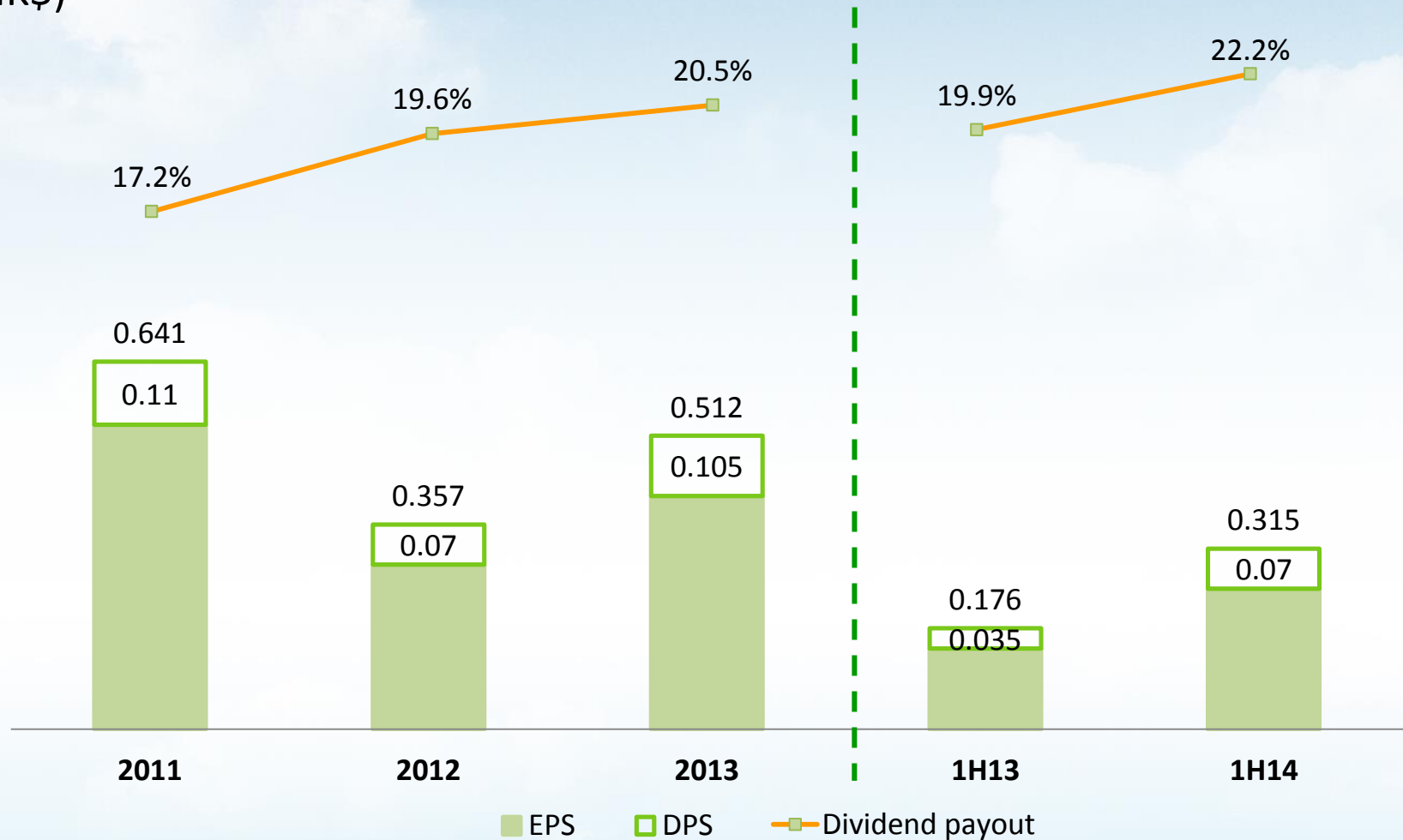
- 1. Cash and cash equivalent is calculated by adding cash and bank balances and pledged bank deposits*
- 2. Net borrowings equal to total indebtedness less cash and bank balances and pledged bank deposits.*
- 3. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.*
- 4. 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)	30 Jun 2013	30 Jun 2014	Change
Net cash generated from operating activities	1,292.5	2,235.5	+73.0%
Net cash used in investing activities	(1,484.8)	(1,816.7)	+22.4%
Net cash used in financing activities	(1,047.2)	(659.6)	-37.0%
Net decrease in cash and cash equivalents for the period	(1,239.4)	(240.7)	-80.6%
Cash and cash equivalent at end of the period	2,374.0	2,555.1	+7.6%

- Total payments for capital expenditure of the Group are expected to be approximately HK\$3,200.5 million and HK\$3,677.1 million in the 2H 2014 and in the year of 2015 respectively, which will be financed by bank loans and internally generated funds.

# Dividend payout (HK\$)



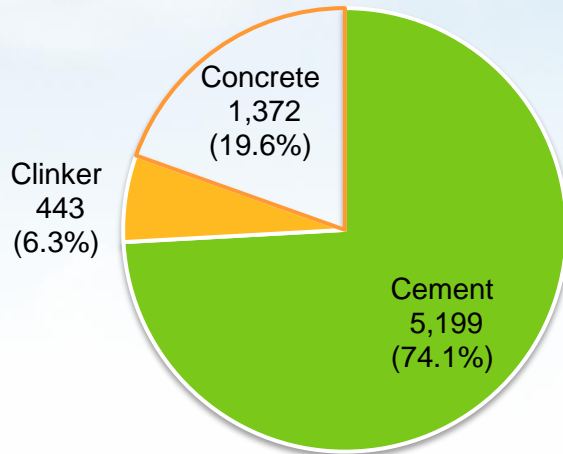
➤ Dividend payout ratio has been increasing steadily for the third consecutive year



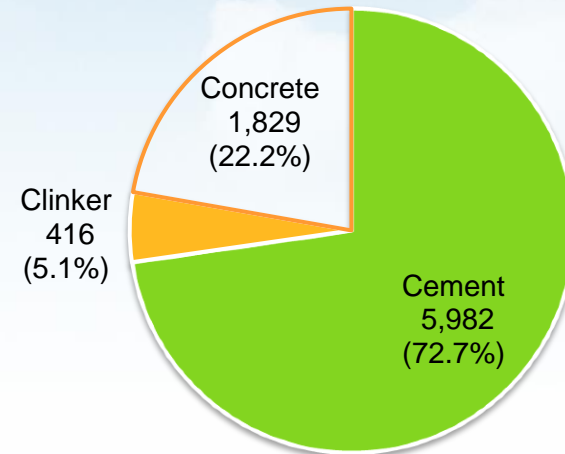
# Turnover by Product

(HK\$ million)

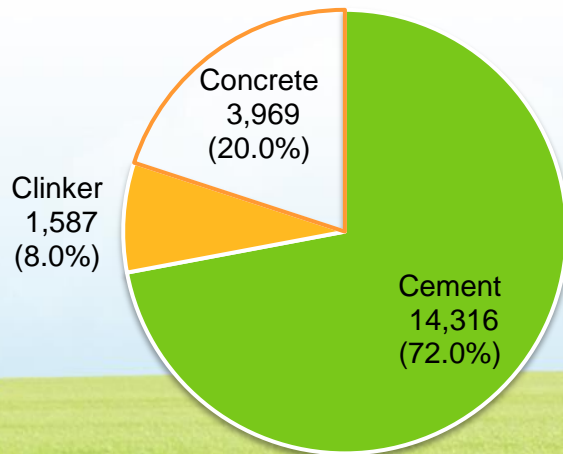
3Q13



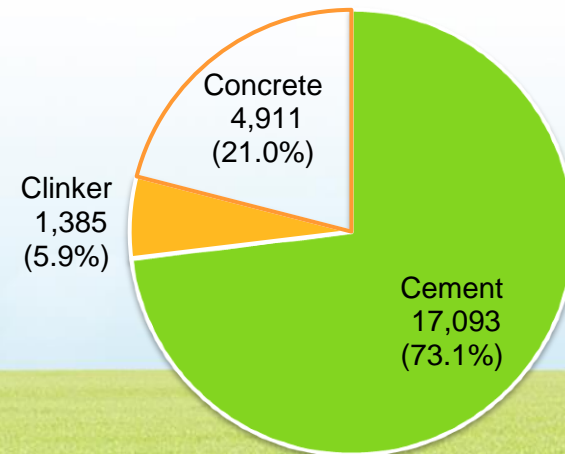
3Q14



9M13

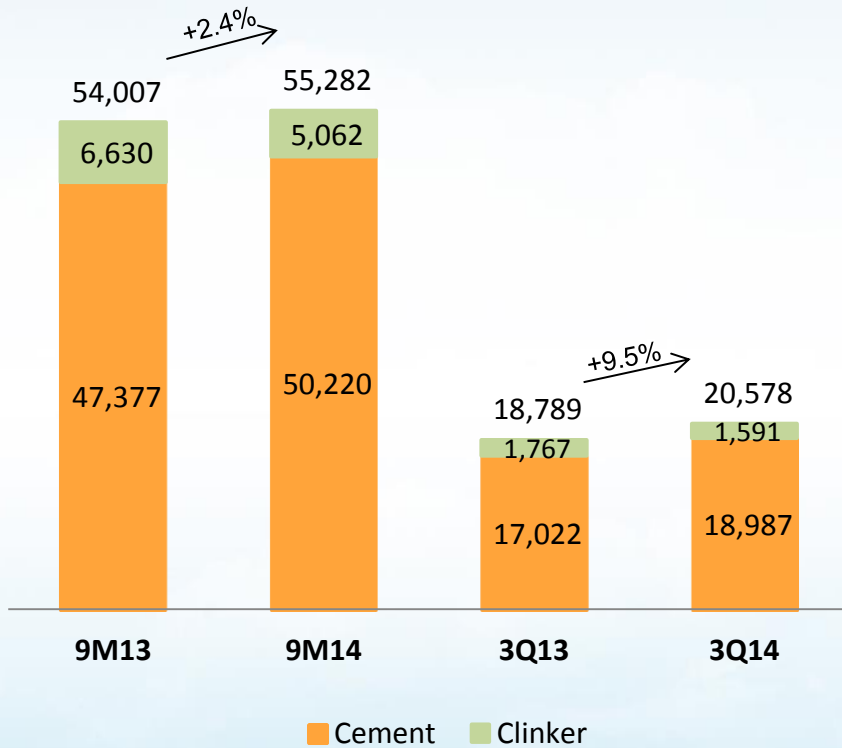


9M14

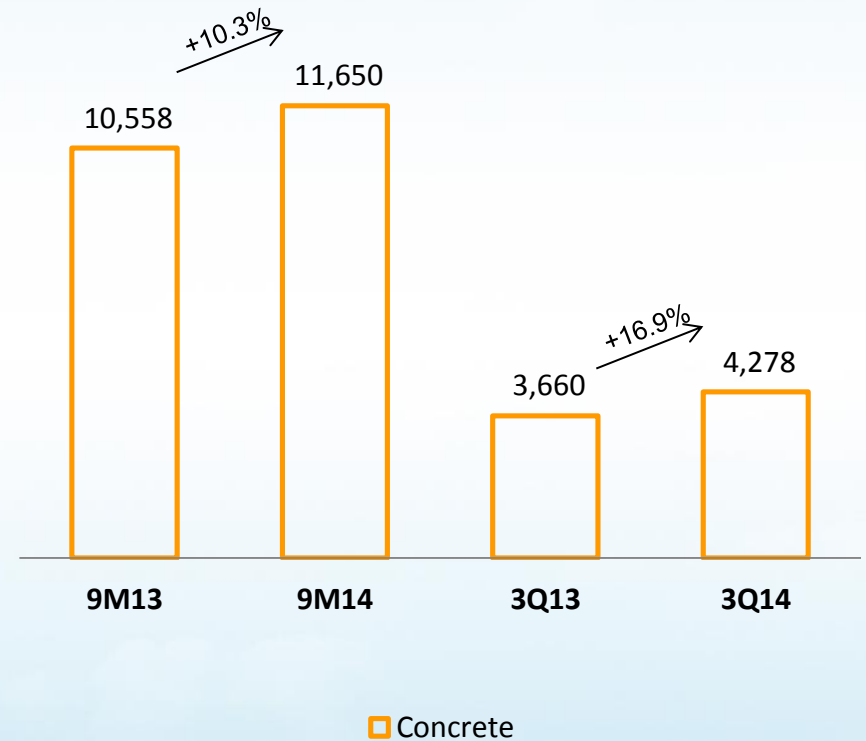


# Sales Volume

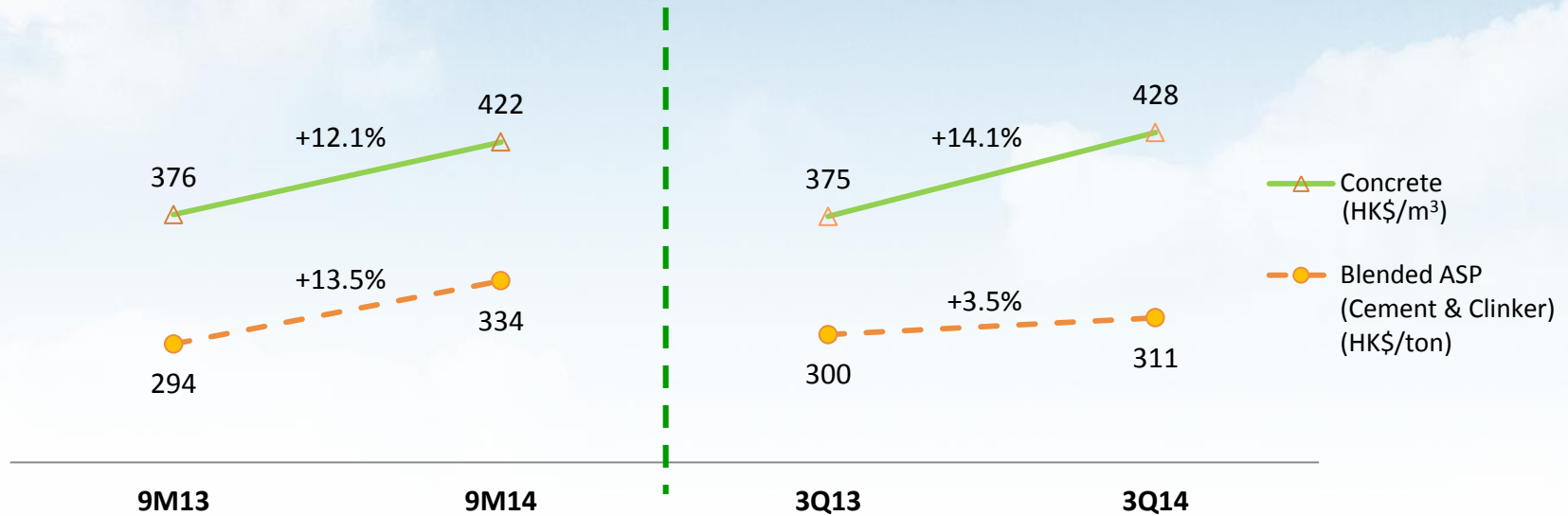
## Cement & Clinker ('000 tons)



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



# Average Selling Price

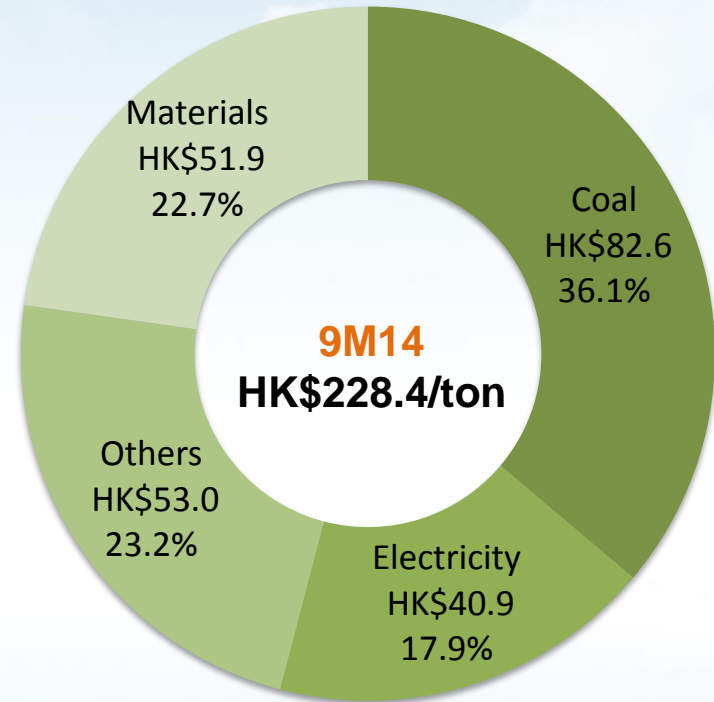
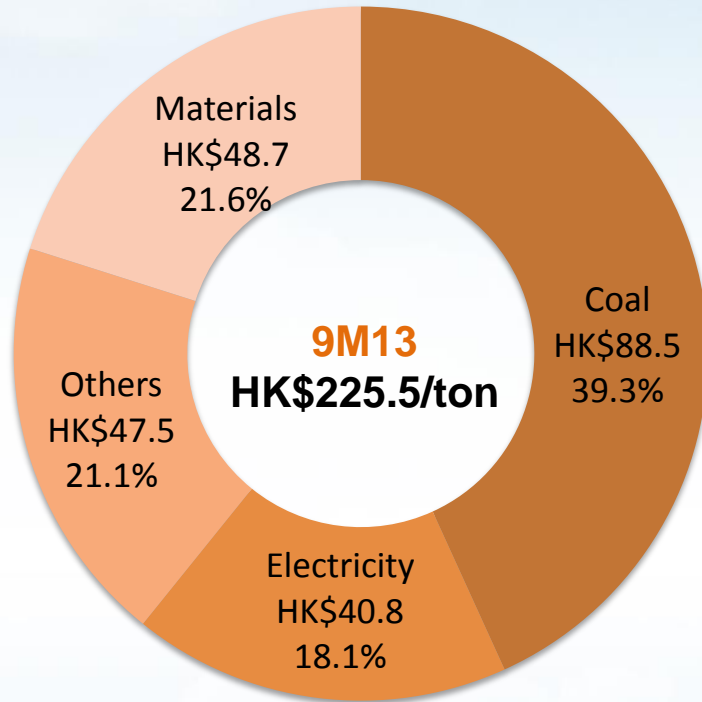


Cement ASP (HK\$/ton)	9M13	9M14	YoY Change	3Q13	3Q14	YoY Change
Guangdong	320.0	373.8	+16.8%	334.2	348.1	+4.2%
Guangxi	288.9	316.5	+9.6%	288.7	300.0	+3.9%
Fujian	288.2	320.2	+11.1%	283.3	284.5	+0.4%
Hainan	311.9	414.4	+32.9%	319.0	369.4	+15.8%
Yunnan	336.5	296.0	-12.0%	331.5	286.5	-13.6%
Shanxi	269.7	213.2	-20.9%	257.7	199.2	-22.7%
Guizhou*	-	263.7	n.a.	-	263.7	n.a.

\*Remark: Operation in Guizhou started in Jul 2014

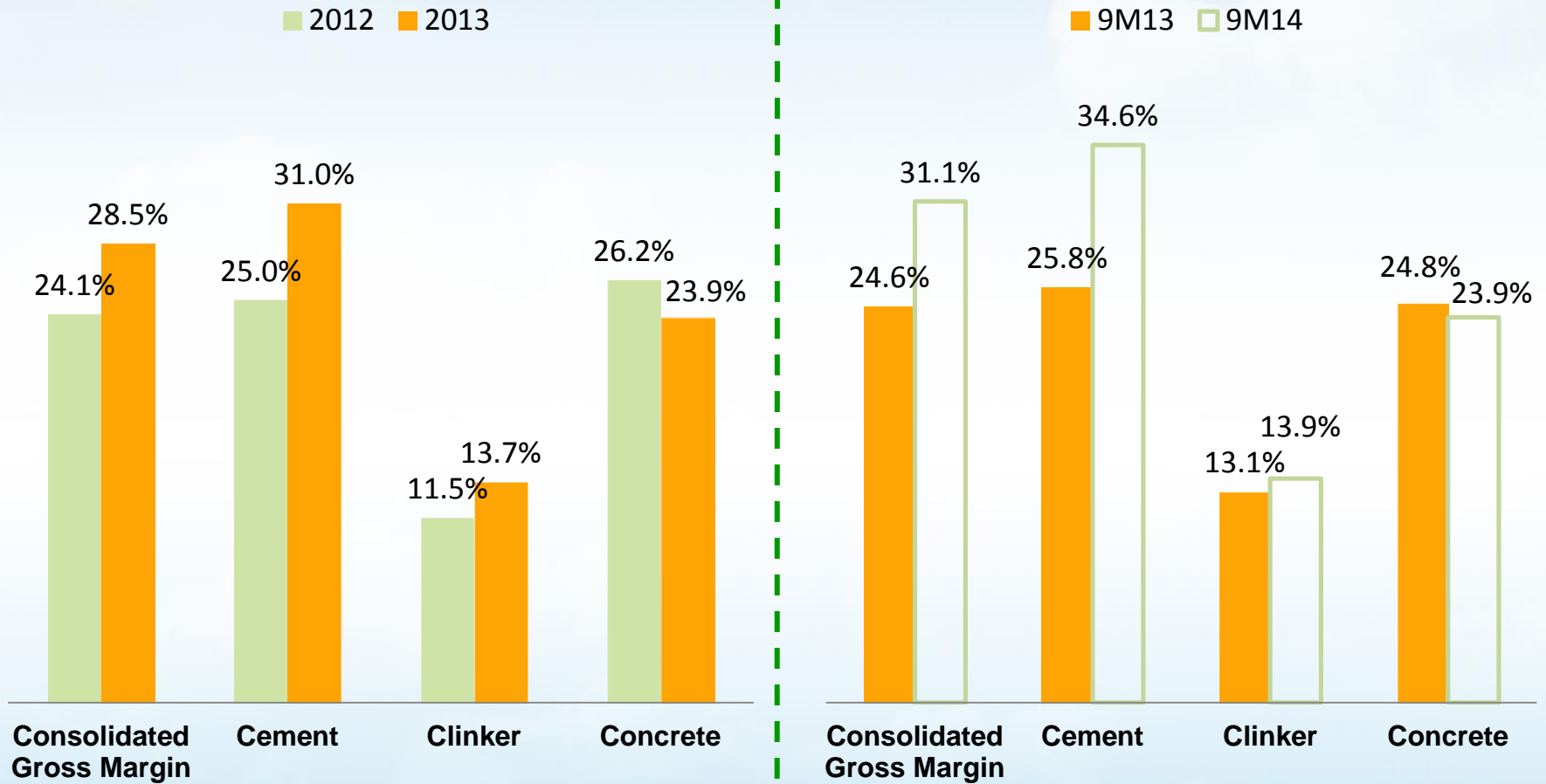
# Cost Structure of Cement Products

(HK\$/ton)



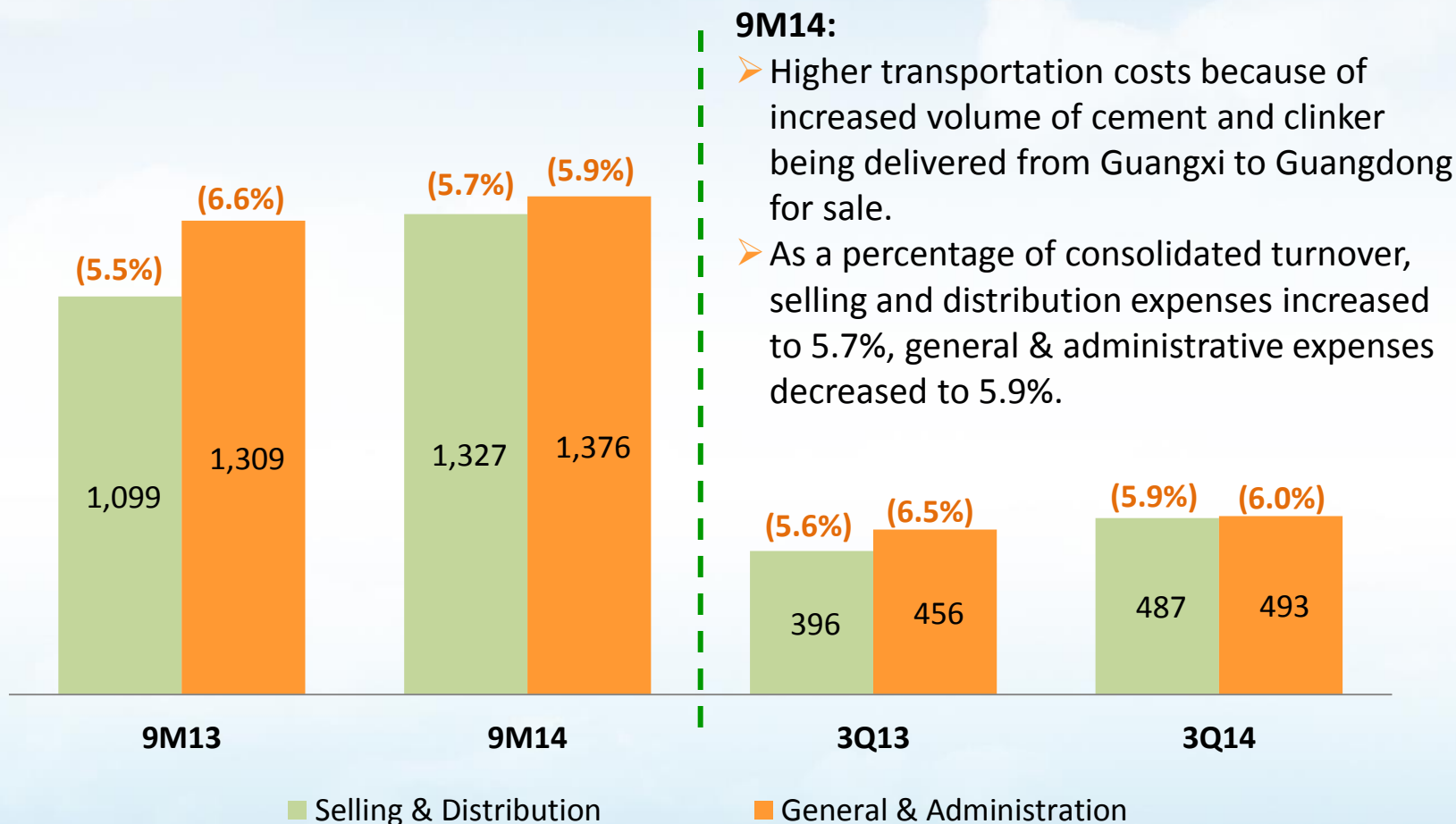
*Note: Cement products refer to cement & clinker*

# Gross Margin by Product



# Selling, General & Administrative Expenses

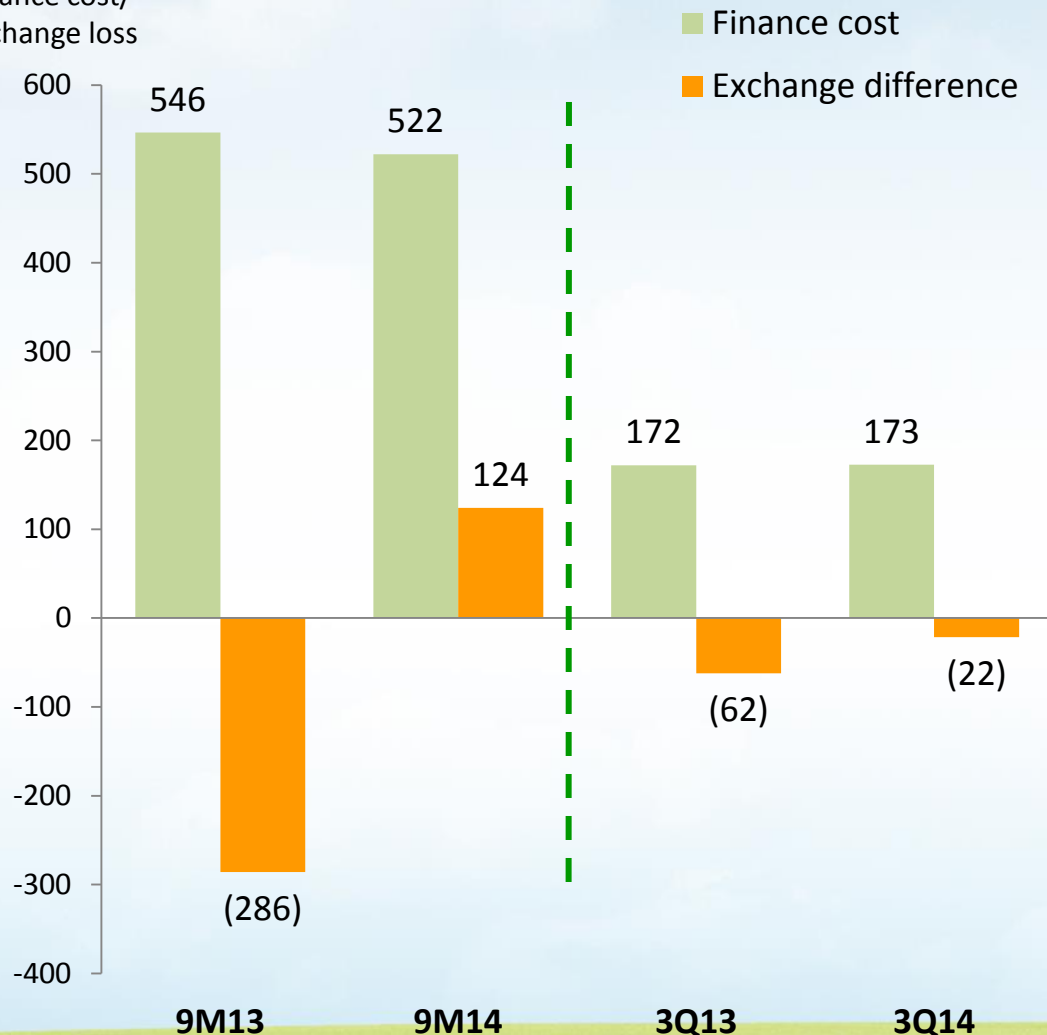
HK\$ million, Number in the brackets represents the expense as a percentage to turnover



# Finance Cost & Exchange Difference

(HK\$ million)

Finance cost/  
Exchange loss



## 9M14:

- The finance cost has been decreased by 4.4% to HK\$522 million.
- An exchange loss of HK\$124 million from net borrowings was generated due to the depreciation of RMB during the Period. For the corresponding period in 2013, an exchange gain of HK\$286 million was recorded.

	9M13	9M14	Change
Taxation (HK\$ million)	419.5	1,092.7	+160.5%
Effective tax rate	16.3%	25.3%	+9.0ppt
Effective tax rate (excluding the results of associates and joint ventures)	17.4%	26.0%	+8.6ppt

## Higher effective tax rate in 9M14

- Cessation of tax holidays previously enjoyed by certain subsidiaries for the current year and the Group has accounted income tax at the Chinese Mainland Enterprise Income Tax rate of 25% on the profit generated in the Chinese Mainland.

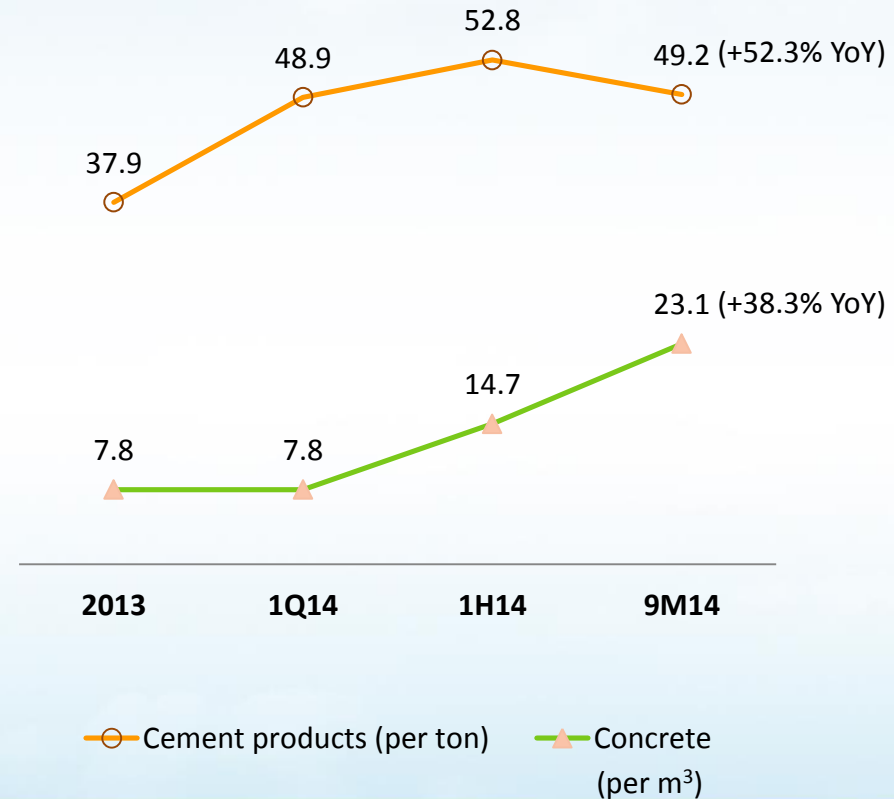


## Net Margin (%)



## Net Profit by Unit (HK\$)

After full allocation of other income and corporate expenses  
(excluding share of results of joint ventures and associates)



# 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
- Sustainability of cement industry
  - Emission reduction of NOx & PM
  - Carbon credit trading

## Lowest Total Cost

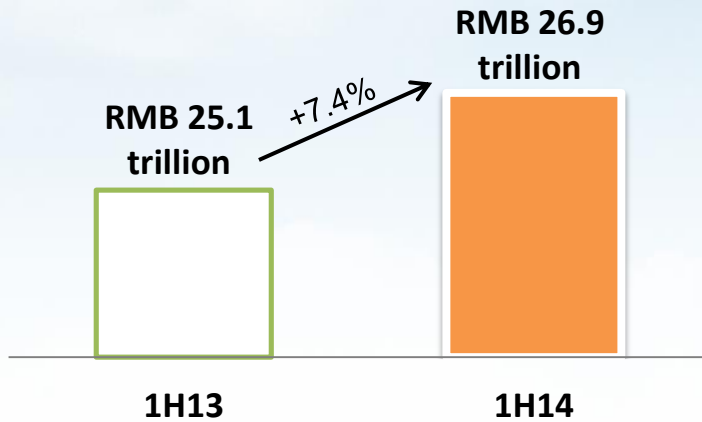
- Persistent to **3+2** development strategy
- “Full-scaled production and sale”
  - Short-cycle and multichannel sourcing strategy
  - “Waterway freight & transshipment “model

## Leading Position

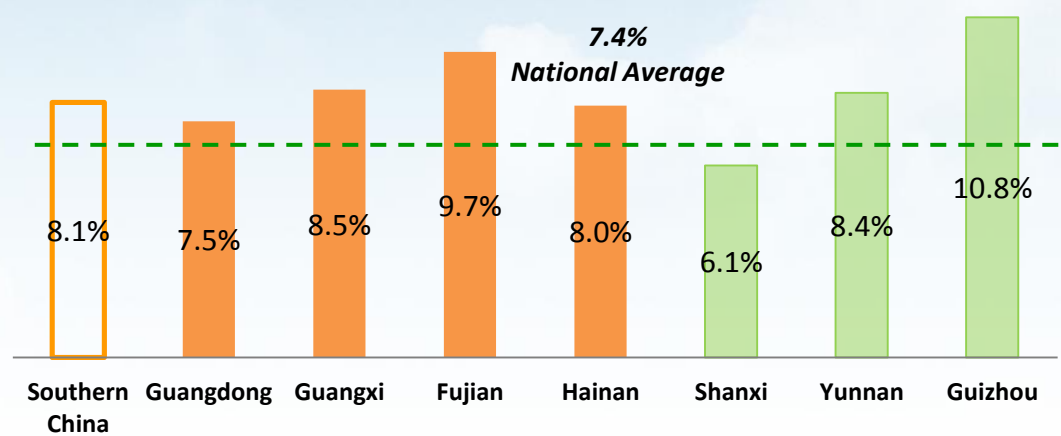
- The largest cement & concrete producer in Southern China
- In the first 9 months of 2014, sales volume of
- Cement & Clinker 55.3mt
  - Concrete 11.6mm<sup>3</sup>

# Steady Economic Growth in 1H14

## National GDP

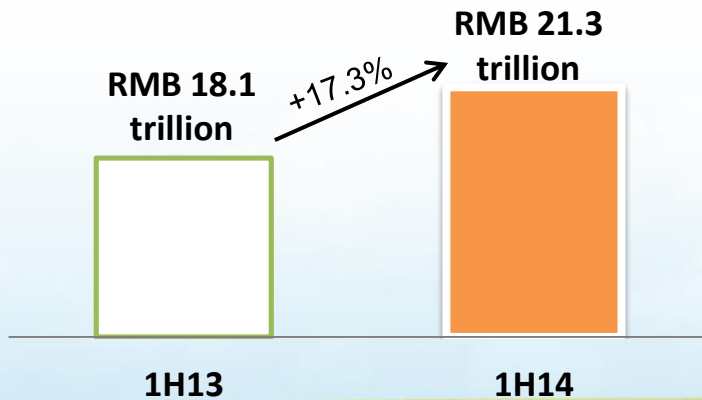


## CRC's Operating Area

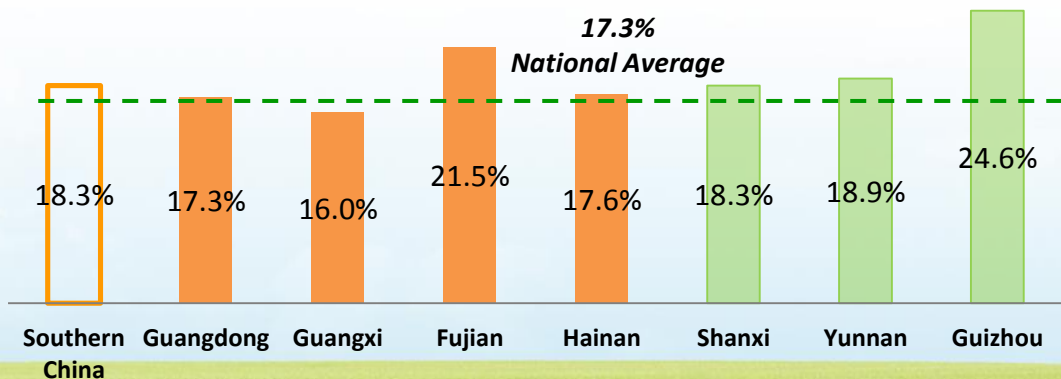


## National FAI

excluding rural households



## CRC's Operating Area



# Cement Industry – Demand

➤ Infrastructure investment (excluding power supply): RMB3.4 trillion, +25.1% YoY, in 1H14

## Railway

- National railway lines
  - Annual target railway FAI increased from RMB600 billion to **RMB800 billion**
  - Over **7,000 km** is expected to be in operation in 2014
  - Will reach **120,000 km** by the end of 2015
- Investment **+8.9% YoY** to **RMB235.1 billion** in 1H14
- The government aims to introduce capital in various ways to relieve the funding need of railway constructions

- Investment **+9.4% YoY** to **RMB656.3 billion** in 1H14
- Total target length of national operating highway will be increased to **136,000 km** by 2030

## Highway & Waterway

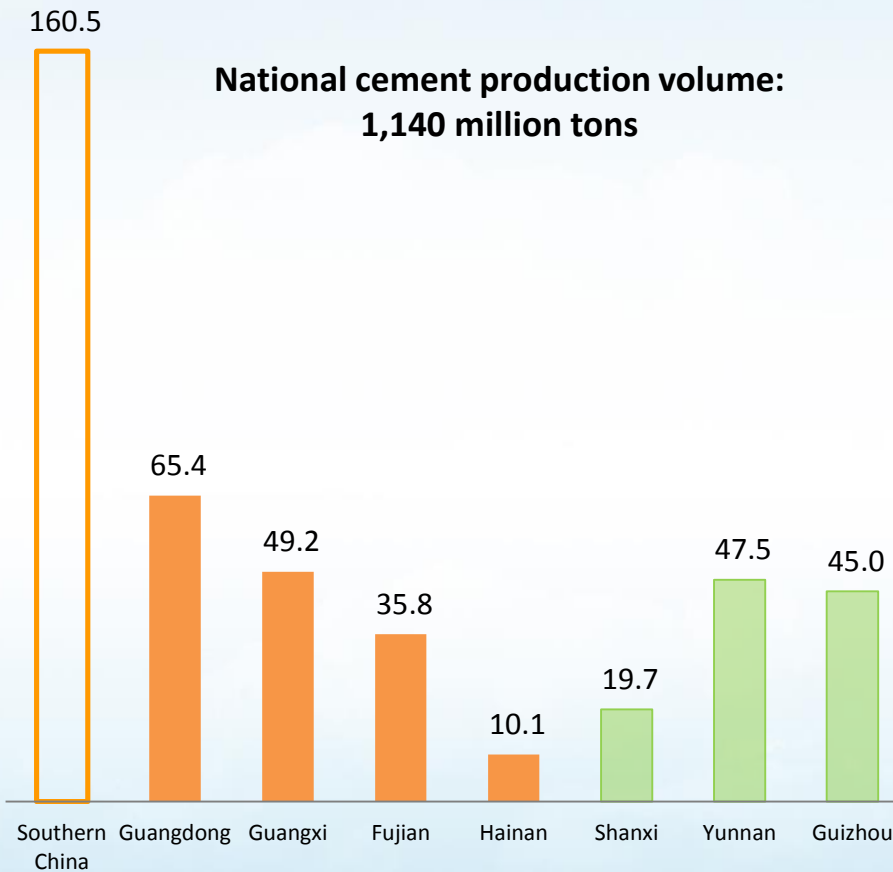
## Real Estate

- Total area of commodity housing sold **-6.0% YoY** to **480 million m<sup>2</sup>** in 1H14
- Total area of newly commenced construction of real estate projects **-16.4% YoY** to **800 million m<sup>2</sup>** in 1H14
- Real estate investment **+14.1% YoY** to **RMB4.2 trillion** and total area completed **+8.1%** to **380 million m<sup>2</sup>** in 1H14
- **Social housing:** New start construction of **5.3 million** units and completed **2.8 million** units, with a total investment of **RMB720 billion** in 1H14

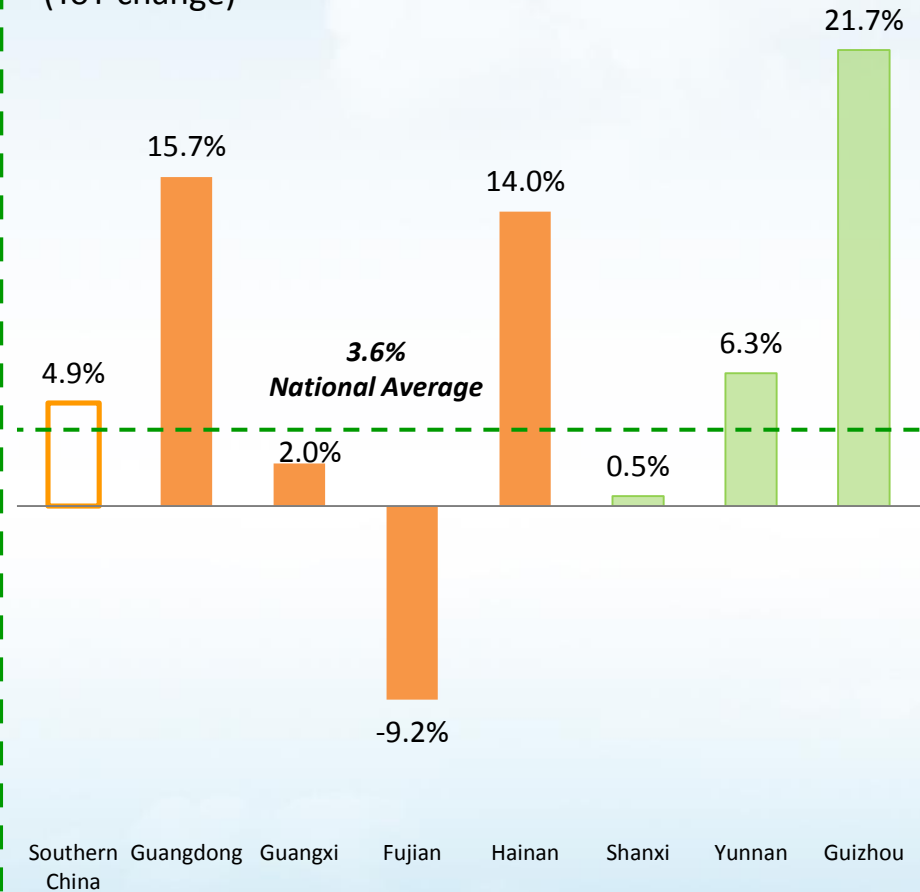
# Cement Industry – Demand (Cont'd)

## 1H14 Cement production

(million tons)



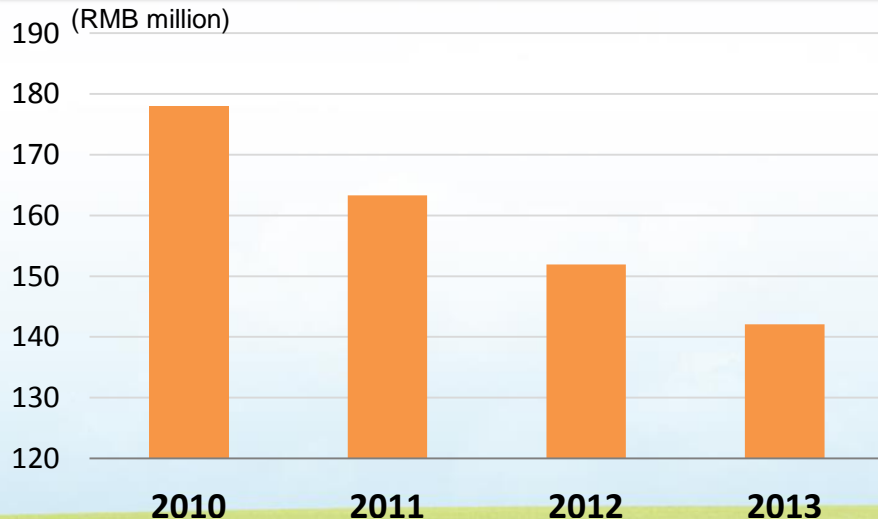
(YoY change)



# Cement Industry - Supply

1H14	National	Southern China	Shanxi	Yunnan	Guizhou
New clinker production capacity released	22 lines with 31.1mt -20.0%	1 line with 1.6 mt -60.0%	N/A	4 lines with 5.1mt +312.5%	4 lines with 4.7mt -23.5%
Obsolete capacity to be eliminated in 2014	82.1mt	14.0mt	1.1 mt	2.5 mt	4.0mt

## Cement FAI



- FAI in the China cement industry has been declining for the third consecutive year
- 1H14, cement FAI amounted to approximately RMB49.0 billion, **-12.2% YoY**

Stringent approval of capacity expansion

Stricter environmental standards

Elimination of obsolete capacity

Removal of grade 32.5 composite cement

In May 2013, the Government published the “**Notice on curbing the blind expansion of serious overcapacity industries**” (No. 892), which stated that the overcapacity issue and new capacity control of certain industries, including the cement industry, will be the emphasis of work plan for the year so as to strictly control the new production capacities for those industries.

In December 2013, the Government published a new “**Air Pollutants Emission Standard for the Cement Industry**”, which raises the emission standards on nitrogen oxides and particulate matters. The new standard has been applied to newly built cement projects since March this year and will apply to existing production lines from July next year.

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

In October 2013, the State Council of China published the “**Guidance on Resolving the Conflict Concerning Severe Overcapacity**” which proposed the abolition of grade 32.5 composite cement. This policy is still under discussion and if it is fully implemented, it will accelerate the elimination of obsolete capacity.



# Production Capacity (As at 30 Sep 2014)



## In Operation

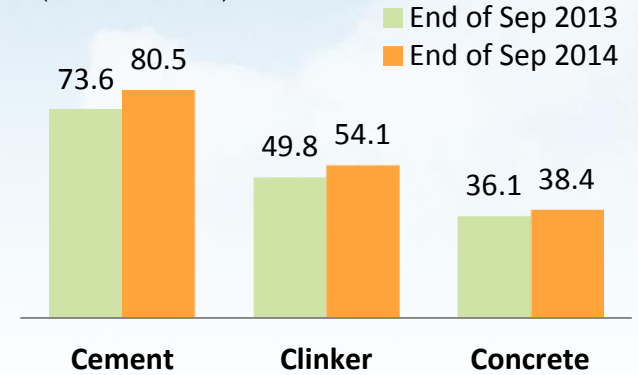
- Clinker and Cement Production Line
- Cement Grinding Line
- ★ Concrete Batching Plant

## Joint Ventures or Associates

- Clinker and Cement Production Line
- Cement Grinding Line

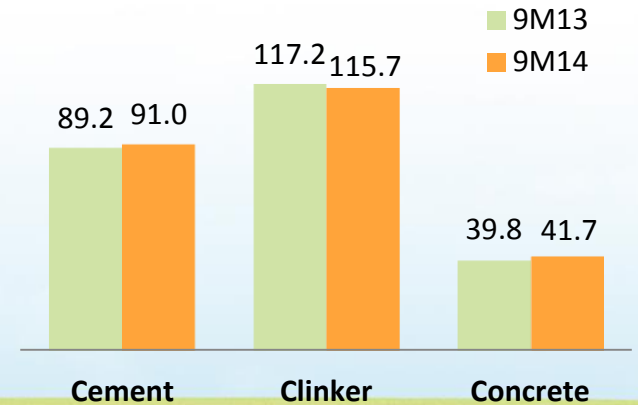
## Production Capacity

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



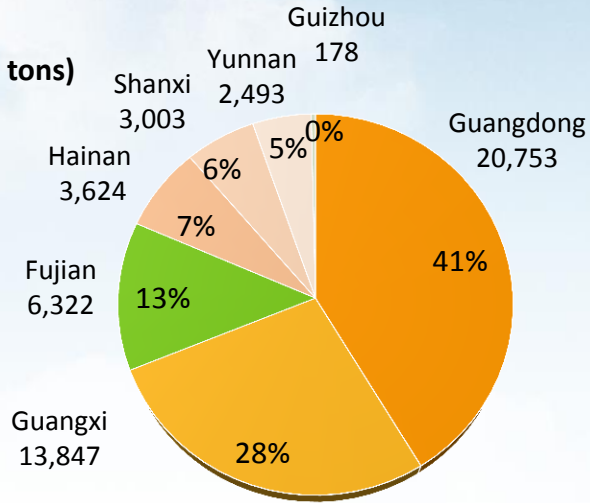
## Utilization Rate

(%)



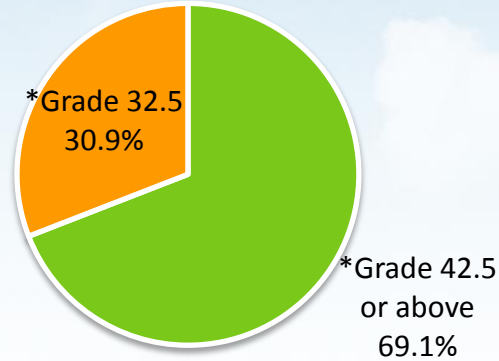
# Breakdown of Cement Sales Volume

**9M14** ('000 tons)

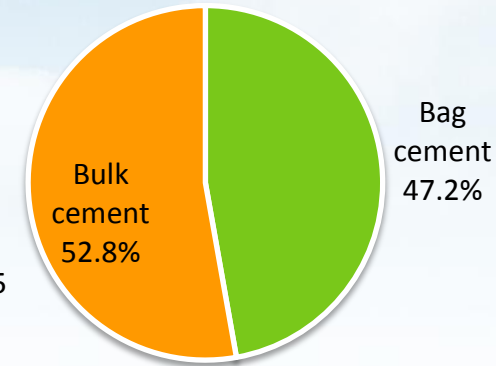


**Southern China: 44,546**

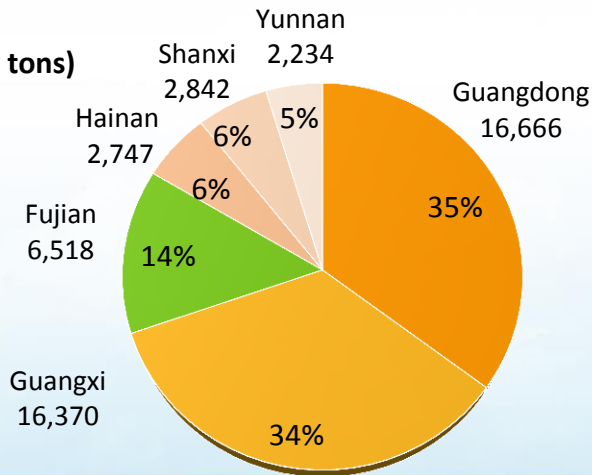
**1H14**



**1H14**

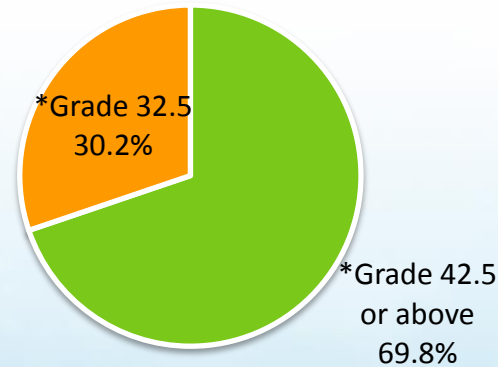


**9M13** ('000 tons)

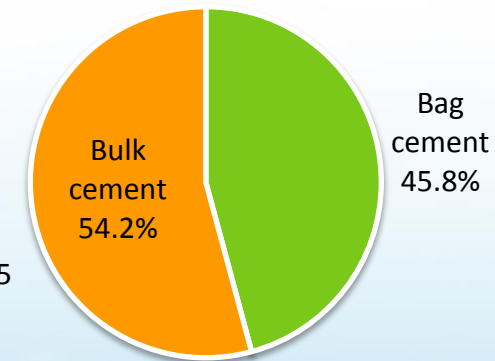


**Southern China: 42,301**

**1H13**

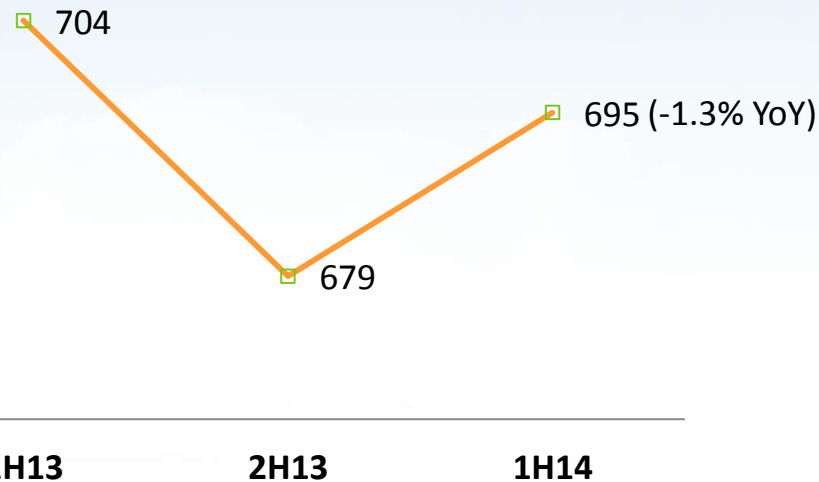


**1H13**

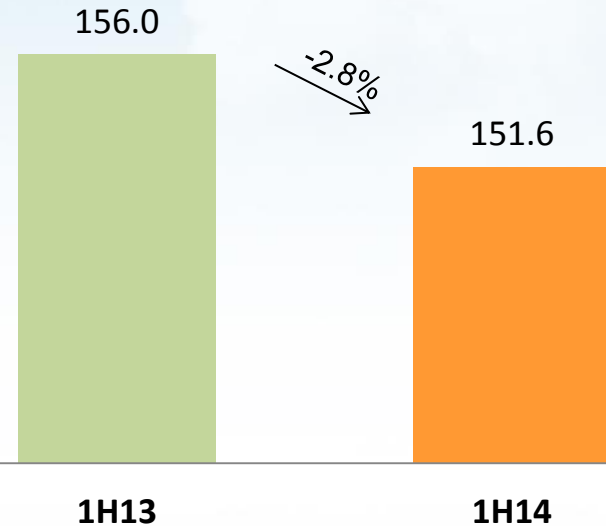


# Improved Coal Consumption

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



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

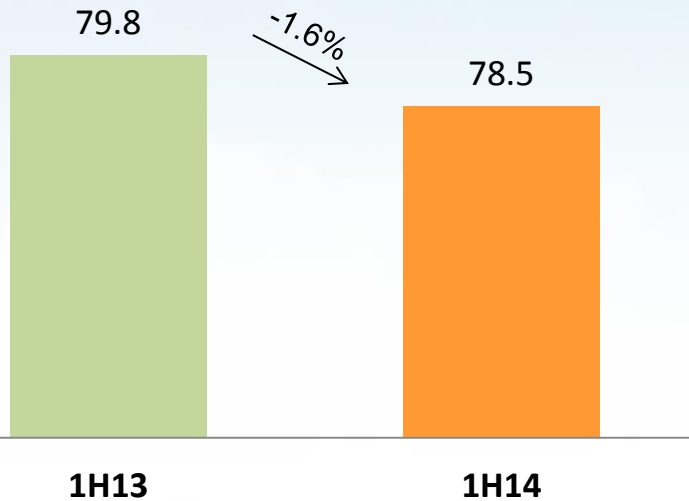


Quality of coal improved with average thermal value increased by 3.3% to 5,196 kcal per kg

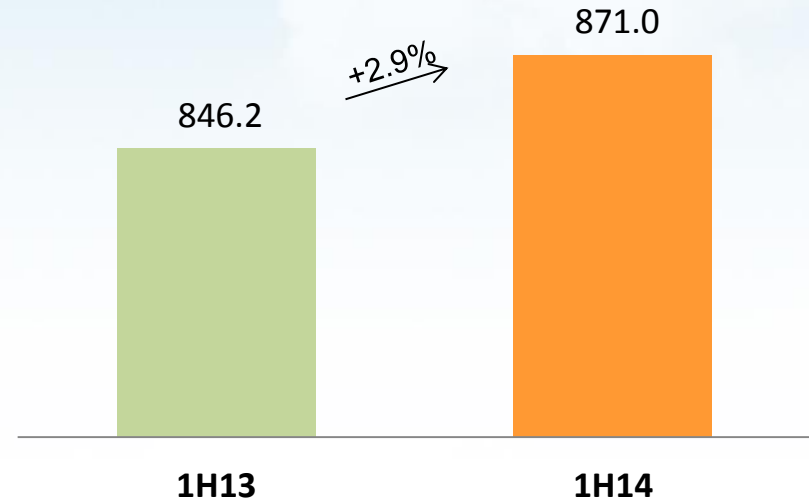
Average coal cost of production decreased 4.1% to HK\$105.3/ton of clinker

# Improved Electricity Consumption

## Electricity Consumption (kwh/ton of cement)



## Electricity Generation (million kwh)



Reduced electricity consumption represents a cost saving of approximately HK\$31.4 million (1H13: HK\$149.3 million)

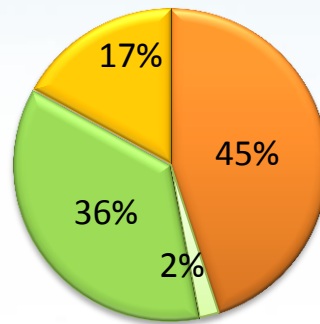
### Residual heat recovery generators

- Generated 871 million kwh of electricity, providing approximately 30.4% (1H13: 29.3 %) of required electricity consumption, representing a cost saving of approximately HK\$549.2 million (1H13: HK\$538.8 million)

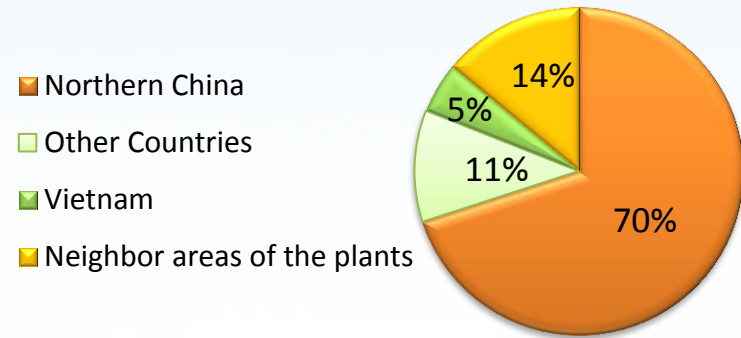
## Coal Procurement

- Expand procurement channels and stabilize cooperation with strategic suppliers :
  - ✓ Adopted a short-cycle and multi-channel sourcing strategy
  - ✓ Effective cost and risk control through reasonable adjustment of procurement channels

Coal Procurement in 1H13



Coal Procurement in 1H14



## Logistics Management

- Establish bi-directional logistics for finished goods and raw materials in order to reduce total logistic costs:
  - ✓ 650,000 tons of shipping capacity at the Xijiang River, with annual shipping capacity of 29.3 million tons
  - ✓ 47 silo terminals (mainly at Pearl River Delta region) with an annual capacity of 33.0 million tons

## Comply with the new emission standard

- Completed technological upgrades on denitrogenation of all the 39 clinker production lines & dust collection system for 13 clinker production lines

## Participate in the pilot carbon credit trading scheme in Guangdong

- 8 production plants in Guangdong province have already made the settlement for the carbon emission quotas of 2013
- One of the companies that have made the settlement in the early stage

## Promote production safety

- Production safety standardization, by State Administration of Work Safety in China:
  - First-Class: 14 cement production plants
  - Second-Class: 9 quarries
  - Third-Class: all concrete batching plants
- Emergency plans have been developed and drills were organized for quarries, hazardous chemicals, road traffic, fire and natural disasters

# Outlook & Prospects



# Government Keynote Policy

In 1H14, in order to cope with the pressure of domestic economic downturn, the Chinese government launched a series of measures to ensure steady economic growth, promote reform and restructuring, and improve people's livelihood.

In 2H14, we believe the Chinese government will continue its consistent and stable macroeconomic policies in order to maintain a reasonable economic growth. In 2014, the government has set the GDP growth target of 7.5% and FAI growth target of 17.5%.

In March 2014, the State Council of China published the "[National New-type Urbanization Plan \(2014-2020\)](#)" which rolls out the future development path of urbanization and aims to lift the urbanization rate to 60% by 2020.



# Production Capacity (Cont'd)

(As at 30 Sep 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 <sup>3</sup>
Guangdong	21	19.9	7	9.4	25	15.3
Guangxi	35	31.1	17	25.0	18	10.6
Fujian	14	10.9	6	6.8	9	5.4
Hainan	5	4.6	3	3.3	5	3.0
Shanxi	6	6.0	3	4.2	1	0.6
Yunnan	7	6.0	4	3.8	1	0.6
Guizhou	2	2.0	1	1.6	1	0.3
Zhejiang	-	-	-	-	2	1.1
Hong Kong	-	-	-	-	3	1.5
<b>Total</b>	<b>90</b>	<b>80.5</b>	<b>41</b>	<b>54.1</b>	<b>65</b>	<b>38.4</b>

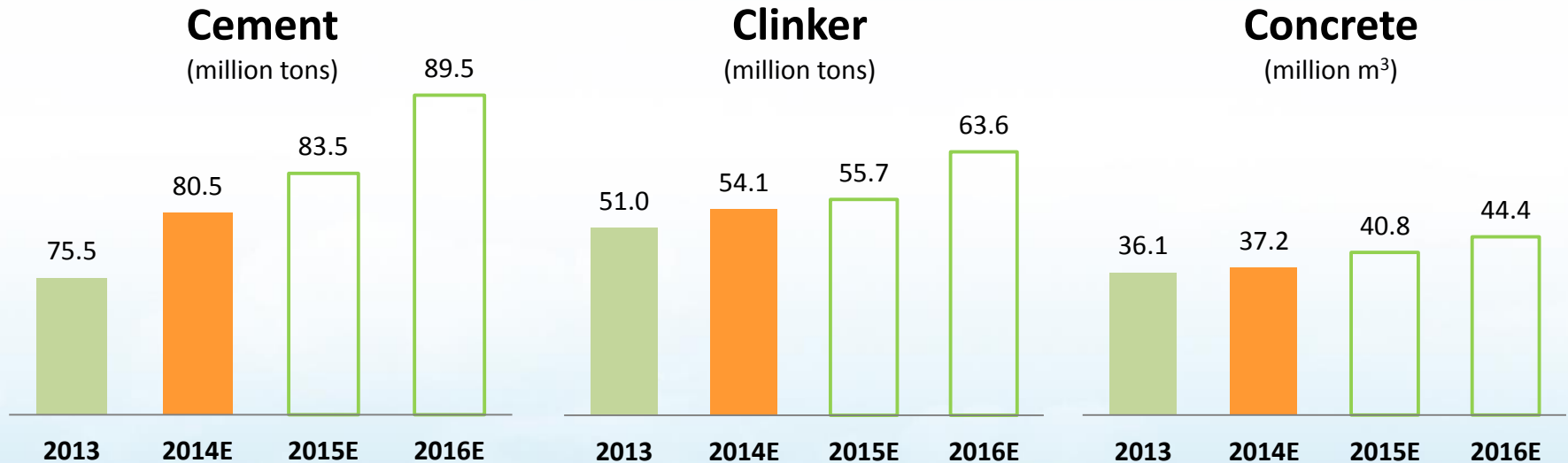
## Controlled by joint ventures and associates

Guangdong (Guangzhou)	8	8.1	2	3.7	1	0.5
Inner Mongolia	26	17.1	9	10.8	-	-
<b>Attributable</b>	<b>-</b>	<b>11.5</b>	<b>-</b>	<b>6.5</b>	<b>-</b>	<b>0.3</b>

# Strategies and Prospects

- To persevere with the “3+2” development strategy - Through the control, conversion and distribution of resources, we will endeavour to be the lowest total cost producer with leading market position in the region
- While promoting internal lean management, reducing cost and increasing efficiency, we will continue to seek for mergers and acquisitions opportunities in the regions where we have operations, strengthen research and innovation, focus on energy saving, promote green development in the industry

## Capacity Expansion through Organic Growth



\* Excluding the capacity held through equity interest in joint ventures and associates

# Appendix

## Investor Relations Contact

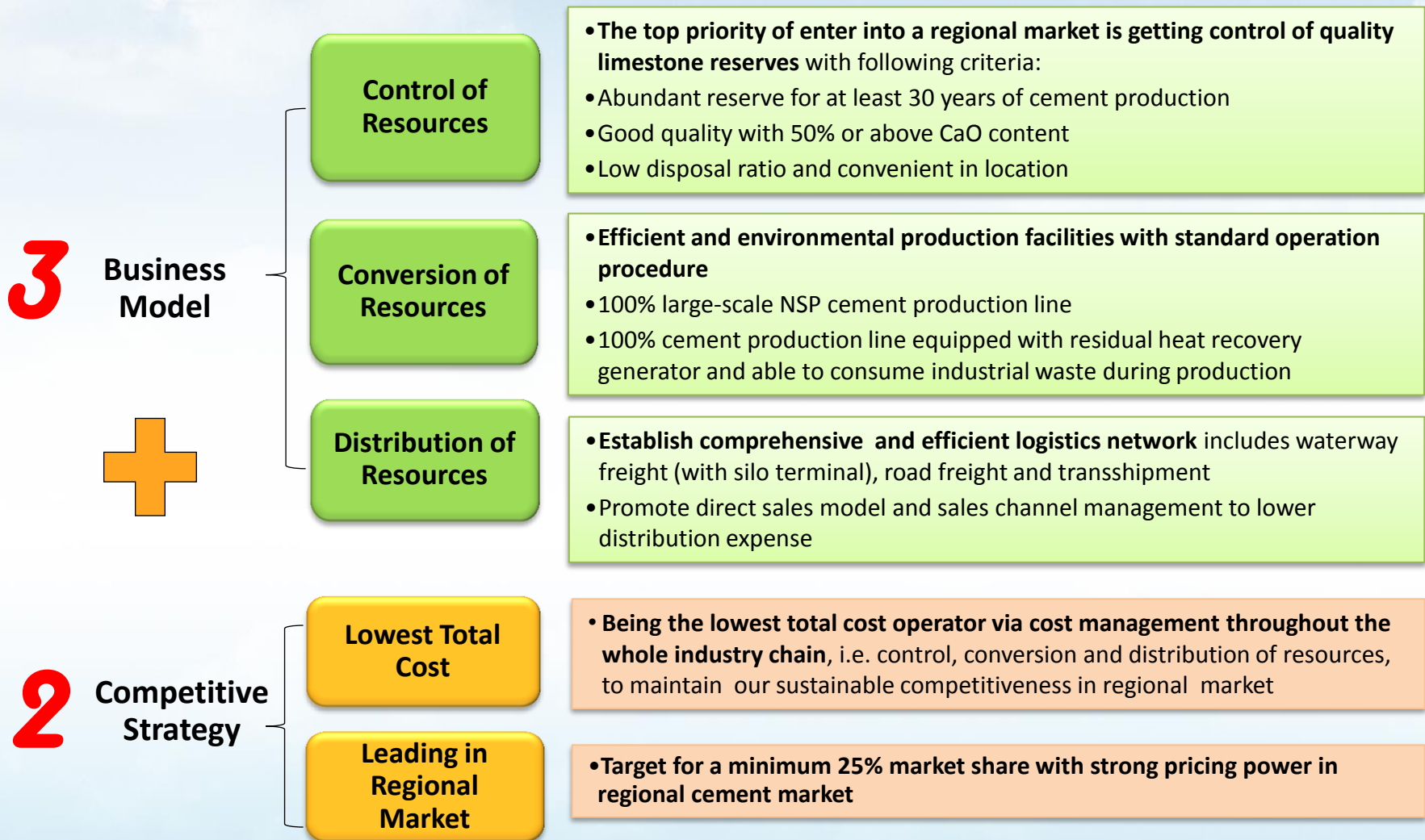
**Tel:** (852) 3118 6800

**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



# CAPEX

(HK\$ million)



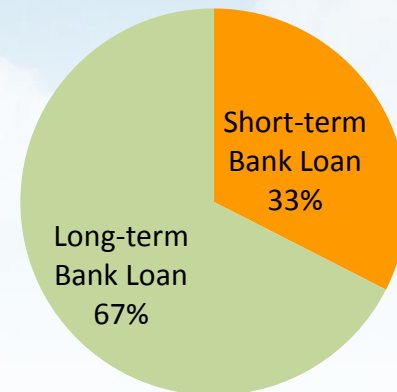
# Debt Structure

(HK\$ million)

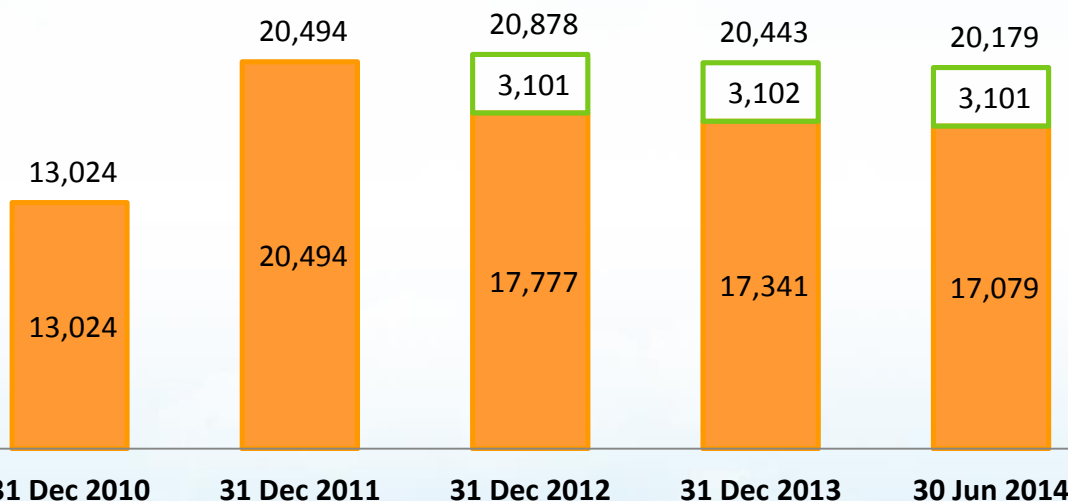
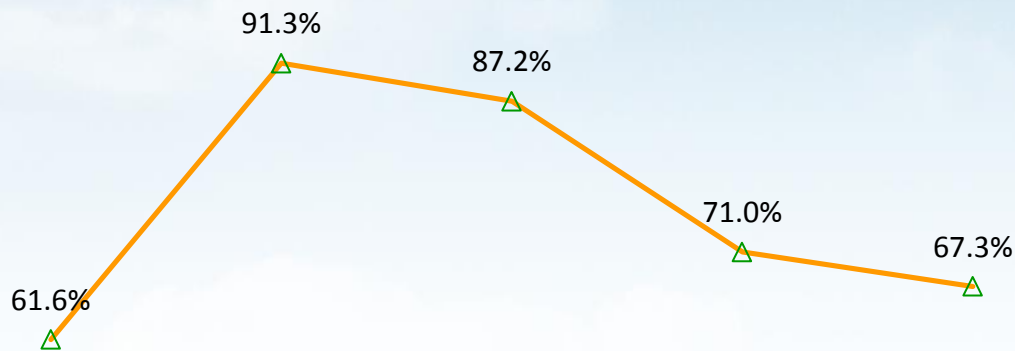
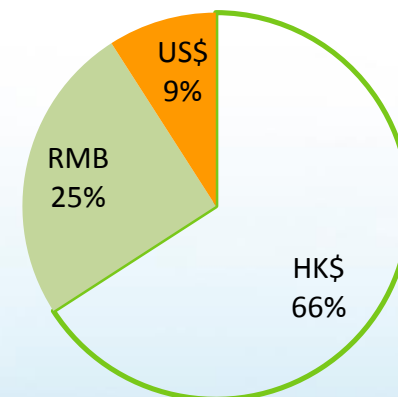


(As at 30 June 2014)

## Duration



## Currency



■ Bank Loan   ■ Bonds   ▲ Net Gearing Ratio

**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.