



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

April 2016

# Contents

	Page
 1Q16 Update	2
 Business Review	16
 Outlook & Prospects	29
 Appendix	33



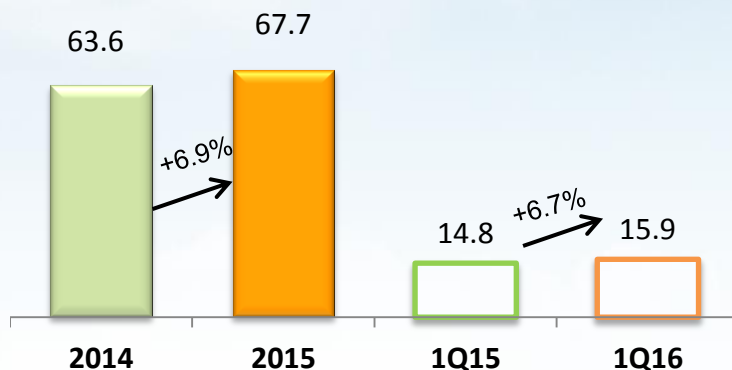
# 1Q16 Update



# 1Q16 Macro Update

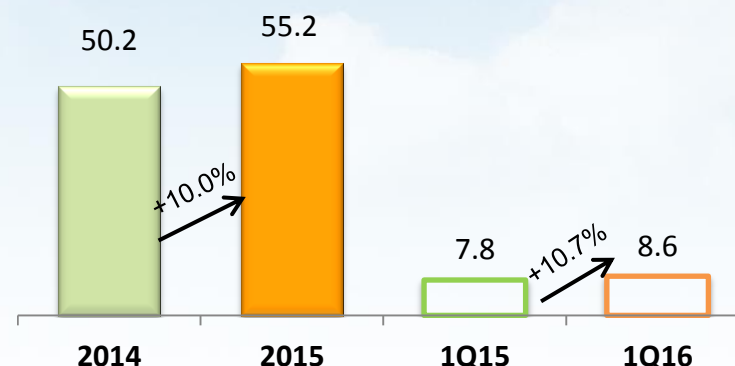
## National GDP

(RMB Trillion)



## National FAI

(RMB Trillion, excluding rural households)



### Infrastructure

	1Q16	YoY	2015 YoY
<b>Infrastructure Investment (ex. power supply)</b>	<b>Rmb1.54 trillion</b>	<b>+19.6%</b>	<b>+17.2%</b>
Investment in highway	Rmb228.9 billion	+8.5%	+6.5%*
Investment in waterway	Rmb25.6 billion	-5.1%	+9.0%*

### Real estate

<b>Real estate investment</b>	<b>RMB1.77 trillion</b>	<b>+6.2%</b>	<b>+1.0%</b>
Commodity housing sold	243.0 million m <sup>2</sup>	+33.1%	+6.5%
Newly commenced construction	282.8 million m <sup>2</sup>	+19.2%	-14.0%
Completed real estate projects	200.0 million m <sup>2</sup>	+17.7%	-6.9%
Land purchased by real estate developers	35.8 million m <sup>2</sup>	-11.7%	-31.7%

\*Note: Investment in highway and waterway during the first 11 months of 2015

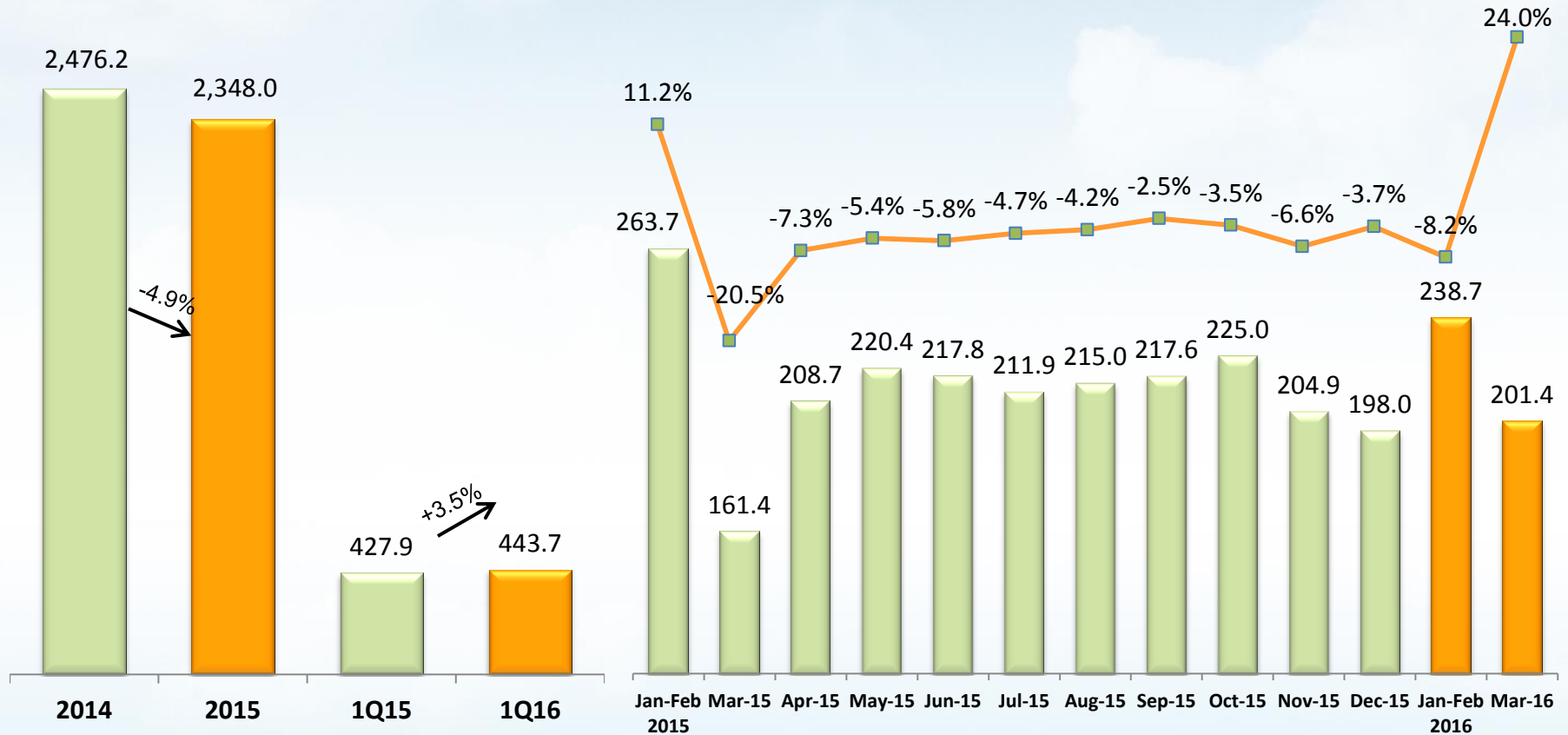
Source: National and Provincial Bureaus of Statistics of China, Ministry of Transport of China

# 1Q16 National Cement Production



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China Resources Cement Holdings Limited

(Million tons)



# 1Q16 Results Summary

(HK\$ million)	1Q15	1Q16	YoY
Turnover	6,202.4	4,721.7	-23.9%
Gross profit	1,606.6	975.1	-39.3%
Exchange (loss) gain	(58.0)	25.7	N.A
Share of results of associates	(105.4)	(114.6)	+8.7%
Share of results of joint ventures	16.8	(22.9)	-236.6%
Profit attributable to owners of the Company	660.3	6.6	-99.0%
Basic earnings per share (HK\$)	0.101	0.001	-99.0%

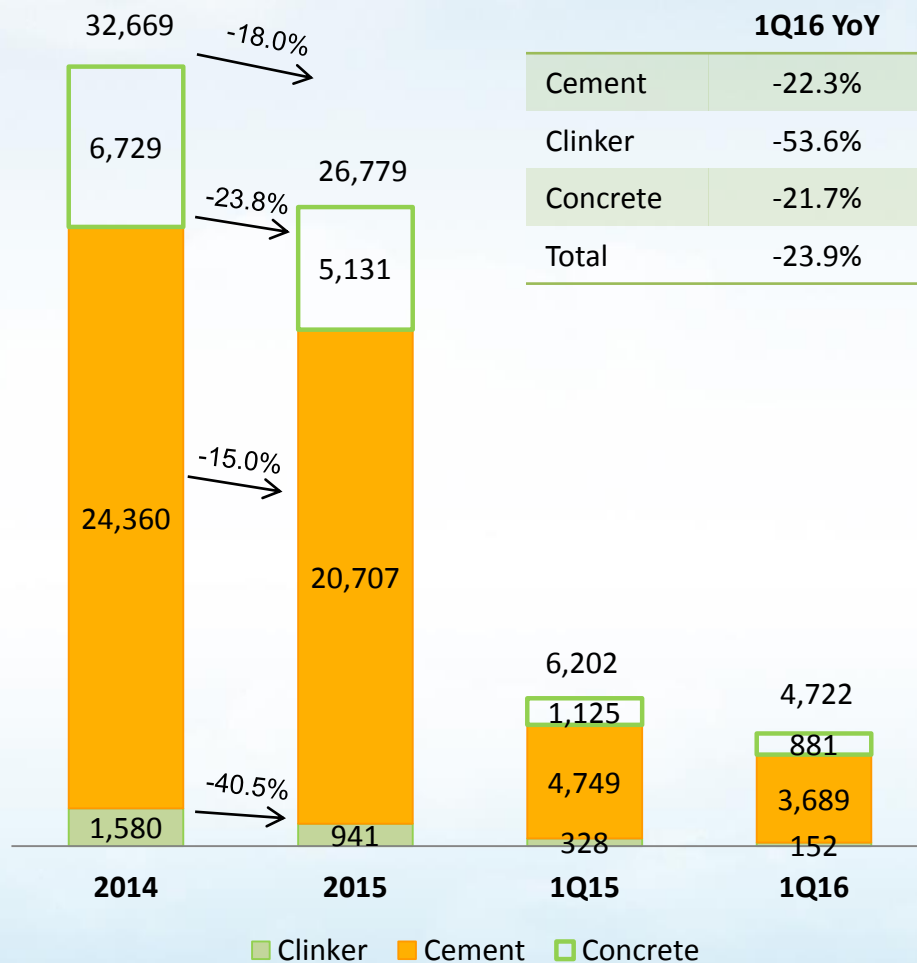


# Turnover by Product

(HK\$ million)

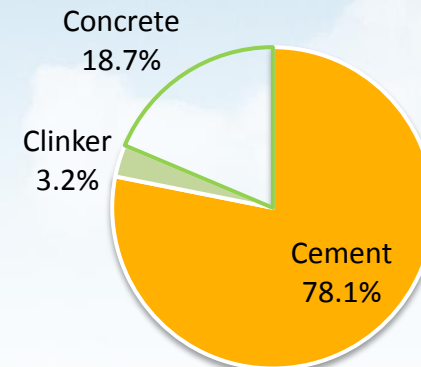


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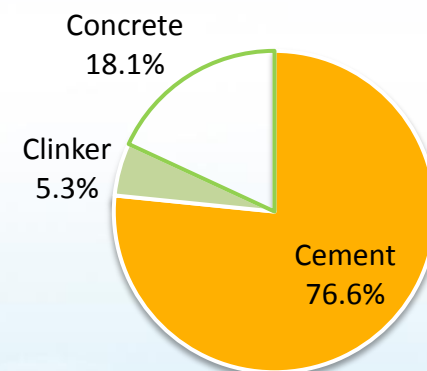


1Q16 YoY	
Cement	-22.3%
Clinker	-53.6%
Concrete	-21.7%
Total	-23.9%

1Q16



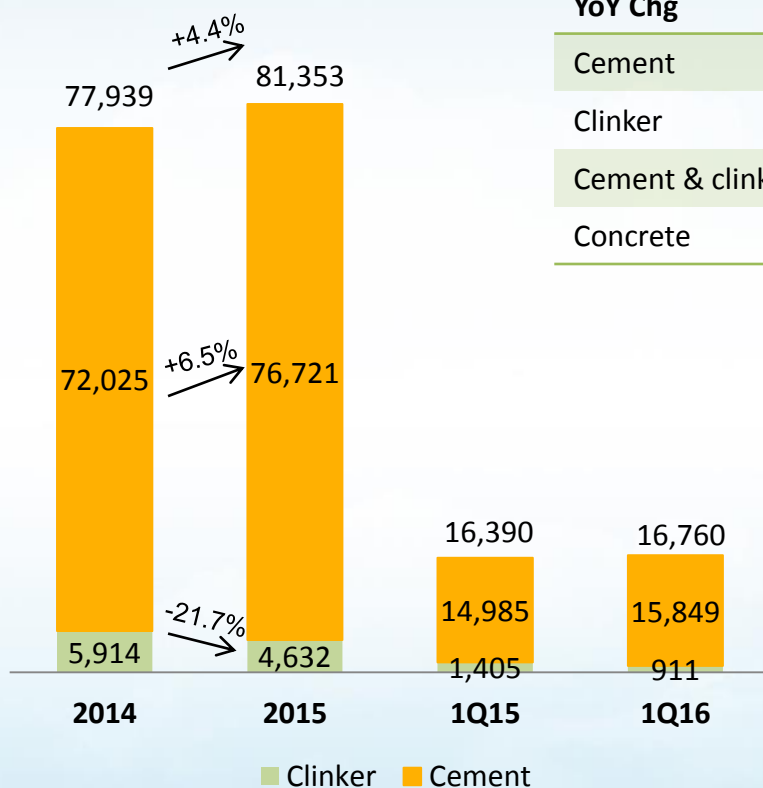
1Q15



# Sales Volume

## Cement & Clinker

('000 tons)

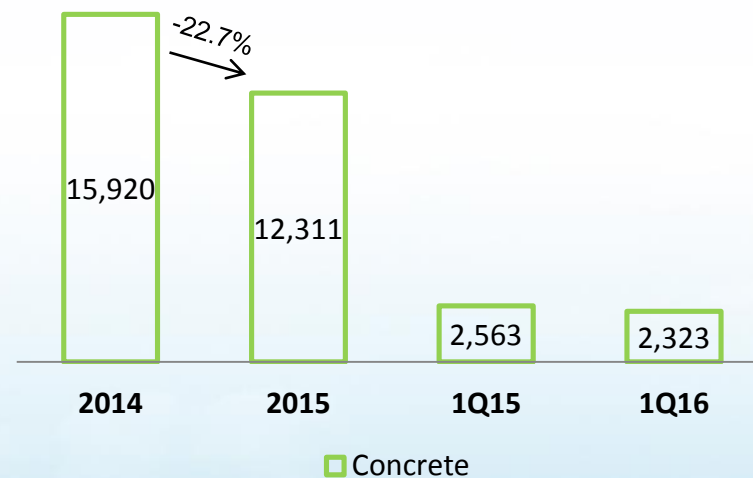


### YoY Chg 1Q16 YoY

Cement	+5.8%
Clinker	-35.2%
Cement & clinker	+2.3%
Concrete	-9.4%

## Concrete

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





# Breakdown of Cement Sales Volume

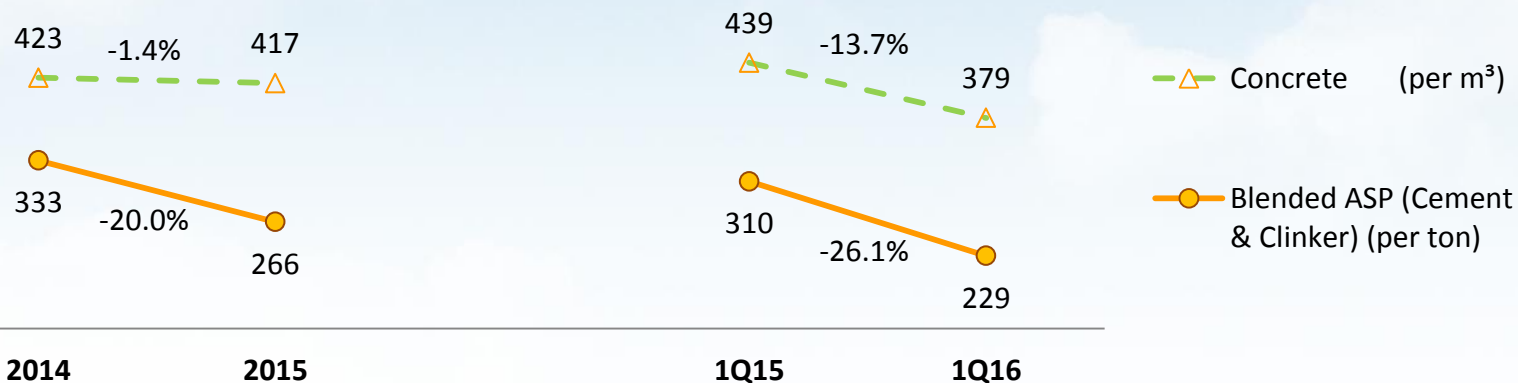
Province/AR	2015 (million tons)	YoY	% to total	1Q16 (million tons)	YoY	% to total
Guangdong	30.8	4.8%	40.1%	5.6	-14.0%	35.4%
Guangxi	22.3	9.5%	29.0%	5.4	32.4%	33.8%
Fujian	8.7	-4.7%	11.3%	1.8	-2.3%	11.5%
Hainan	5.0	0.7%	6.6%	0.9	-0.6%	5.6%
Shanxi	3.0	-19.8%	4.0%	0.3	6.8%	1.9%
Yunnan	4.7	28.6%	6.1%	1.4	34.3%	8.9%
Guizhou	2.2	190.2%	2.9%	0.4	42.7%	2.8%
Total	76.7	6.5%	100%	15.8	5.8%	100%

## Product type:

- In 2015, approximately 63.2% of the cement products we sold were 42.5 or higher grades and approximately 52.5% were sold in bags by sales volume.

# Average Selling Price

(HK\$)

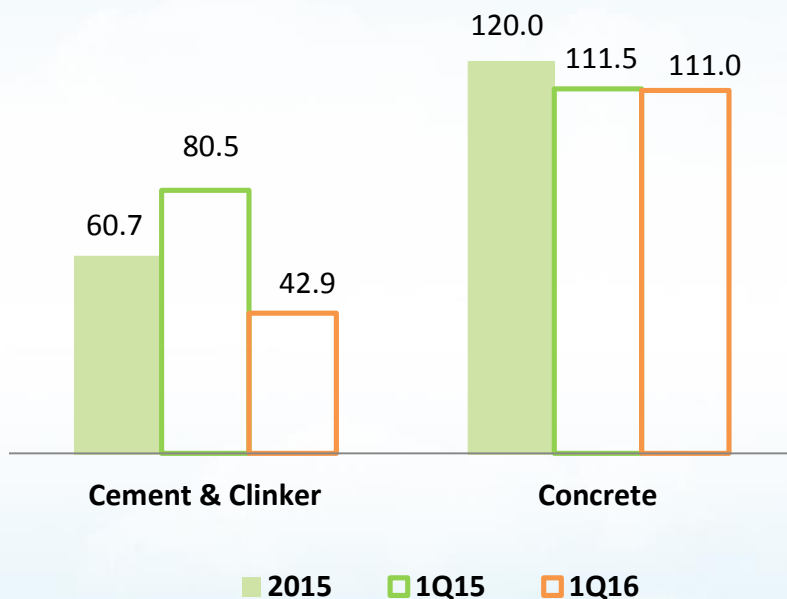


Cement ASP (HK\$/ton)	2015	YoY	1Q15	1Q16	YoY
Guangdong	288	-22.7%	341	241	-29.3%
Guangxi	271	-15.6%	329	232	-29.4%
Fujian	239	-22.5%	275	209	-24.0%
Hainan	318	-21.2%	342	297	-13.0%
Shanxi	177	-15.5%	176	154	-12.1%
Yunnan	239	-15.9%	240	226	-5.7%
Guizhou	204	-23.4%	240	185	-23.1%

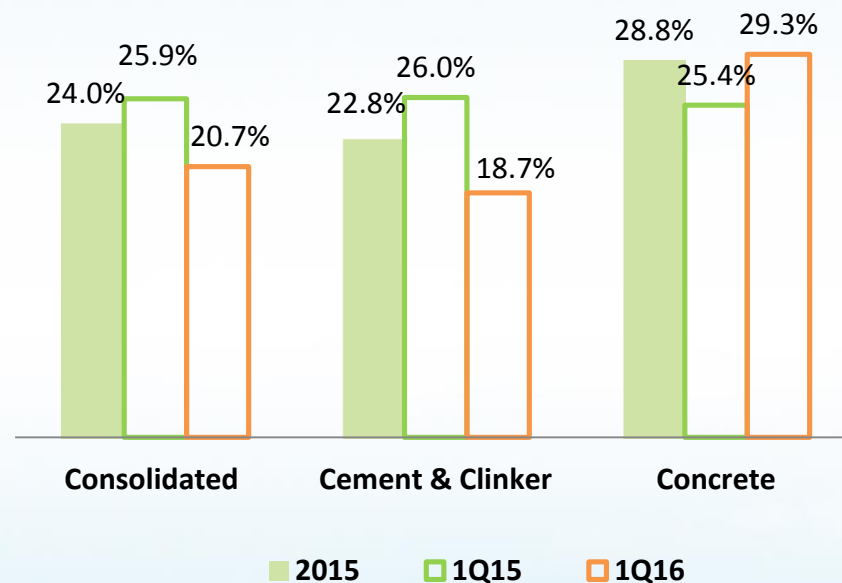
# Gross Profit & Margin

## Gross Profit per Unit

(HK\$ per ton/m<sup>3</sup>)



## Gross Margin by Product

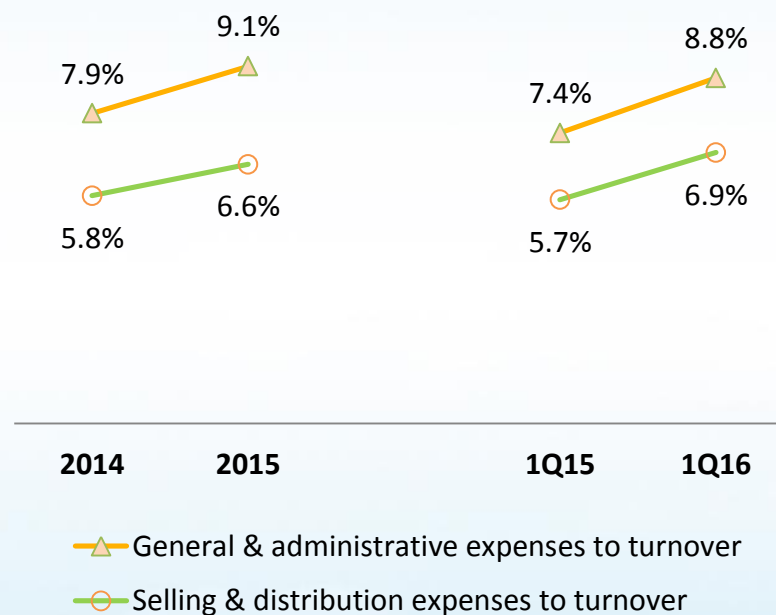
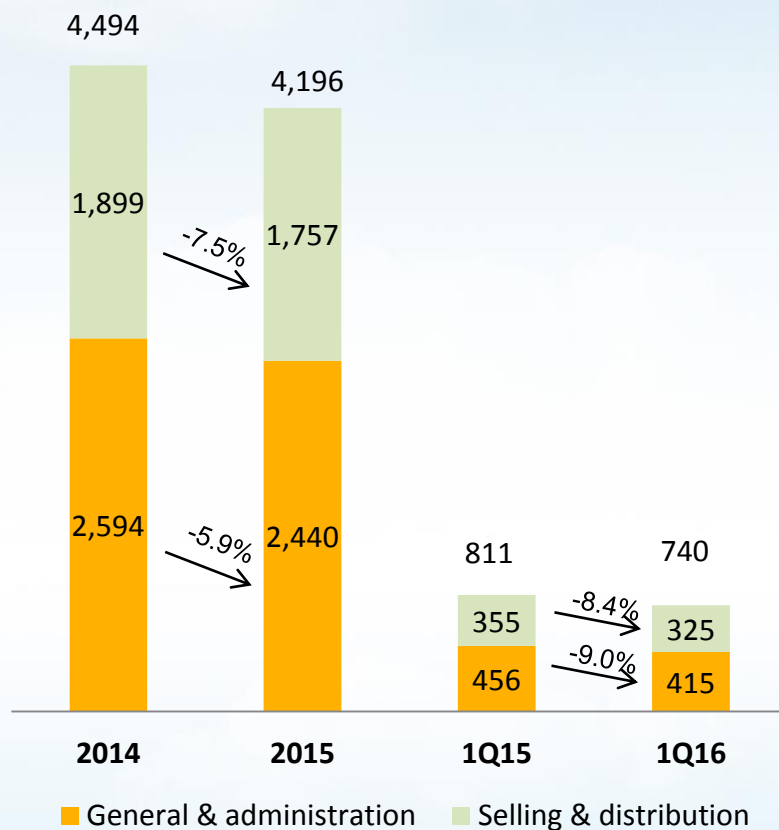


# Selling, General & Administrative Expenses

(HK\$ million)



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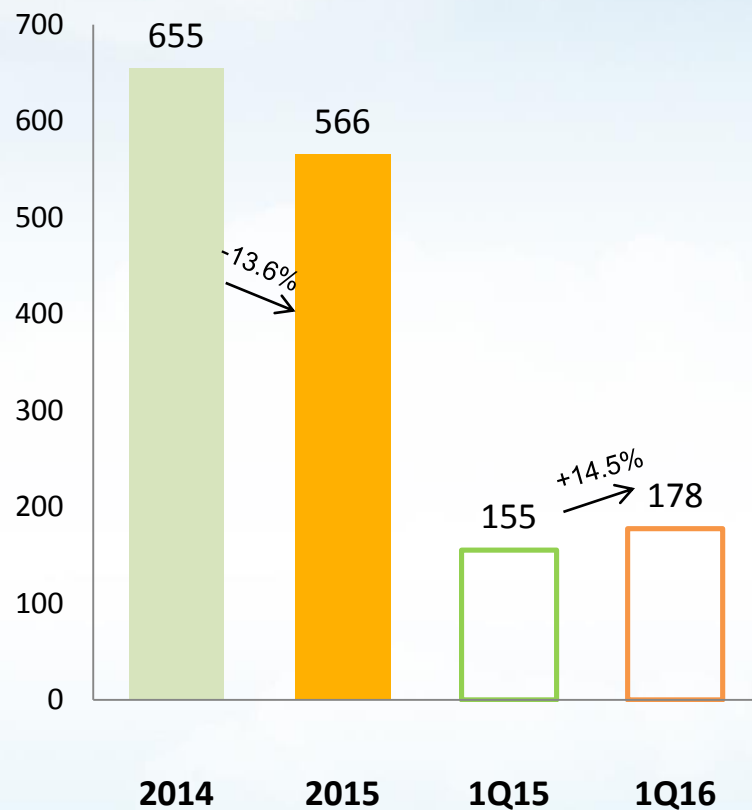




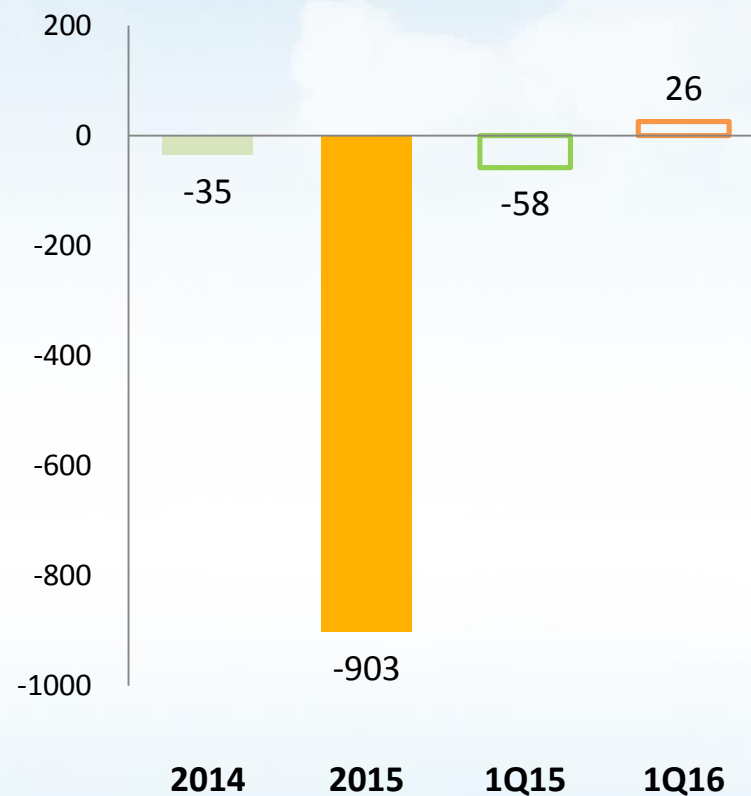
# Finance Costs & Exchange Loss

(HK\$ million)

Finance costs



Exchange gain (loss)



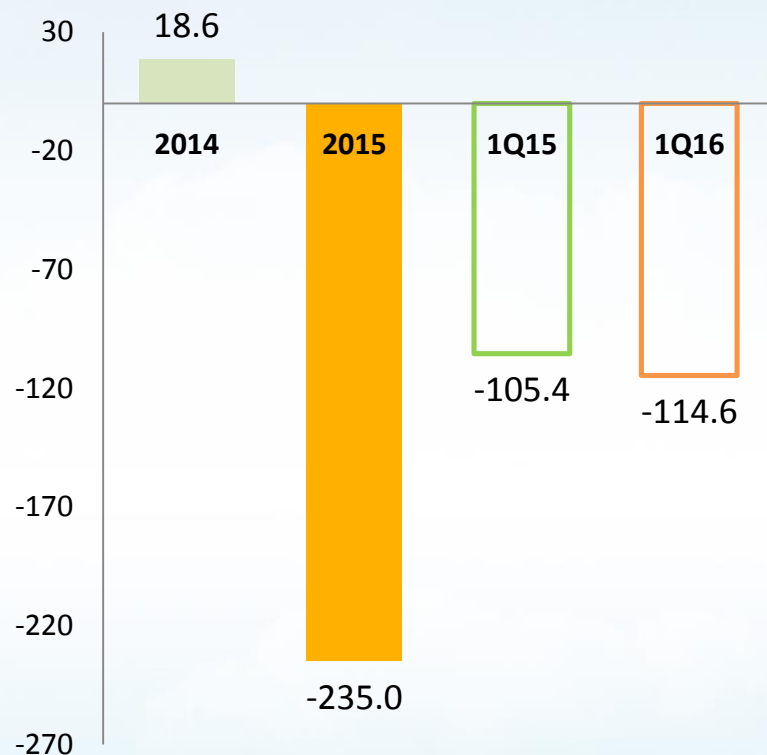
# Share of results of associates & JVs



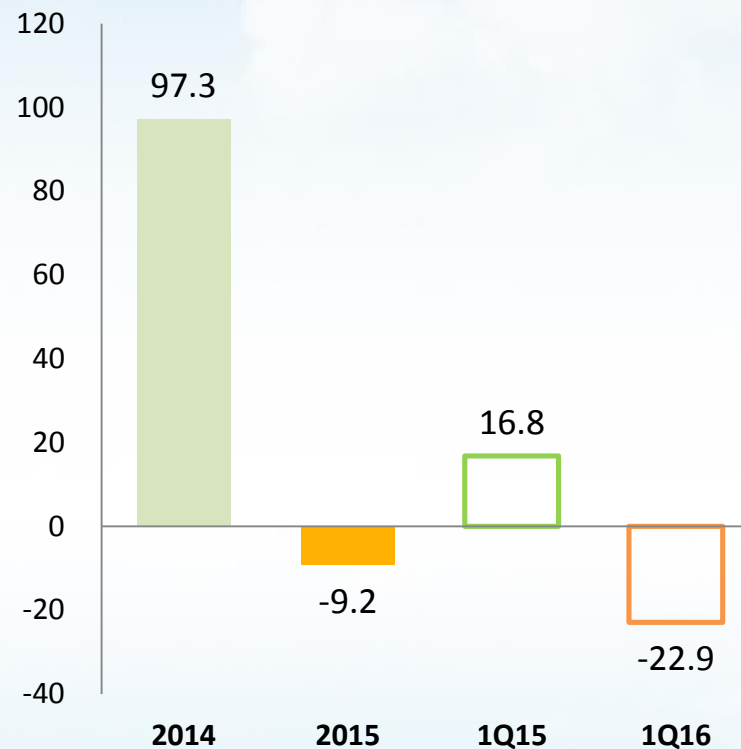
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(HK\$ million)

## Share of results of associates



## Share of results of joint ventures



	2015	YoY	1Q15	1Q16	YoY
Taxation (HK\$ million)	47.5	-97.1%	52.3	(54.4)	-204.0%
Effective tax rate (excluding tax over-provision, the results of associates and joint ventures and the non- deductible exchange loss)	25.7%	+1.1ppt	29.3%	36.6%	+7.3ppt

- An amount of HK\$265.5 million representing the over-provision of enterprise income tax that was previously provided at 25% for the year ended 31 December 2013 was reversed and included in taxation for the first quarter of 2015.

# Financial Position

(HK\$ million)	31 Dec 2015	31 Mar 2016	Change
Cash and bank balances	1,937.7	3,785.7	+95.4%
Total assets	54,216.8	57,083.2	+5.3%
Net borrowings	16,945.3	18,442.7	+8.8%
Net gearing ratio	63.8%	69.1%	+5.3ppt
Net assets per share (HK\$)	4.07	4.08	+0.2%

**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.



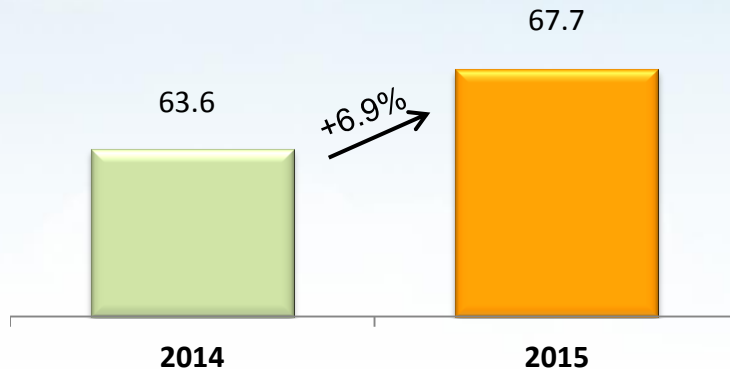
# Business Review



# China Economic Growth

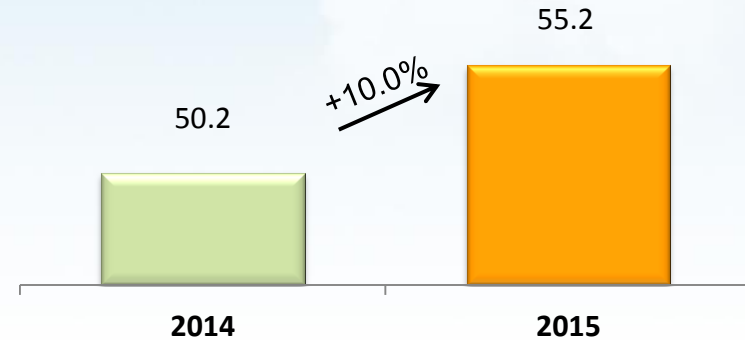
## National GDP

(RMB Trillion)



## National FAI

(RMB Trillion, excluding rural households)



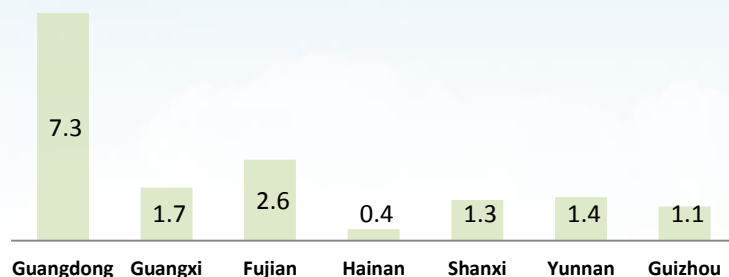
- **In 2015, the downturn pressure on China's economy had been increasing**
  - China's GDP grew by 6.9% to RMB67.7 trillion
  - National FAI increased by 10.0% to RMB55.2 trillion, representing a decrease of 5.7 percentage points over last year
- **Infrastructure construction has been an important driving 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

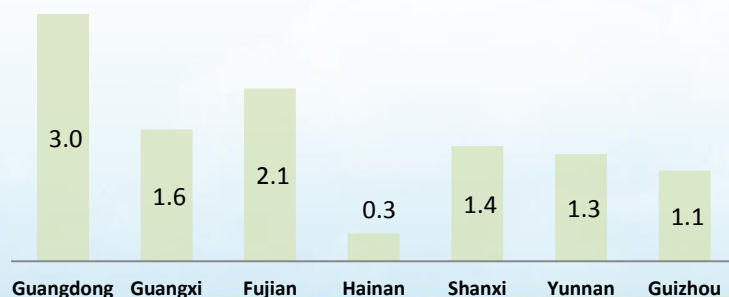
## GDP

(RMB Trillion)

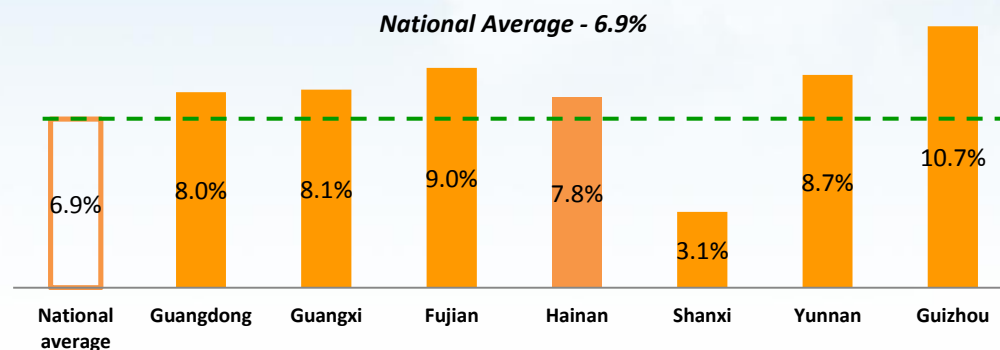


## FAI excluding rural households

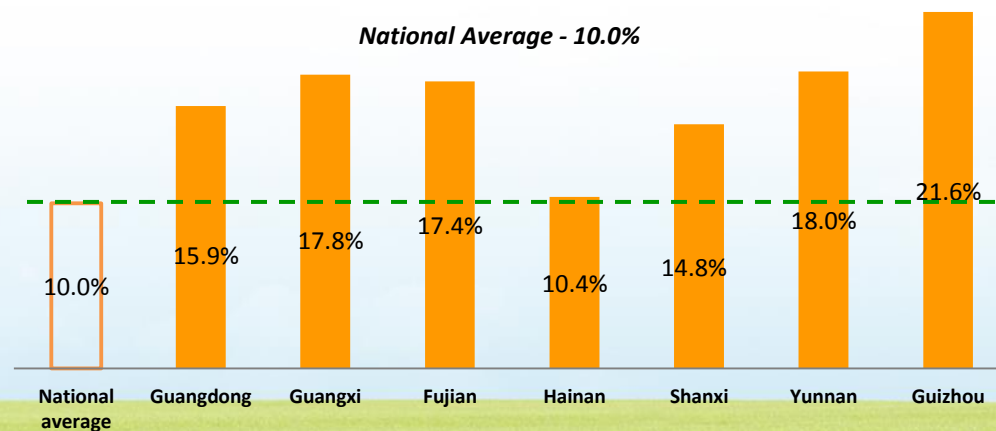
(RMB Trillion)



## GDP Growth



## FAI Growth





# 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 m<sup>2</sup>, +6.5% yoy
- The total floor area of newly commenced construction: 1,540 million m<sup>2</sup>, -14.0% yoy;
- The total floor area of completed real estate projects: 1,000 million m<sup>2</sup>, -6.9% yoy
- The total area of land purchased by real estate developers: 230 million m<sup>2</sup>, -31.7% yoy
- Social housing: newly commenced construction of 7.8 million units and completion of 7.7 million units

## Real Estate & Social Housing

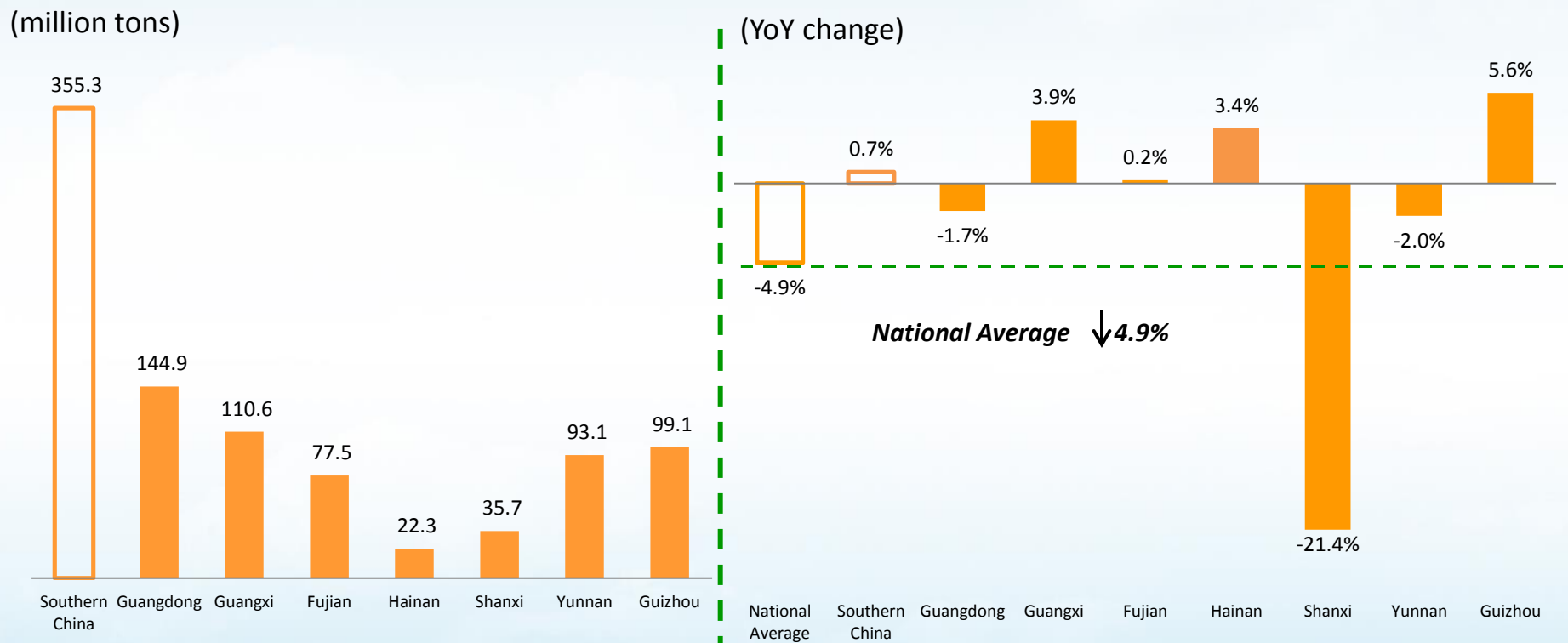
## Urbanization

- 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;

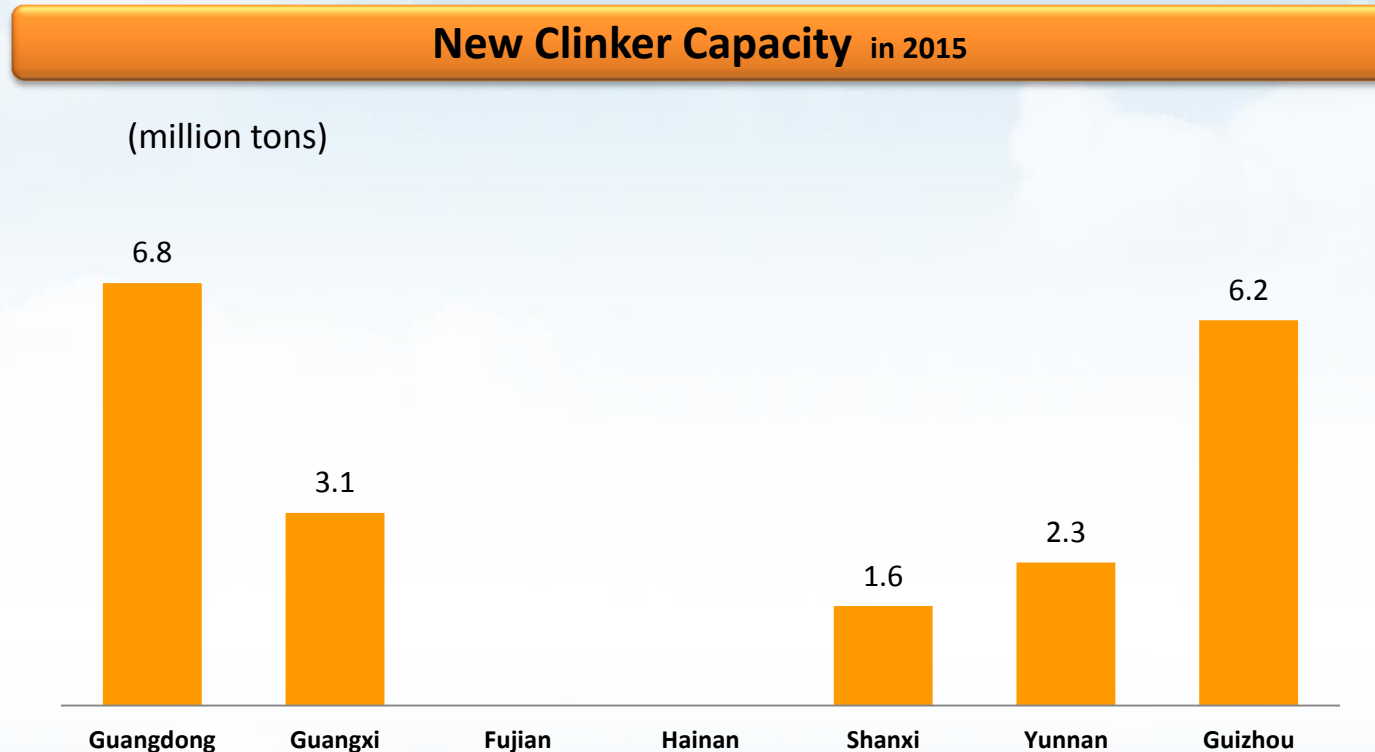


# Cement Production

- 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



*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/m<sup>3</sup> and 30 mg/m<sup>3</sup> 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.**

# 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 m<sup>3</sup>

## *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

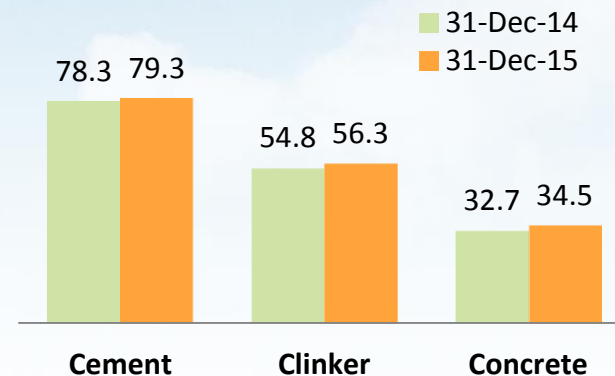
● Clinker and Cement Production Line

■ Cement Grinding Line

★ Concrete Batching Plant

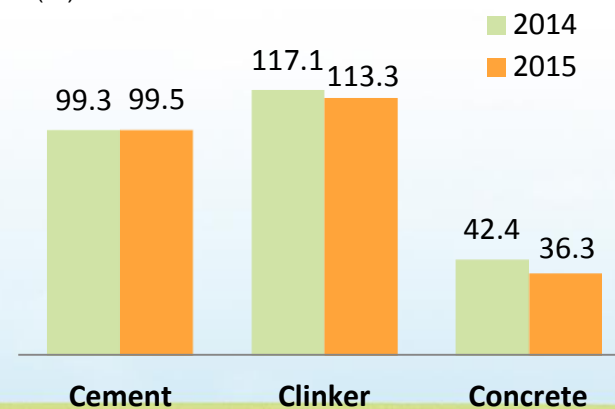
## Production Capacity

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

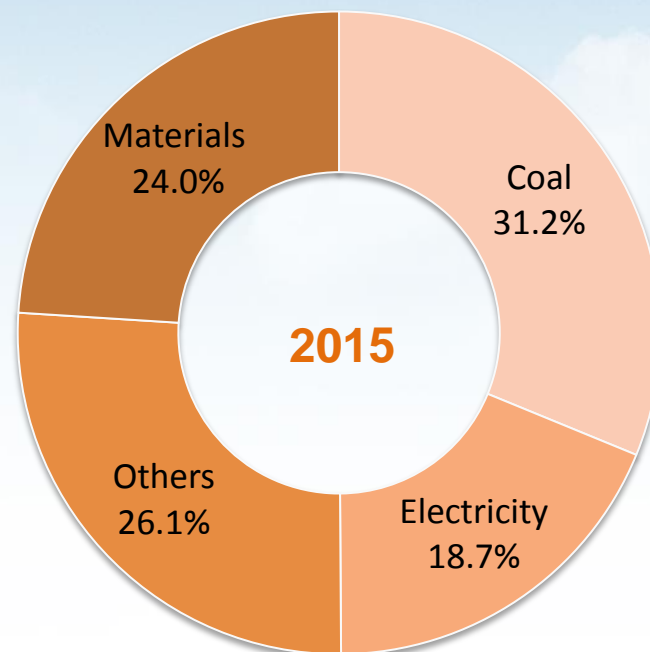
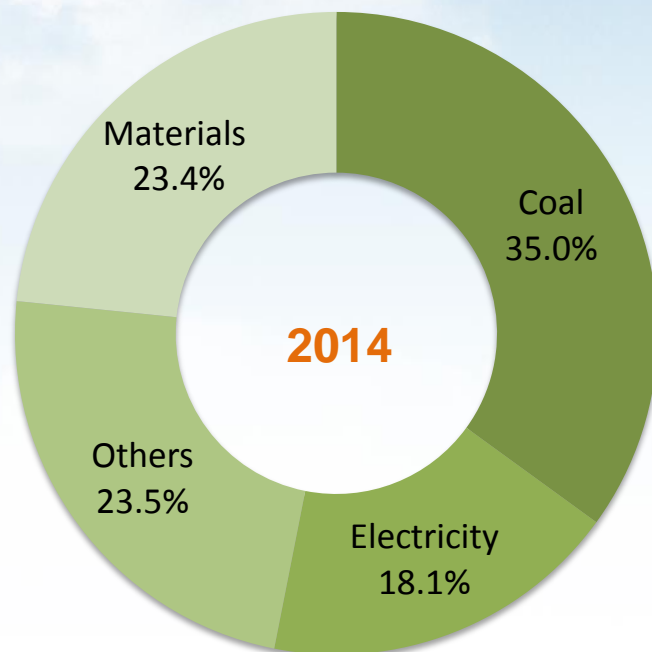


## Utilization Rate

(%)



# Cost Structure of Cement Products



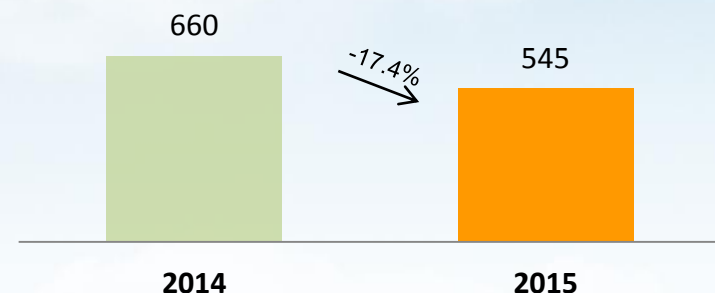
(HK\$/ton)	2014	2015	YoY Change
Coal	79.5	64.7	-18.6%
Electricity	41.2	38.9	-5.6%
Materials	53.1	49.9	-6.0%
Others	53.2	54.0	+1.5%
Total	227.0	207.5	-8.6%

*Note: Cement products refer to cement & clinker*

# Improved Energy Consumption

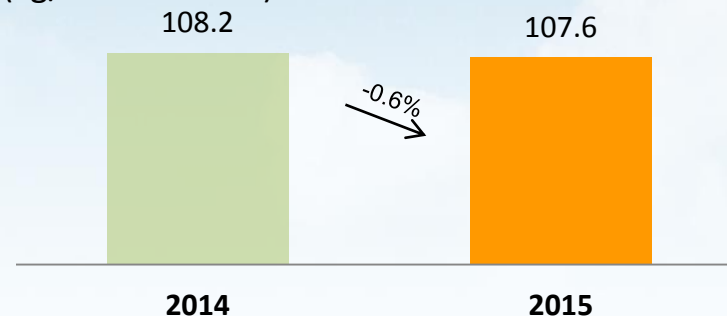
**Average Coal Purchase Price**

(HK\$/ton)



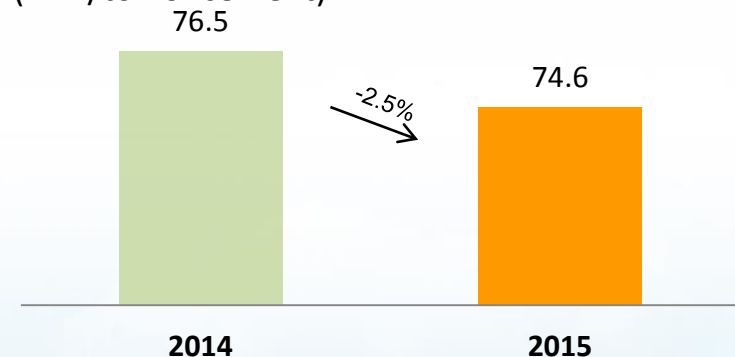
**Standard Coal Consumption**

(kg/ton of clinker)



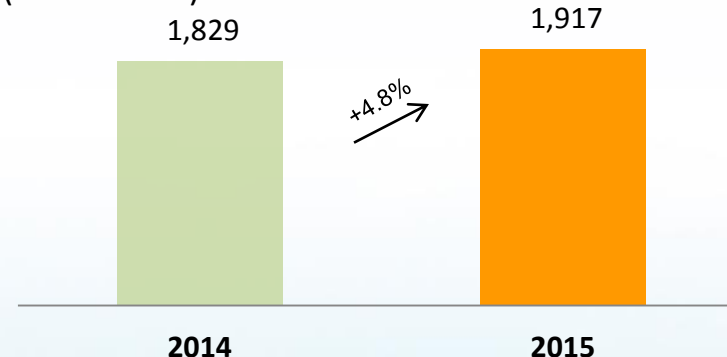
**Electricity Consumption**

(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, 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/m<sup>3</sup>.
- The emission levels of **particulate matters** for all production plants are in compliance with the national standard of 30mg/m<sup>3</sup>. 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.



Government  
Keynote  
Policy

1

2

3

**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

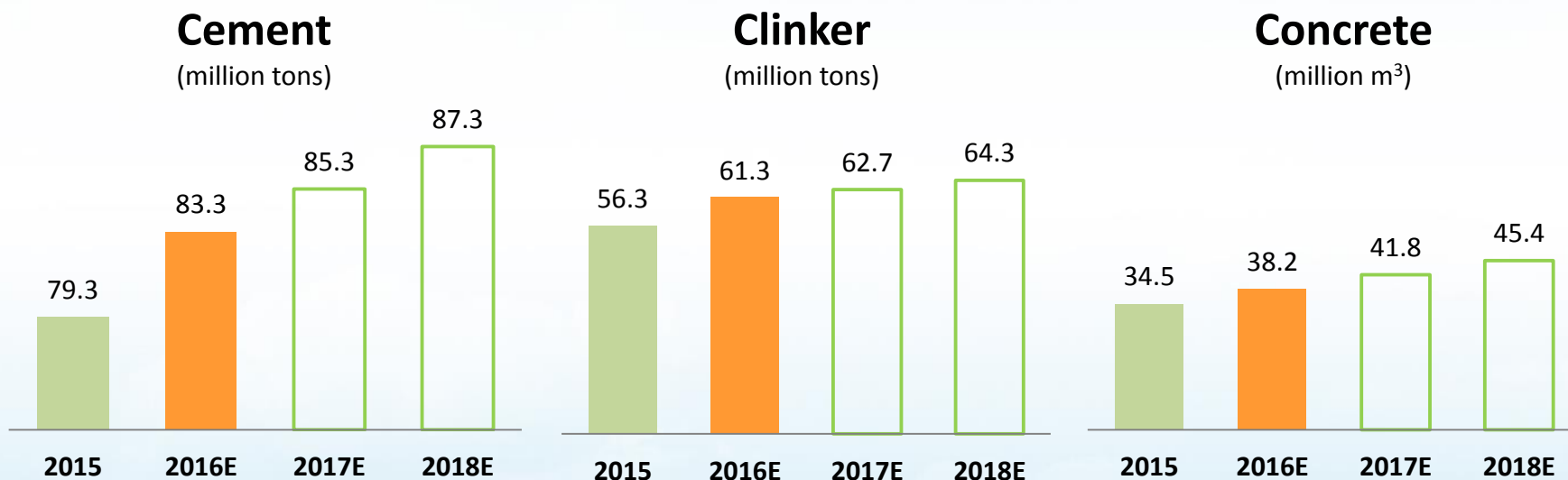
- According to the China’s “National New-type Urbanization Plan (2014-2020)”, the targeted urbanization rate will reach 60% by 2020.



# 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.*



# 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

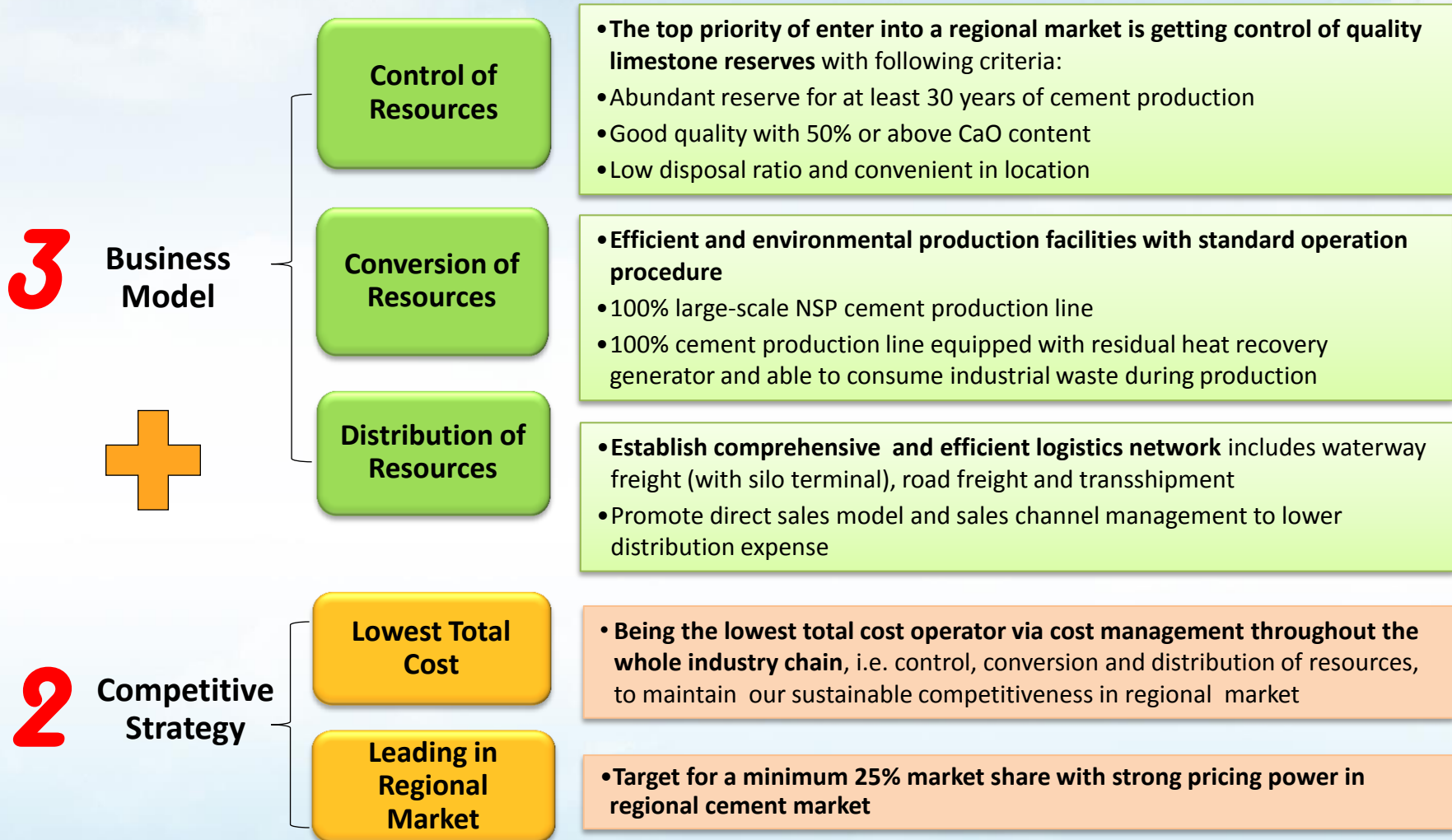
## Sustainable Development

Devote for

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



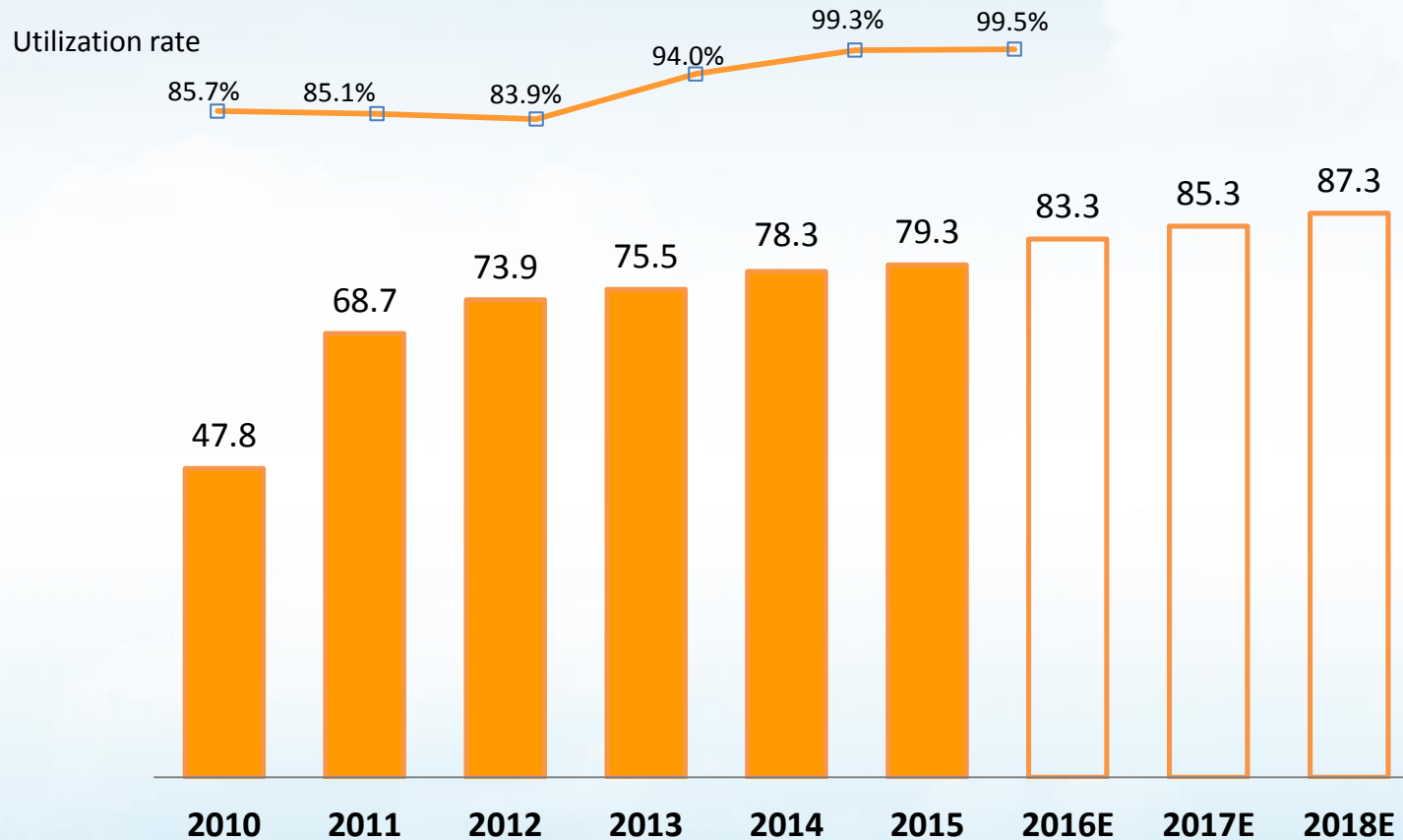
# CR Cement – “3+2” Development Strategy





# Cement Capacity

(million tons)



# CR Cement's Production Capacity

## Controlled by the Group

(As at 31 Mar 2016)

Province/AR/SAR	Cement		Clinker		Concrete	
	No. of lines	million tons	No. of lines	million tons	No. of plants	million m <sup>3</sup>
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
<b>Total</b>	<b>91</b>	<b>79.3</b>	<b>42</b>	<b>56.3</b>	<b>58</b>	<b>34.5</b>

## 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 <sup>3</sup>
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
<b>Attributable</b>	<b>-</b>	<b>19.2</b>	<b>-</b>	<b>13.4</b>	<b>-</b>	<b>3.4</b>

# 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

(HK\$ million)	2015	2014	2013	2012	2011
Net cash generated from operating activities	4,833.6	6,858.8	5,121.1	4,304.7	5,150.8
Net cash used in investing activities	(4,641.9)	(4,557.2)	(3,316.9)	(4,499.5)	(13,290.3)
Net cash used in financing activities	(2,245.1)	(971.6)	(2,642.5)	20.2	7,571.2
Cash and cash equivalent at end of the year	1,937.7	4,147.8	2,821.8	3,561.9	3,737.8

**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.

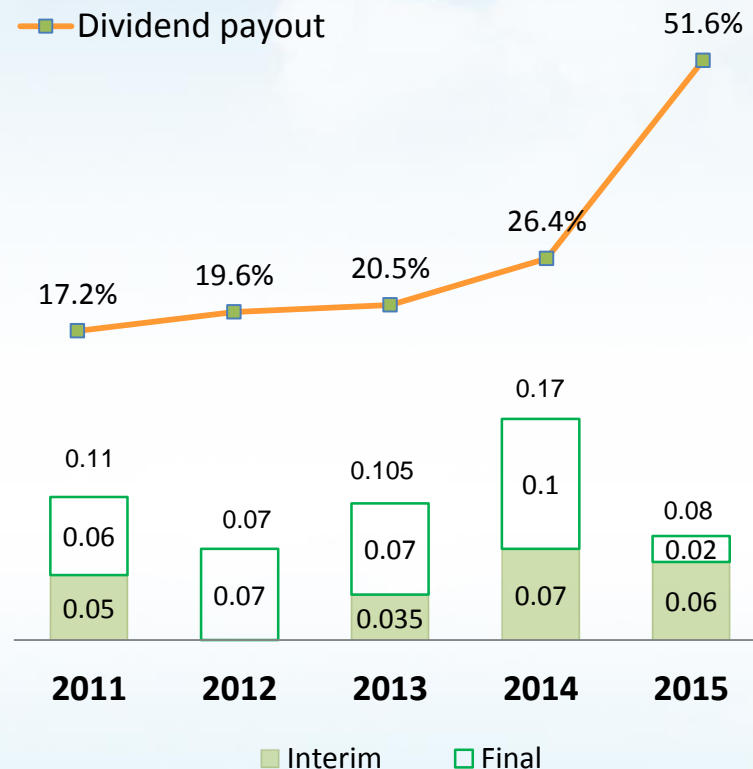


# Dividend Payout (HK\$)

## Earnings per Share



## Dividend per Share



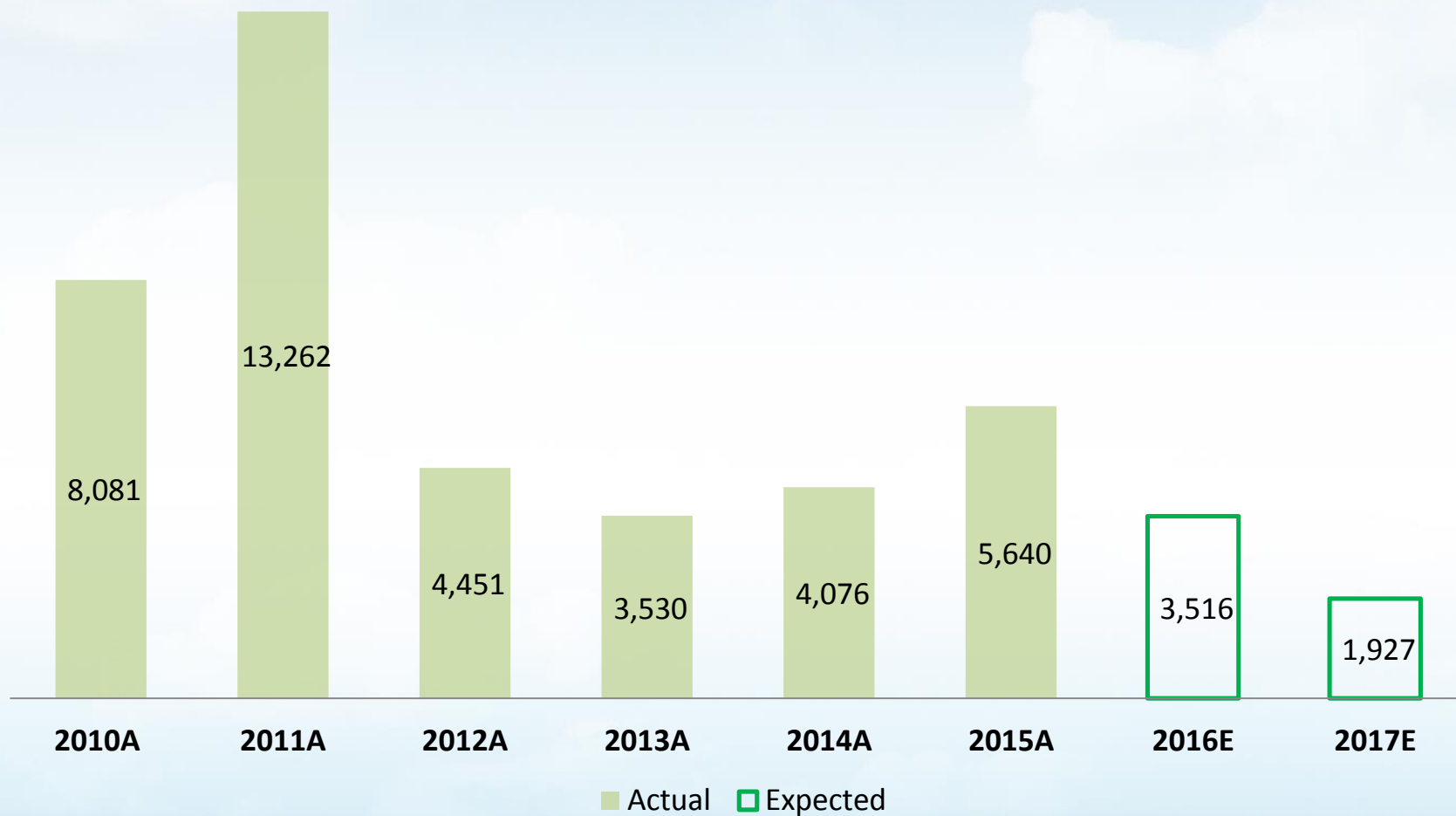
➤ Dividend payout ratio has been increasing for five consecutive years.





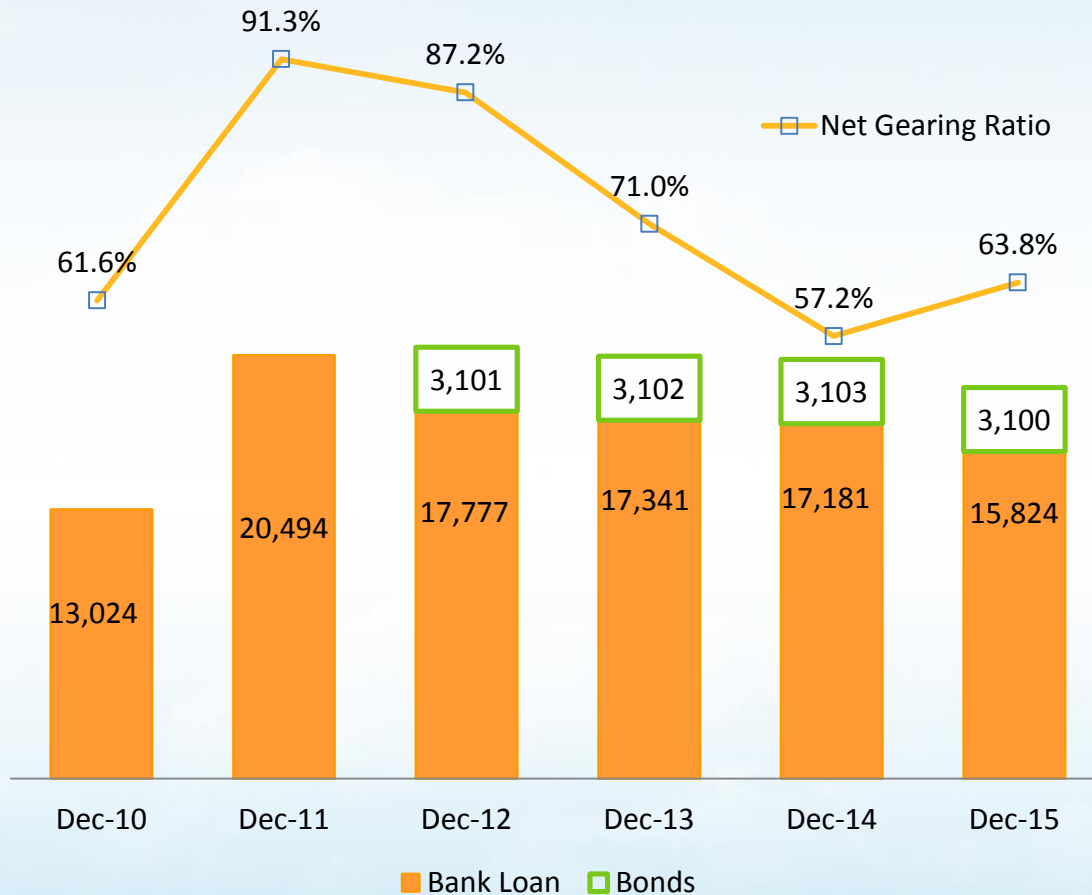
# Capital Expenditure

(HK\$ million)



# Debt Structure

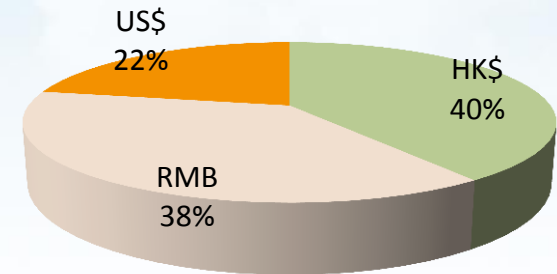
(HK\$ million)



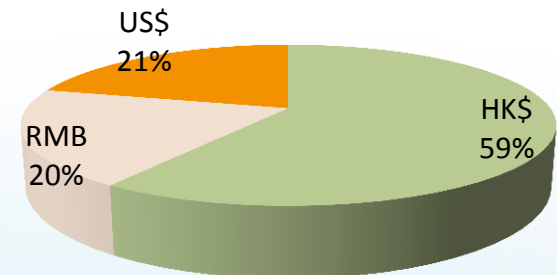
**Note:**

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)



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## Important Shareholders' Dates

Events	Planned Dates
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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