



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

2013 Interim Results Presentation

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Agenda



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

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

Corporate Overview

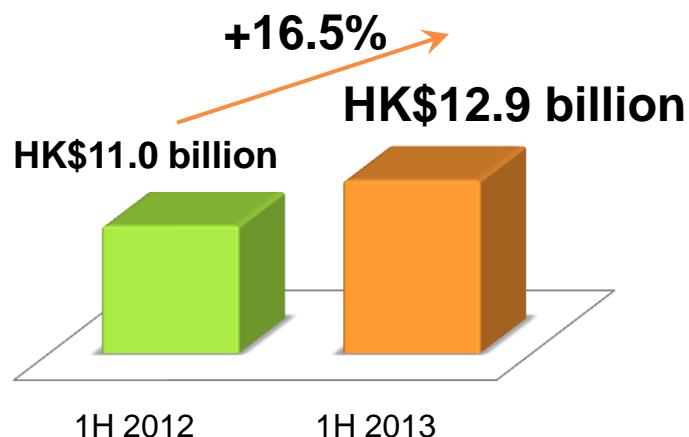


2013 Interim Results



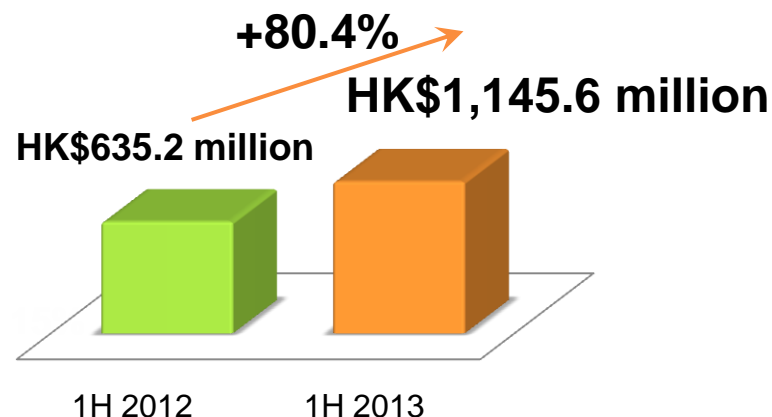
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Turnover



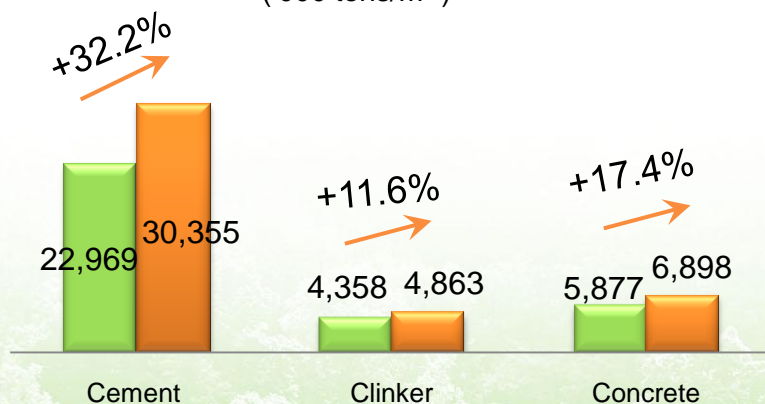
Profit

attributable to owners of the Company



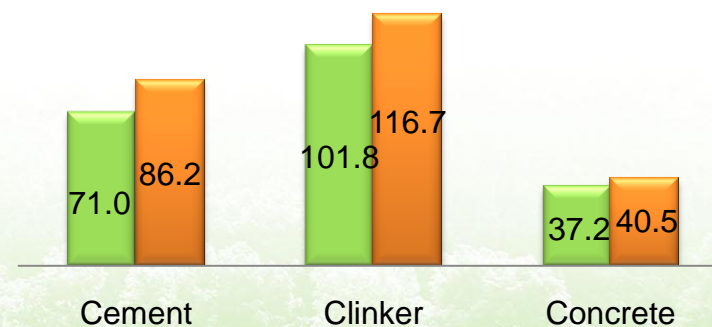
Sales Volume

('000 tons/m³)



Utilization Rate

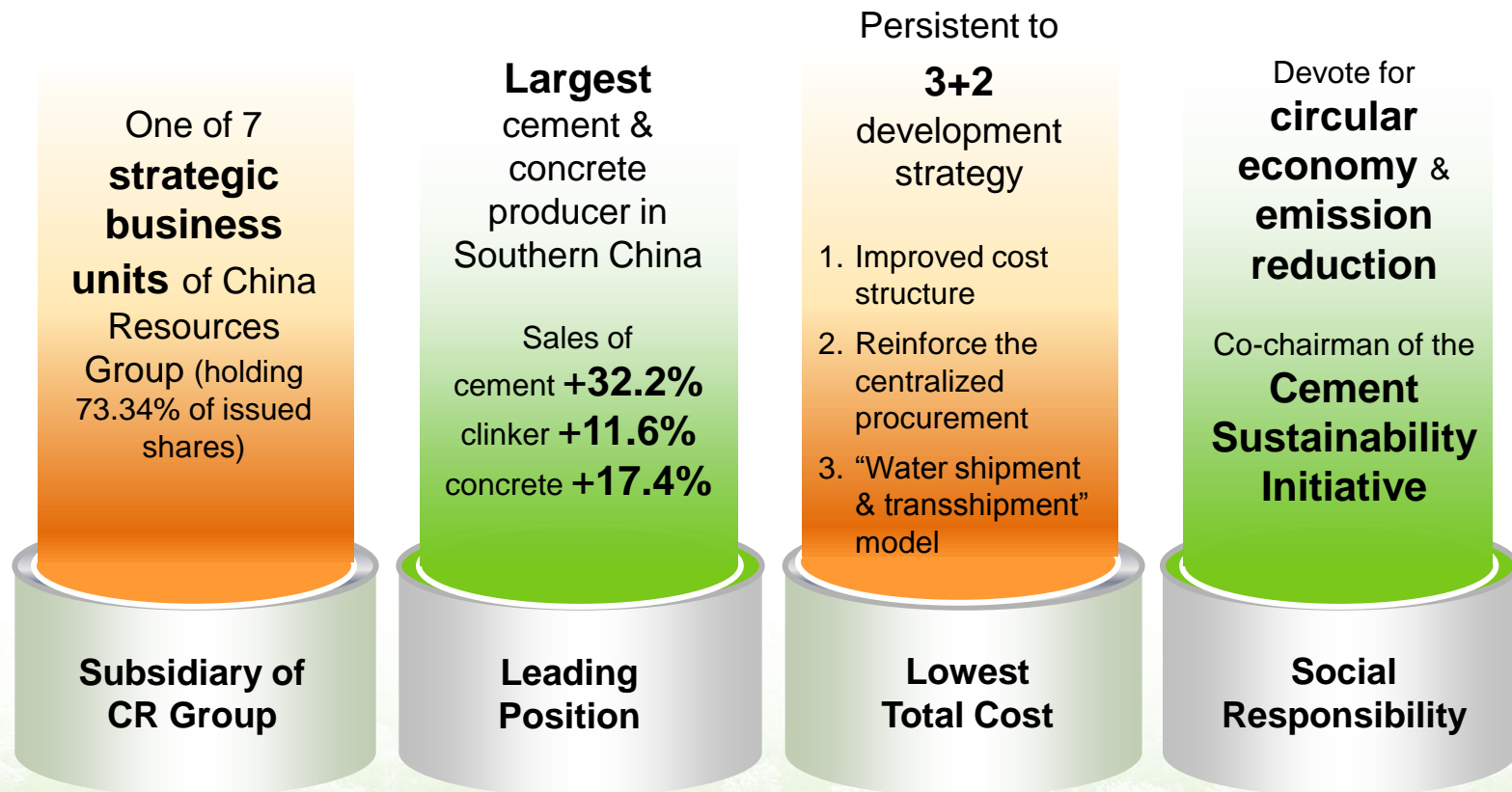
(%)



■ 1H 2012 ■ 1H 2013

■ 1H 2012 ■ 1H 2013

Overview



Steady Economic Growth in 1H 2013

	National	CR Cement's operating area	
		Southern China*	Shanxi
GDP	RMB24.8 trillion +7.6%	RMB4.9 trillion +8.5% to +12.4%	RMB0.6 trillion +9.0%
FAI excluding rural household	RMB18.1 trillion +20.1%	RMB2.6 trillion +22.9% to +28.9% except Guangdong +17.0%	RMB0.3 trillion +24.9%
CPI	+2.7% in June, below government's control target of 3.5%		

Economic policy with emphasis on steady growth, reform & structural adjustment

- Continued a steady monetary policy
- Maintained proactive fiscal policy by expanding government expenditure and stimulating domestic consumption
- Target for 2013: GDP +7.5% and FAI +18%

* Southern China encompasses Guangdong, Guangxi, Fujian, Hainan and Yunnan

Business Environment – Demand

Railway

- Launched the railway investment system reform to open certain ownership and operational rights to private capitals
- Investment **+21.5%** YoY to RMB**215.9 billion**; target investment of RMB650.0 billion for 2013
- Issuance of RMB**150 billion** bonds for construction of **73** railway projects

Highway & waterway

- FAI in highway and waterway **+9.2%** YoY (1H 2012: -6.2%) to RMB**599.6** billion
- Total target length of national operating highway will be increased from 68,000 km at the end of 2012 to **136,000 km** by 2030

Real estate

- **Stable development** – investment +20.3% YoY to RMB3.7 trillion; total area completed +6.3% to 353.0 million m²
- **Commodity housing** – total area sold +28.7% YoY to 514.0 million m²
- **Social housing** – 4.4 million units commenced construction and 2.4 million units completed, representing 69.8% and 50% of the 2013 targets

Business Environment – Supply

	National	CR Cement's operating area	
		Southern China	Shanxi
Cement production for 1H 2013	1.1 billion tons +9.7%	197.5 million tons +11.3% to +24.7%	20.2 million tons +0.6%
New clinker production capacity released in 1H 2013	32 lines with 38.8 million tons -53.2%	7 lines with 8.2 million tons -61.6%	3 lines with 3.9 million tons +20.2%
Decreasing trend			
Total NSP clinker capacity at the end of 1H 2013	1,690.0 million tons	285.0 million tons	60.1 million tons
Obsolete capacity to be eliminated in 2013	92.8 million tons	28.1 million tons	3.5 million tons

- Effective implementation of obsolete capacity elimination
- Strict approval on new capacity

Financial Review



Results Highlights



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	1H 2012	1H 2013	Change
Turnover (HK\$ million)	11,034	12,858	+16.5%
EBITDA (HK\$ million)	1,974	2,685	+36.0%
Profit attributable to owners of the Company (HK\$ million)	635	1,146	+80.4%
Basic earnings per share (HK\$)	0.097	0.176	
Interim dividend per share (HK\$)	Nil	0.035	

Scrip Dividend Option

The interim dividend is to be payable in cash, with an option to receive new and fully paid shares in lieu of cash

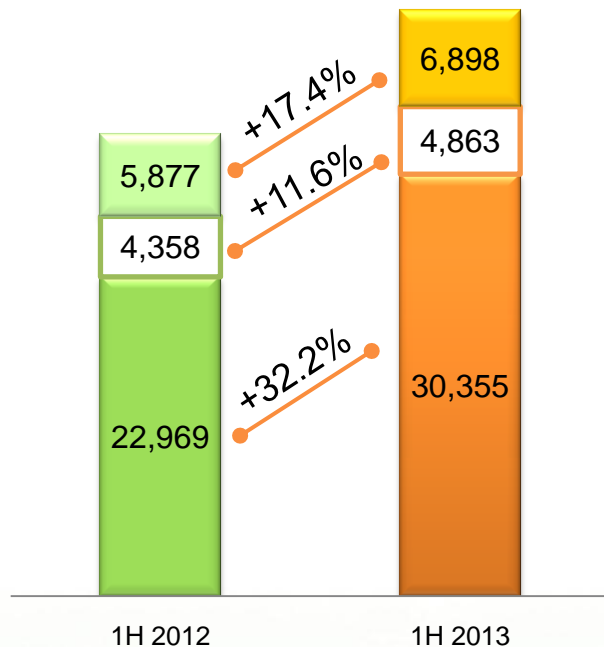
Increased Sales Volume & Turnover



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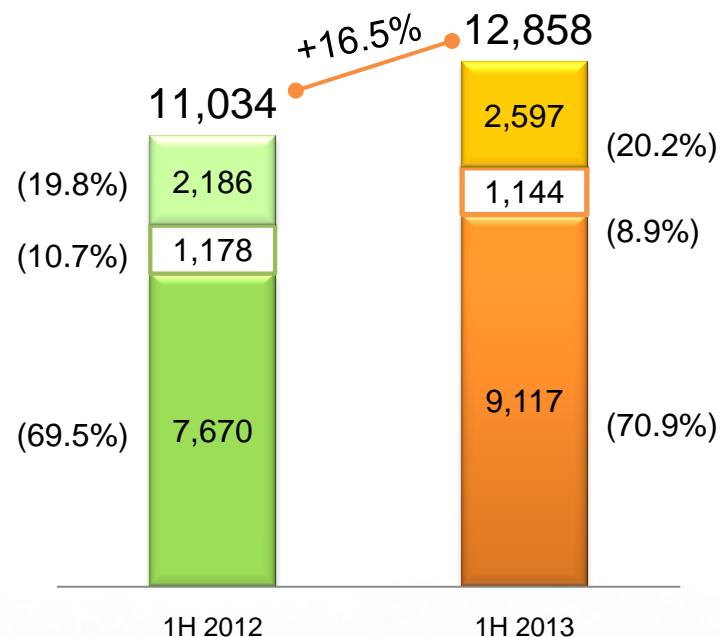
Sales Volume

('000 tons/m³)



Turnover

(HK\$ million)



Cement

Clinker

Concrete

1H 2012

1H 2013



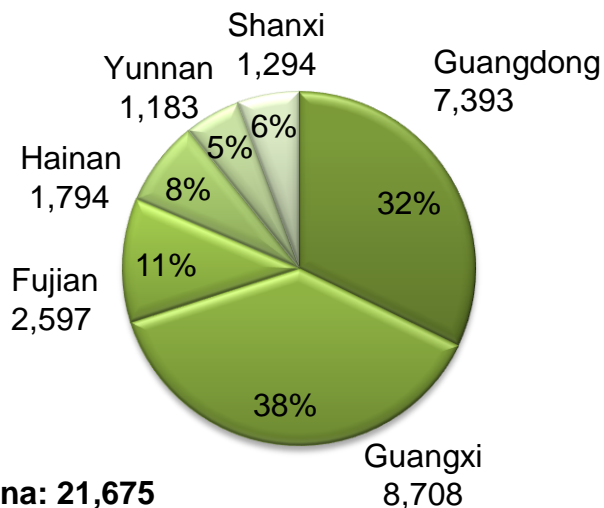
Cement Sales Volume & Turnover by Geographical Areas



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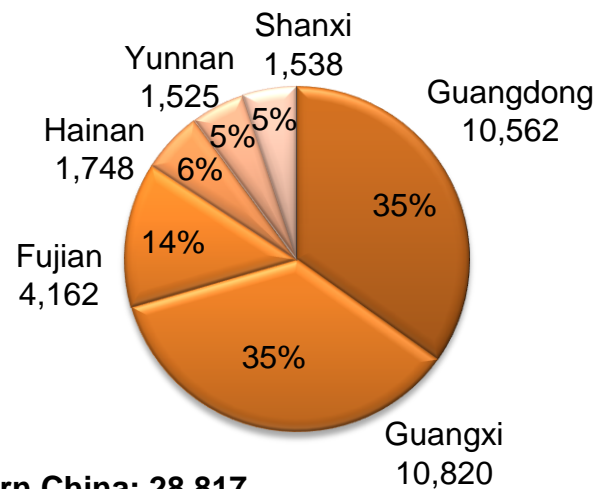
1H 2012

Sales Volume
'000 tons



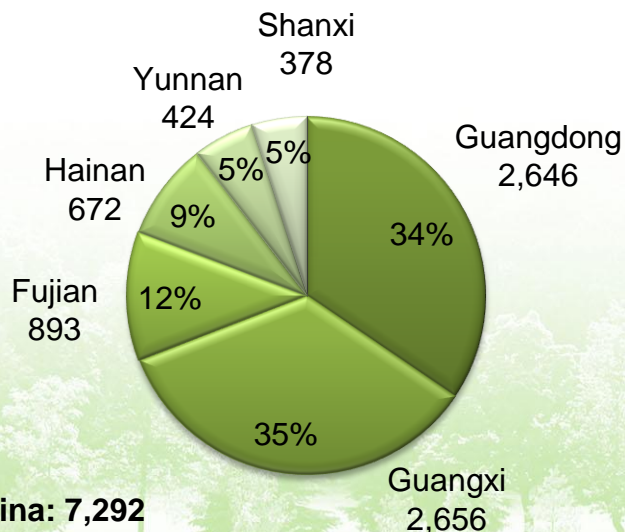
1H 2013

Southern China: 28,817

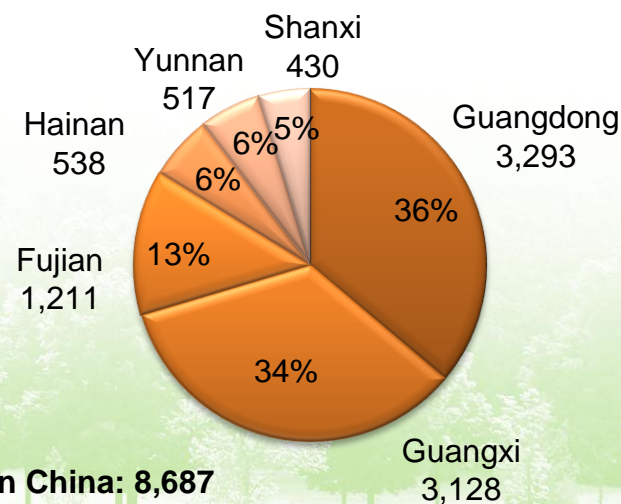


Turnover
HK\$ million

Southern China: 7,292



Southern China: 8,687



Average Selling Price



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Cement & Clinker

- The decreases reflected the more competitive market as:
 - ✓ more new capacities have been released into the market since 2012
 - ✓ cement manufacturers were more willing to cut prices to maintain continuous production

Concrete

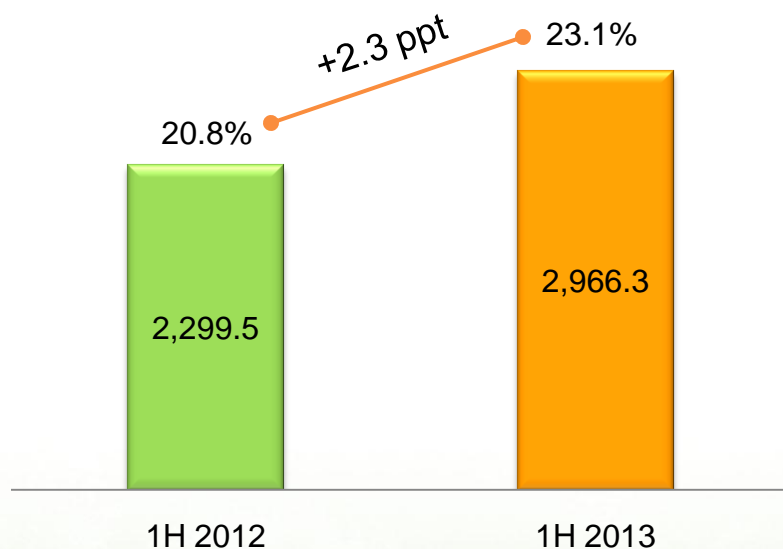
- The selling price was relatively stable throughout the period

Gross Profit & Margin

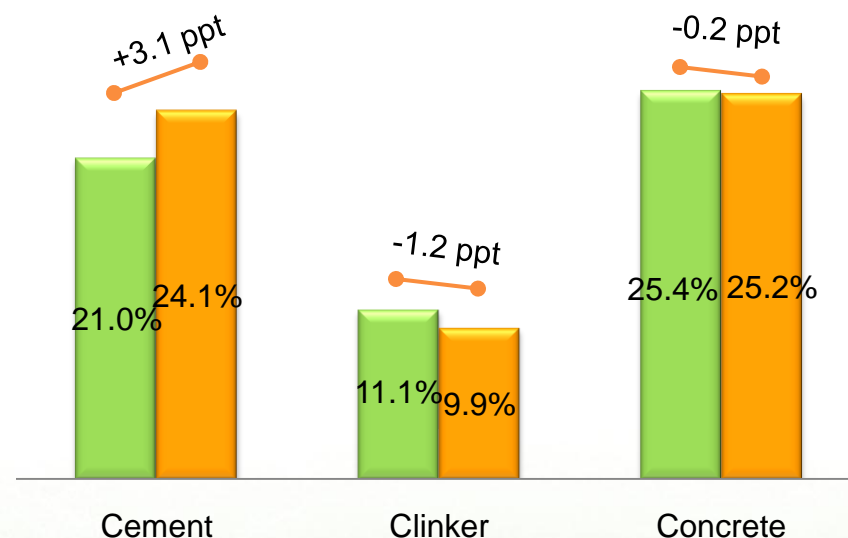


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Consolidated Gross Profit (HK\$ million)
& Consolidated Gross Margin (%)



Gross Margin by Product

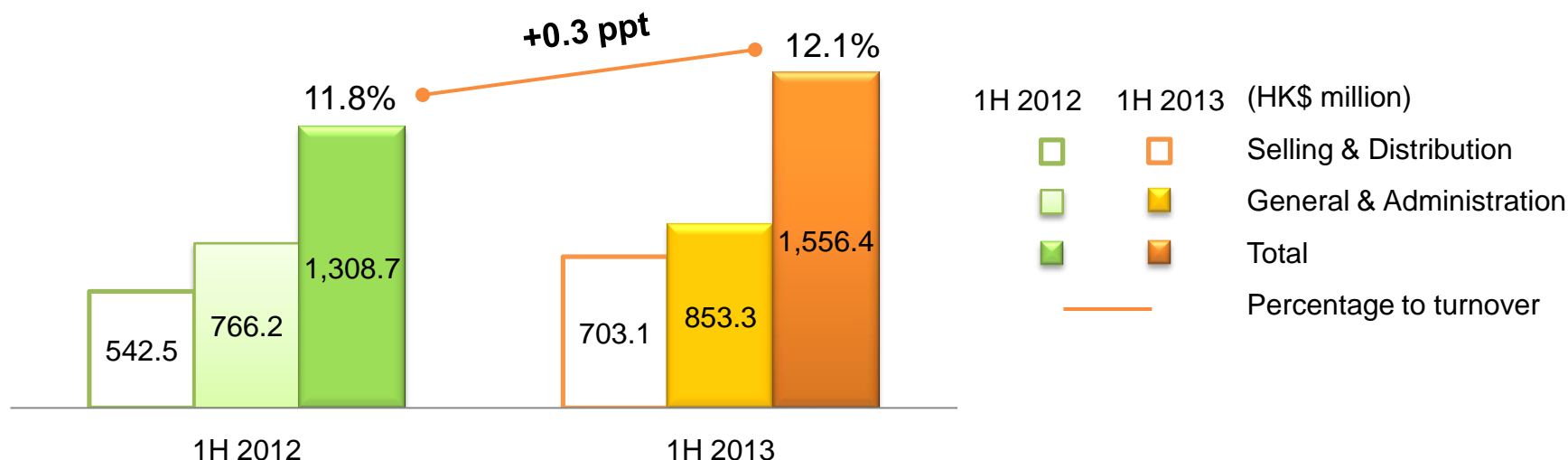


■ 1H 2012 ■ 1H 2013 — Gross margin

Selling, General & Administration Expenses



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Selling & distribution expenses as a percentage to turnover increased from 4.9% to 5.5%, due to:

- Lower average selling prices of products
- Higher transportation costs because more cement and clinker was delivered from Guangxi to Guangdong for sale

General & administrative expenses percentage:

- As a percentage to turnover, it decreased to 6.6% from 6.9% yoy

Tax Rate

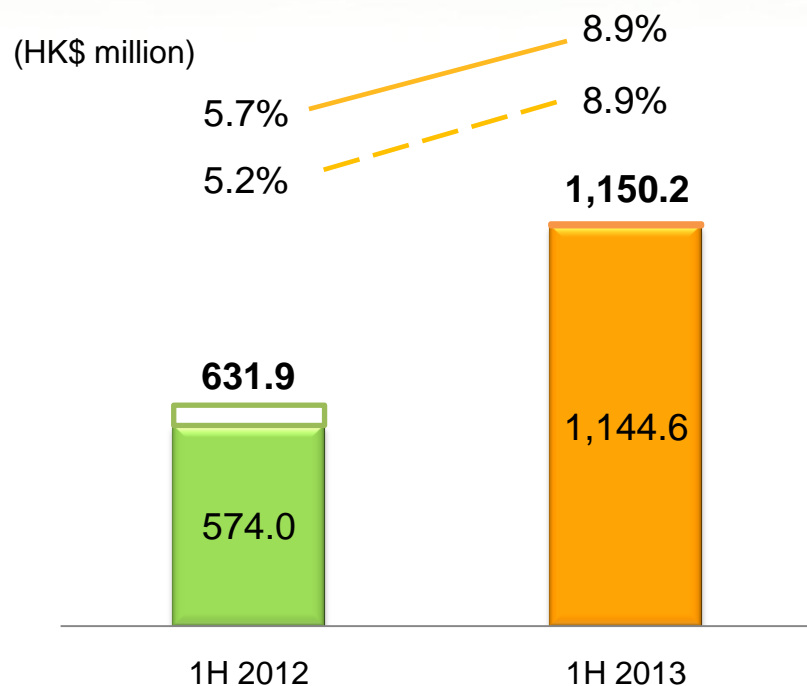
	1H 2012	1H 2013	Change
Effective tax rate	20.0%	17.7%	-2.3 ppt

Lower Effective Tax Rate

- A higher portion of the Group's profit was generated from certain subsidiaries established in Guangxi which were subject to the favorable income tax rate of 15%

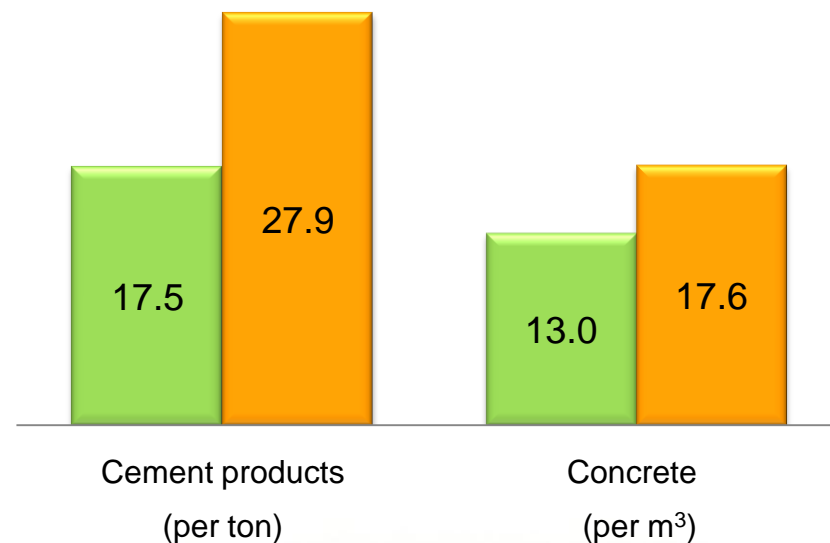


Net Profit & Margin



Net Profit (HK\$)

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



1H 2012 1H 2013

- Net Profit
- Net Profit (excluding share of results of joint ventures & associates)
- Net Margin
- Net Margin (excluding share of results of joint ventures & associates)

1H 2012 1H 2013

Financial Position

	31 Dec 2012	30 Jun 2013	Change
Total assets (HK\$ billion)	52.2	51.8	-0.8%
Net borrowings (HK\$ billion)	18.6	19.4	+4.0%
Net gearing ratio	87.2%	86.5%	-0.7 ppt
Net assets per share (HK\$)	3.28	3.44	+4.9%

Cash Flows

(HK\$ million)	30 June 2012	30 Jun 2013	Change
Net cash generated from operating activities	408	1,293	217%
Net cash used in investing activities	(2,466)	(1,485)	-40%
Net cash generated from (used in) financing activities	812	(1,047)	-229%
Net decrease in cash and cash equivalents for the period	(1,246)	(1,240)	
Cash and cash equivalent at end of the period	2,475	2,374	-4%

Operational Review



Improved Coal Consumption



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- Average price of coal purchased decreased 18.9% to HK\$704/ton (1H 2012: HK\$868/ton)
- Standard coal consumption decreased to 107.9kg/ton of clinker
- Average coal cost of production decreased 22.6% to HK\$109.8/ton of clinker due to lowered coal price and improved coal consumption
- Coal cost represented approximately 40.1% of the cost of sales of cement

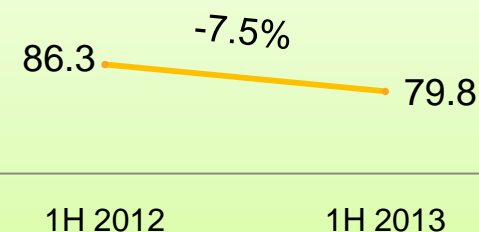




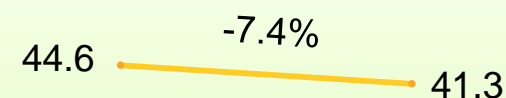
Improved Electricity Consumption

- Reduced electricity consumption represents a cost saving of approximately HK\$149.3 million (1H 2012: HK\$66.6 million)
- Residual heat recovery generators
 - ✓ Performed satisfactorily and generated 846.2 million kwh of electricity, representing an increase of 22.3% YoY
 - ✓ Provided approximately 29.3% (1H 2012: 28.5%) of required electricity consumption, representing a cost saving of approximately HK\$538.8 million (1H 2012: HK\$438.4 million)
- Average electricity cost decreased by 7.4% to HK\$41.3/ton of cement due to reduced electricity consumption for production
- Electricity cost represented approximately 18.1% of the cost of sales of cement

Electricity consumption
(kwh/ton of cement)



Average electricity cost
(HK\$/ton of cement)



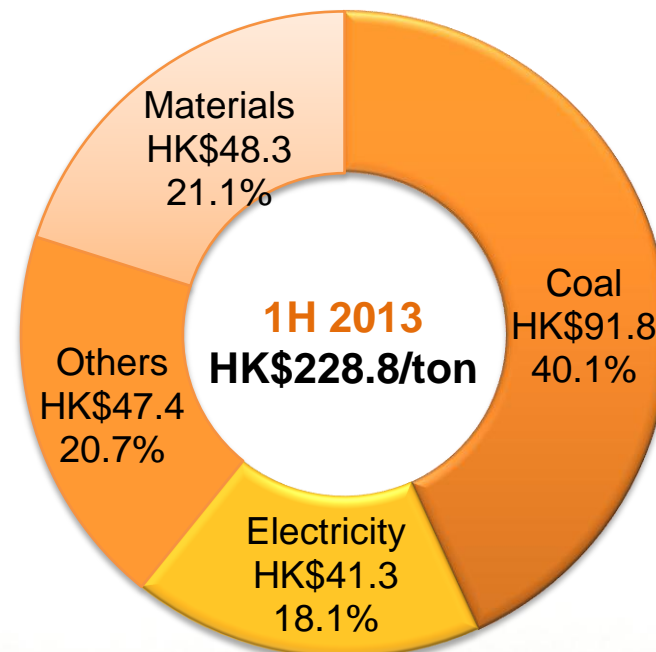
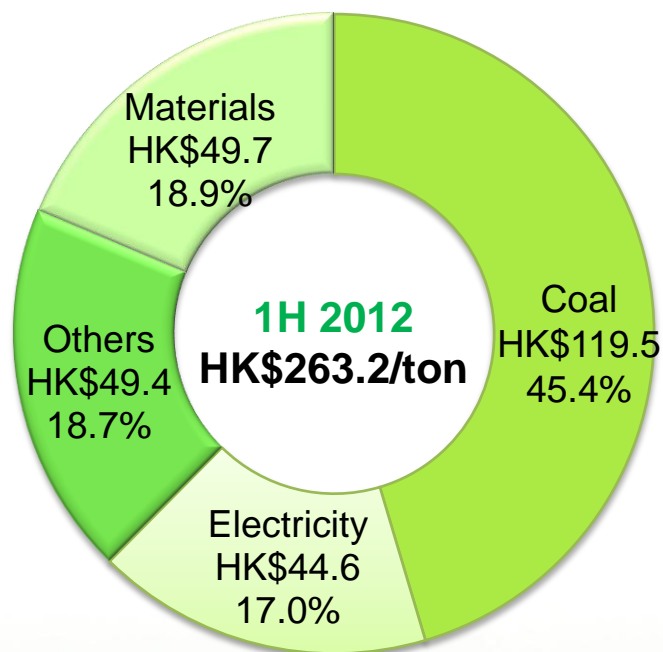
Percentage to the cost of sales of cement



Cost Structure of Cement Products



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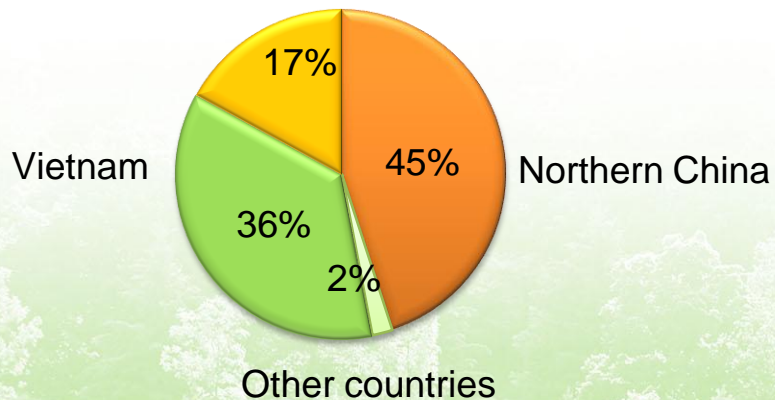
Cost Control

Coal Procurement

- Lowered coal procurement cost, improved cash flow with effective risk management:
 - ✓ Adopted a short-cycle and multi-channel sourcing strategy
 - ✓ Reinforce the centralized procurement at headquarters and strengthen regional sharing of raw materials and some spare parts of production facilities

Coal Procurement in 1H 2013

Neighbor areas of the plants



Effective Logistics

- Become more competitive through the “water shipment and transshipment” model:
 - ✓ Secured 540,000 tons of shipping capacity on the Xijiang River through tendering, reaching an annual shipping capacity of 25 million tons
 - ✓ Operated 36 silo terminals along the Xijiang River and its tributaries (mainly in Guangdong Pearl River Delta region) with an annual capacity of 26.5 million tons
 - ✓ Introduced GPS for scheduling truck transportation distribution in Pearl River Delta region from Jul 2013

Annual Production Capacity

As at 30 Jun 2013



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Controlled by the Group

Province/SAR	Cement		Clinker		Concrete	
	No. of lines	million tons	No. of lines	million tons	No. of plants	million m ³
Guangdong	20	18.9	7	9.4	22	13.5
Guangxi	35	31.1	17	25.0	17	10.1
Fujian	14	10.9	6	6.8	10	5.7
Hainan	4	4.0	3	3.3	4	2.4
Shanxi	7	5.0	4	3.4	1	0.6
Yunnan	5	4.0	3	2.3	-	-
Zhejiang	-	-	-	-	2	1.1
Hong Kong	-	-	-	-	3	1.5
Total	85	73.9	40	50.2	59	34.9

Controlled by joint ventures and associates

Guangzhou JV	8	8.1	2	3.7	1	0.5
Mengxi	26	17.1	9	10.8	-	-
Attributable	-	11.5	-	6.5	-	0.3

Outlook & Prospects



Strategies and Prospects

Our Goal in 2013

- Persist in the “3+2” development strategy
- **Lowest Total Cost**
Further promote lean management, expand on scope of centralized procurement and improve the logistics system
- **Leading in Regional Market**
Continue to conduct market integration and optimize the business network and increase market share in operating region
- **Social Responsibility**
Devote for circular economy development and urban waste treatment by setting up a stricter emission reduction standard

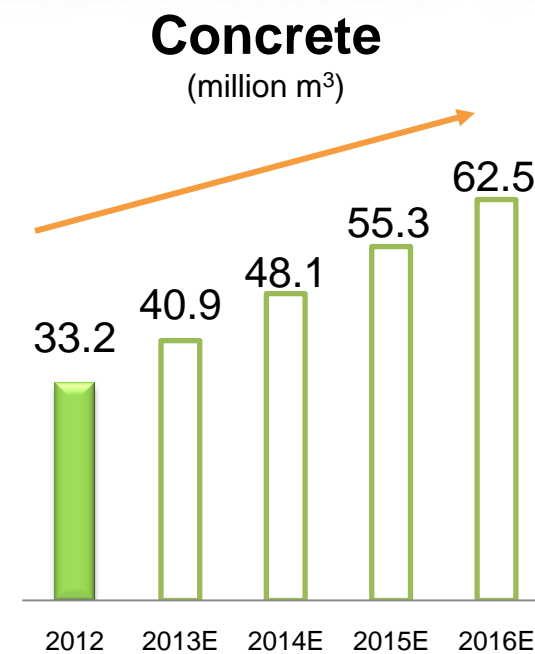
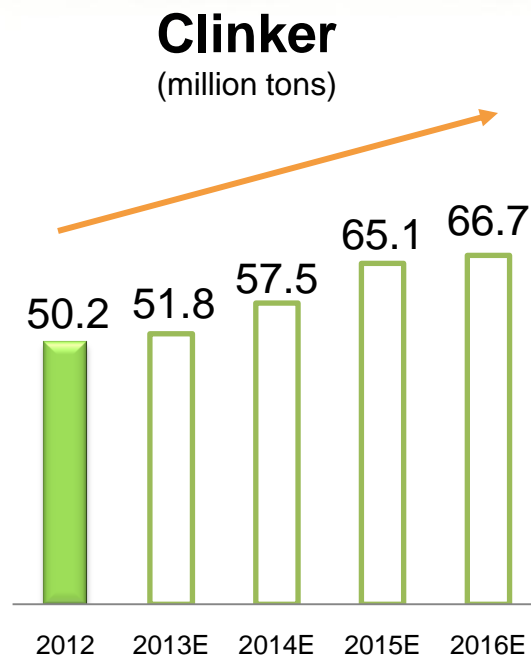
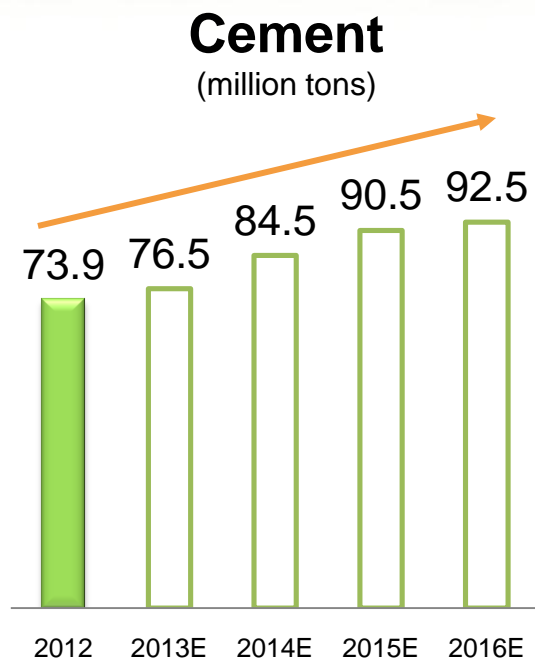


* **Urbanization**

Urbanization rate from 52.6% in 2012 to 70% by 2030



Capacity Expansion through Organic Growth



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

Q & A

Unremittingly devote towards the goal of

*Being the **Largest, Most Profitable, Best Managed & Most Respected Cement & Concrete Supplier** in China*



Appendix



Development Strategy of Cement

– “3+2” Strategy



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