



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 Interim Results Presentation

## August 2015

# Agenda



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

# Corporate Overview

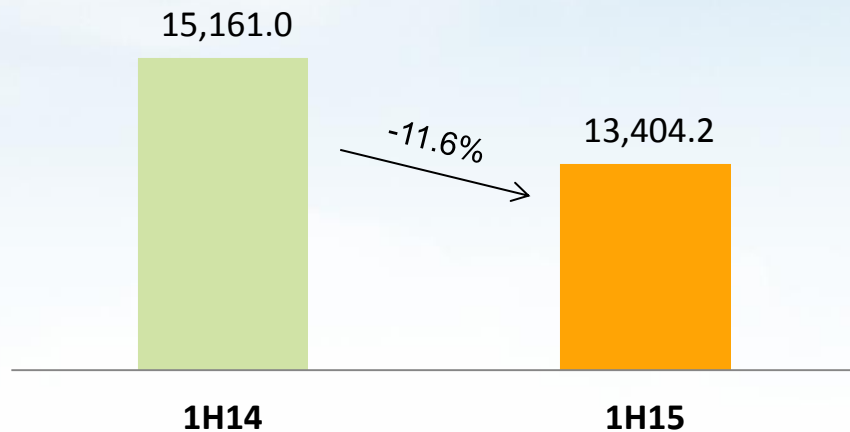




# 2015 Interim Results

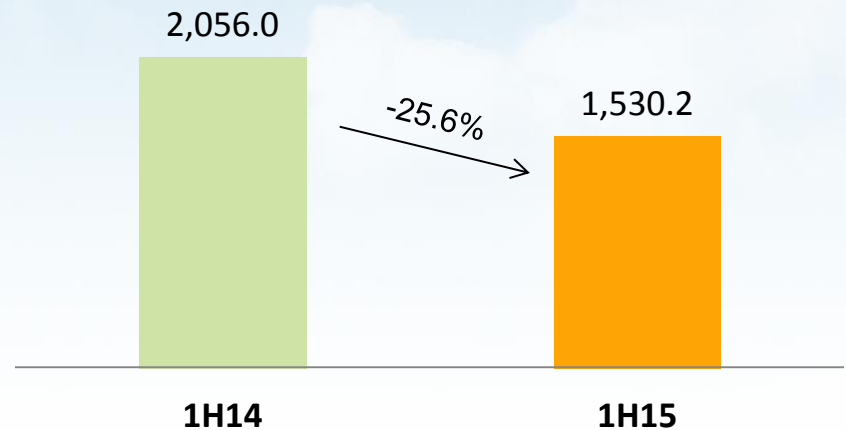
## Turnover

(HK\$ million)



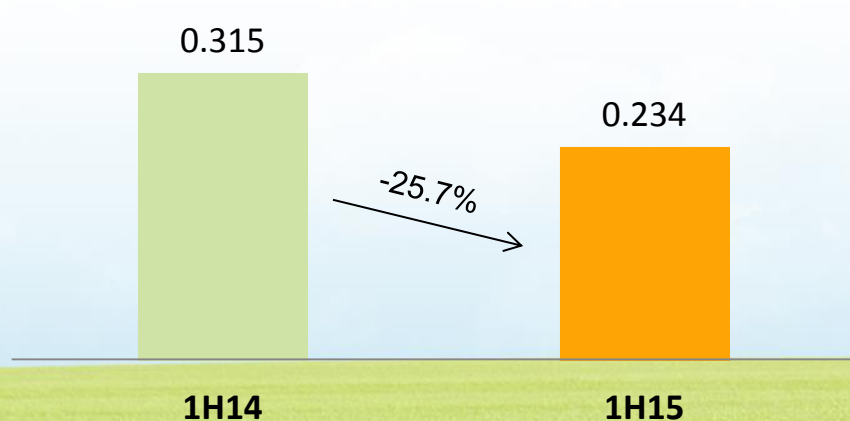
## Profit attributable to owners of the Company

(HK\$ million)



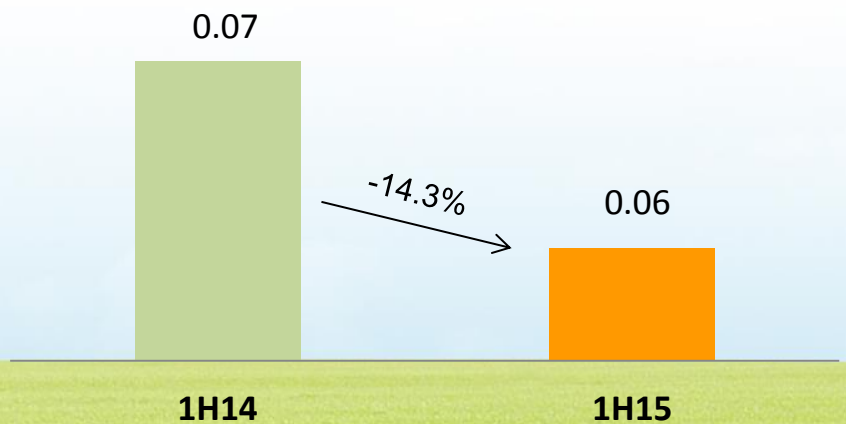
## Earnings per share

(HK\$)



## Dividend per share

(HK\$)



# Company Overview

## 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 the first half 2015, sales volume of

- Cement & Clinker: **37.5m tons**
- Concrete: **5.7m cubic meters**

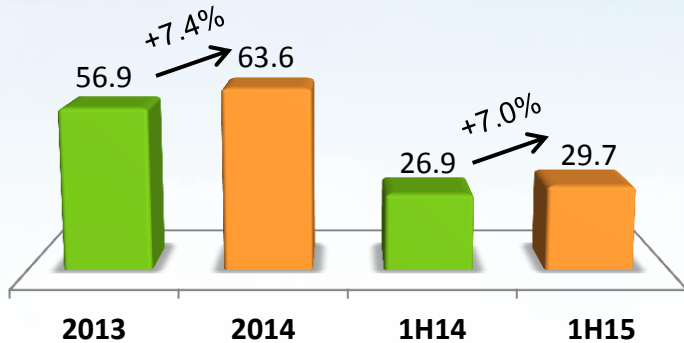
# Industry Overview



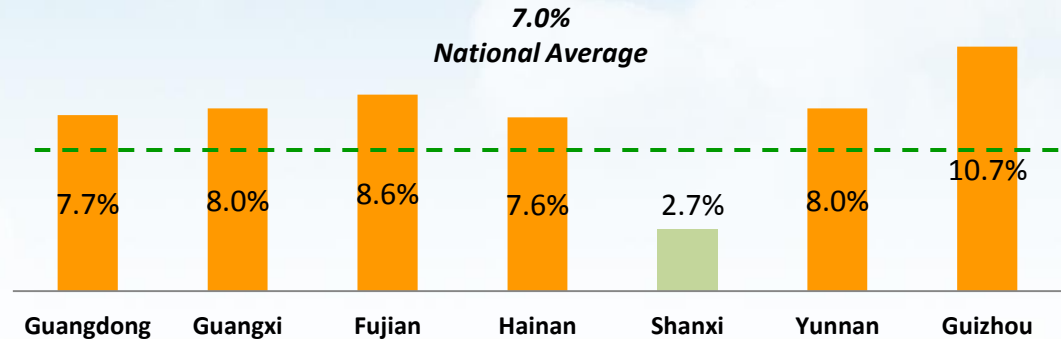
# Steady Economic Growth

## National GDP

(RMB Trillion)

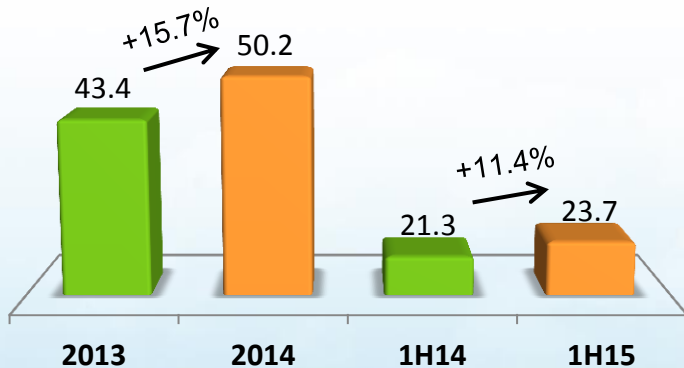


## 1H15 GDP in CRC's Operating Area

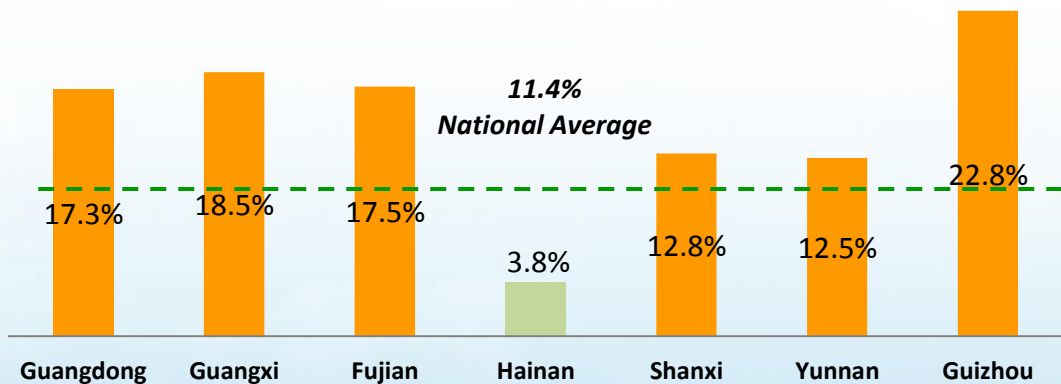


## National FAI

(RMB Trillion, excluding rural households)



## 1H15 FAI in CRC's Operating Area





# Cement Industry – Demand

- Infrastructure investment (excluding power supply): **RMB 4.1 trillion** in 1H15, **+19.1%** yoy

## Railway

- FAI Investment : **RMB265.1 billion** in 1H15, **+12.7%** yoy (The 2015 annual budget was over RMB800.0 billion, maintaining the same strength and level as last year)
- The 2015 target for new operational length of national railways was over 8,000 km.

- FAI in highways : **RMB646.9 billion** in 1H15, **+10.2%** yoy
- FAI in waterways: **RMB71.9 billion** in 1H15, **+4.1%** yoy

## Highway and Waterway

## Real Estate & Social Housing

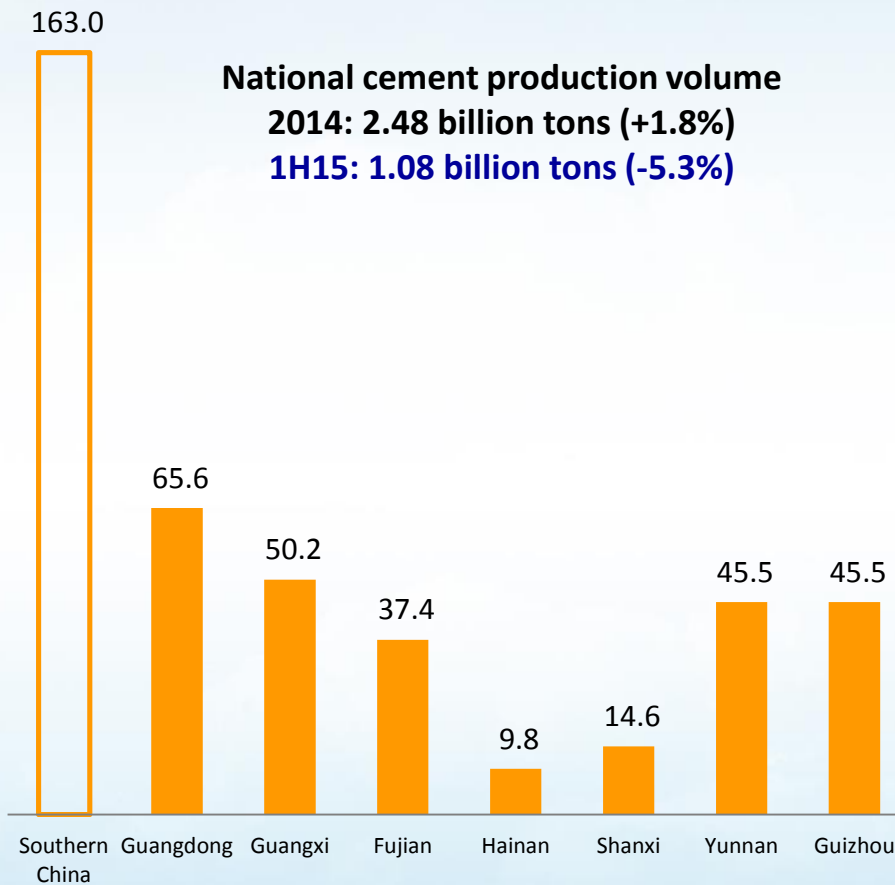
- The sales of real estate market showed signs of stabilization.
  - Floor area of commodity housing sold: 500 million m<sup>2</sup>, **+3.9%** yoy
  - Sales turnover of commodity housing: RMB3.4 trillion, **+10.0%** yoy
- Real estate investment: **RMB4.4 trillion**, **+4.6%** yoy
  - Total area of newly commenced construction: 670 million m<sup>2</sup>, -15.8% yoy
  - Total area of completed real estate projects: 330 million m<sup>2</sup>, -13.8% yoy
- “Three-Year Action Plan” launched in June 2015, targeting to re-develop 18 million units of shelters in the shanty town areas and 10.6 million units of rural dilapidated houses.



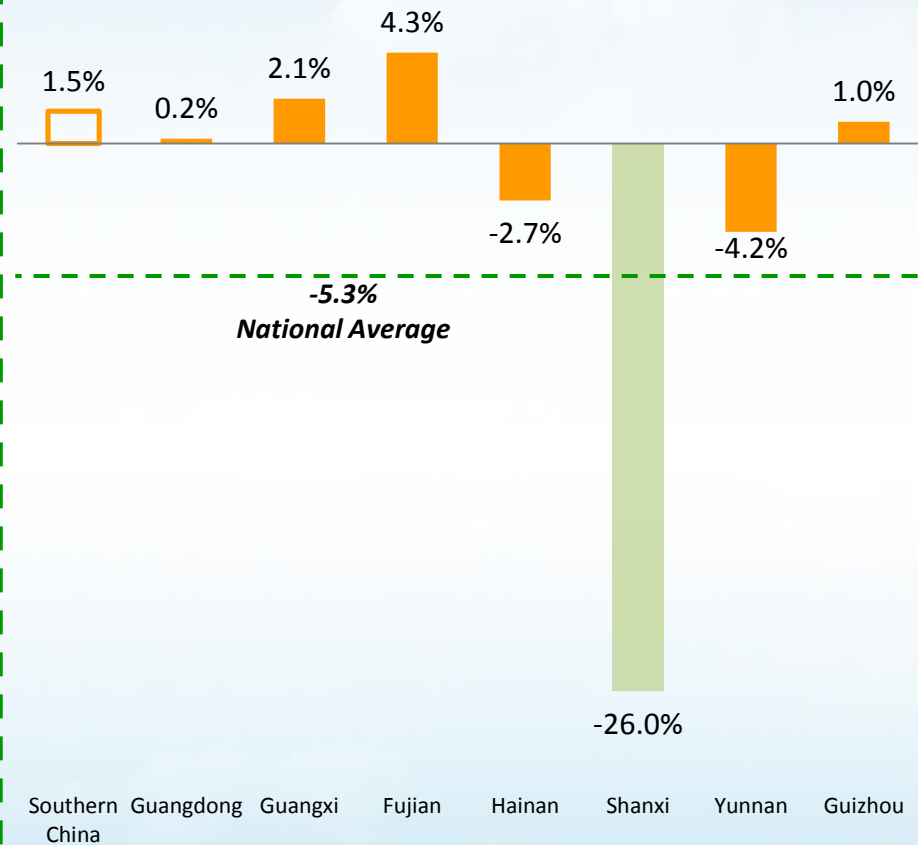
# Cement Industry – Demand (Cont'd)

## 1H15 Cement production

(million tons)



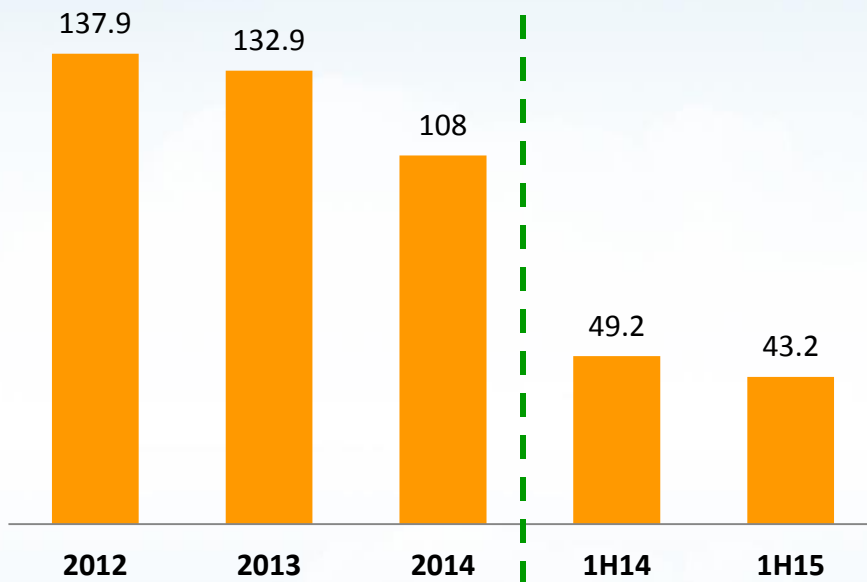
(YoY change)



# Cement Industry – Supply

## Cement FAI

(billion RMB)

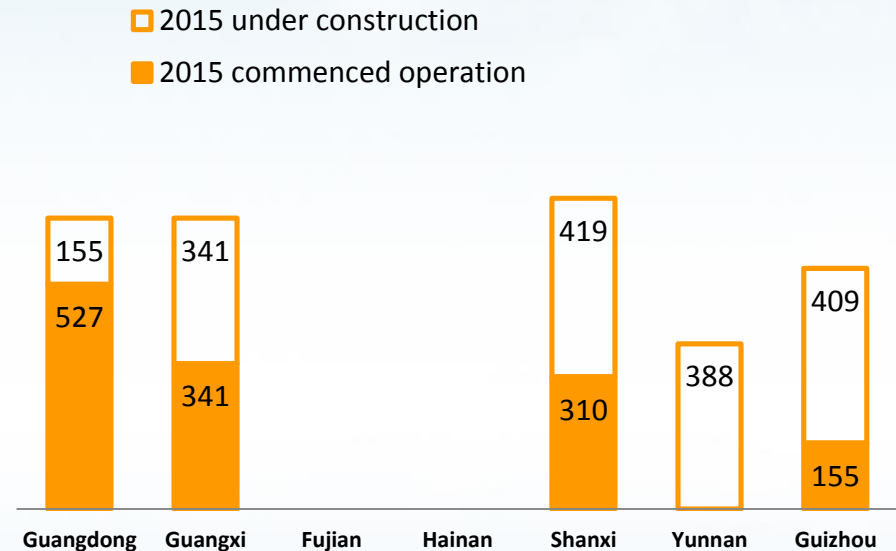


Source: China Cement Association

- In 1H15, China's cement investment amounted to approximately RMB43.2 billion, -12.3% yoy, according to China Cement Association.

## New Clinker Capacity as of 31 Jul 2015

(million tons)



Source: Company estimates

- In 1H15, there were 17 new clinker production lines commenced operations, increasing clinker production capacity by approximately 21.7 million tons in China, according to Geography Cement.

**Note:** Southern China encompasses Guangdong, Guangxi, Fujian and Hainan

# Cement Industry Landscape



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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** 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. The “Emission Standard of Air Pollutants for Cement Industry” has been officially applicable to existing production lines since July 2015, **imposing tighter standards on emission of nitrogen oxides and particulate matters.**

Upgrade  
cement product  
quality

The revised standard for Common Portland Cement published in Dec 2014 will be effective from Dec 2015, by then **PC32.5 grade cement will be completely abolished.**

Provided that the requirements of the “Emission Standard of Air Pollutants for Cement Industry” are complied with, **cement corporations could enjoy 70% value-added tax refund if they sell self-produced 42.5 and above grade cement which contains over 20% slags.** The new tax policy was effective from July 2015.

Promote  
green  
development

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.**



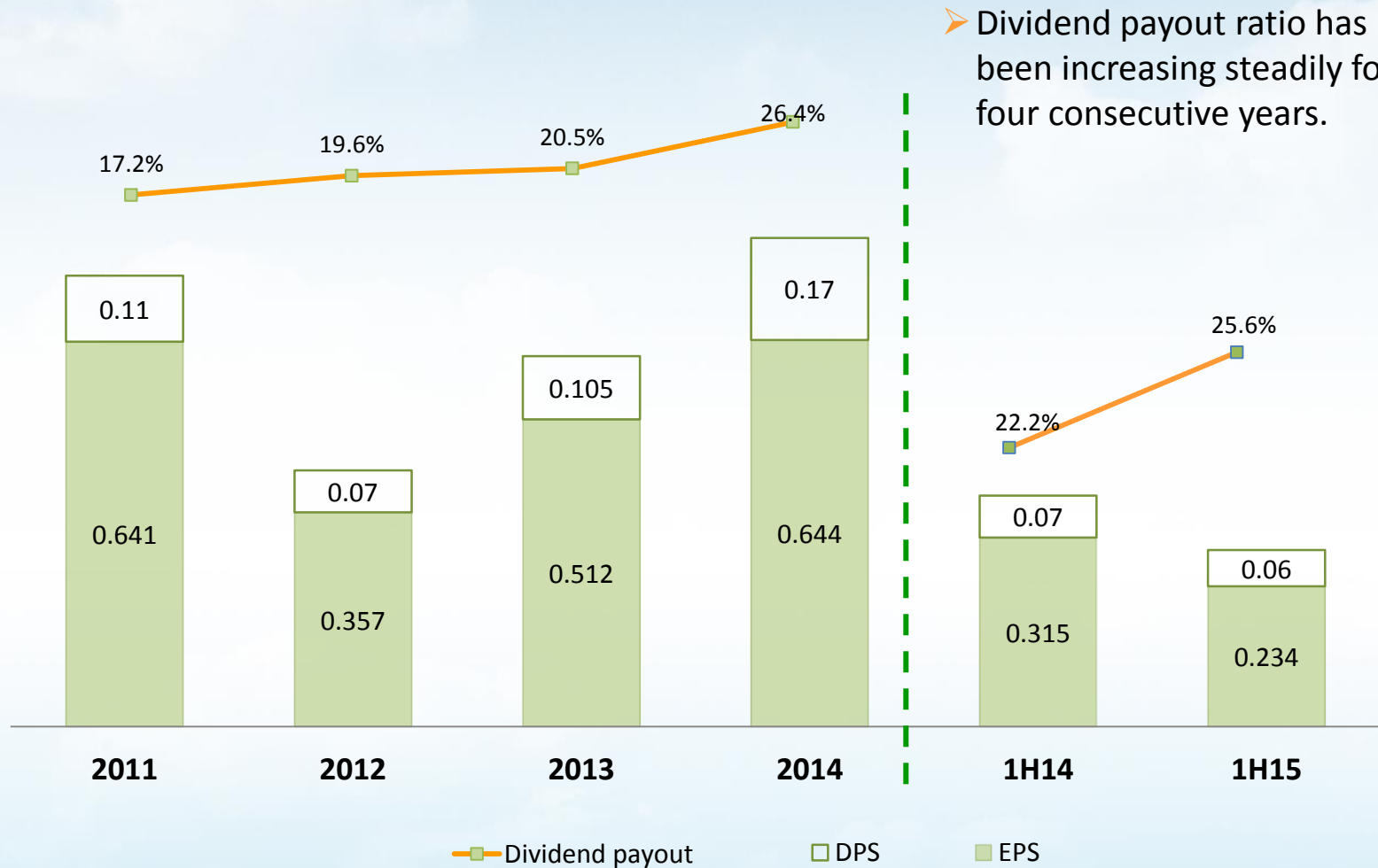
# Financial Highlights



# Financial Highlights

(HK\$ million)	1H14	1H15	YoY
Turnover	15,161.0	13,404.2	-11.6%
Gross profit	4,831.3	3,353.5	-30.6%
EBITDA	4,101.8	2,819.4	-31.3%
Profit before taxation	2,788.1	1,387.5	-50.2%
Profit attributable to owners of the Company	2,056.0	1,530.2	-25.6%
Basic earnings per share (HK\$)	0.315	0.234	-25.7%

# Dividend payout (HK\$)



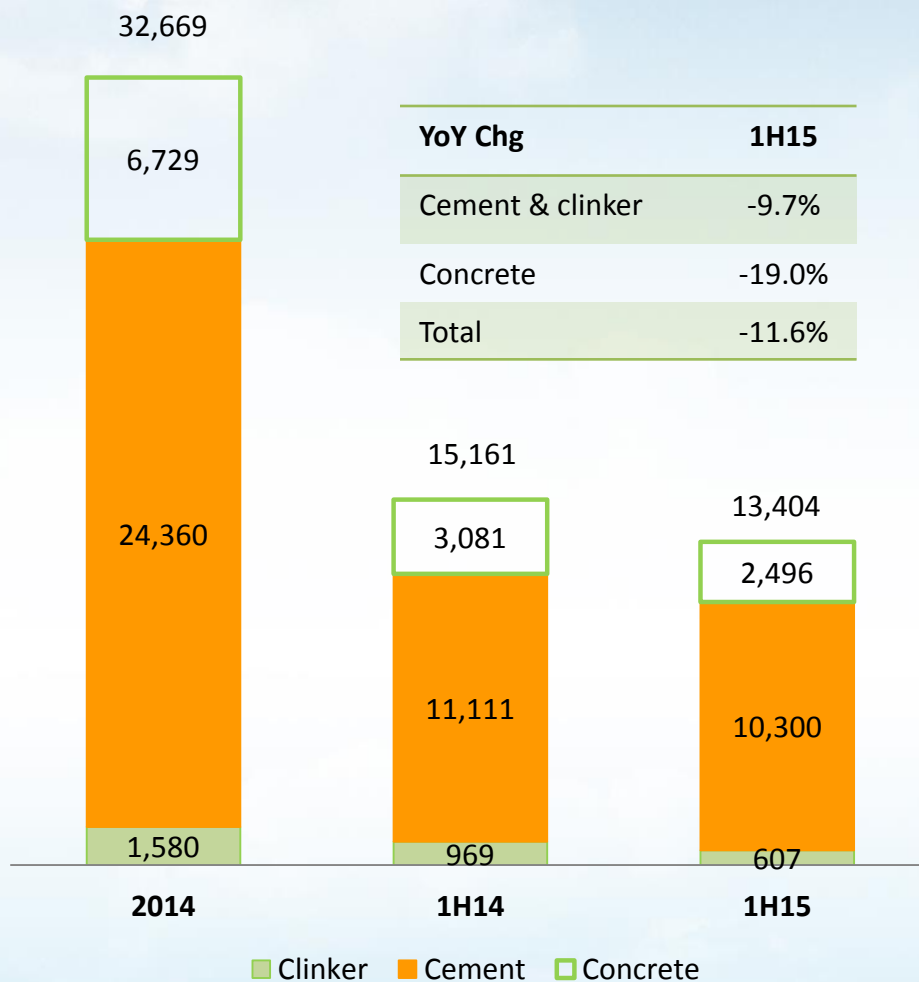


# Turnover by Product

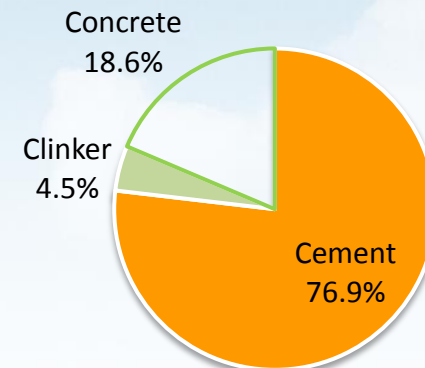
(HK\$ million)



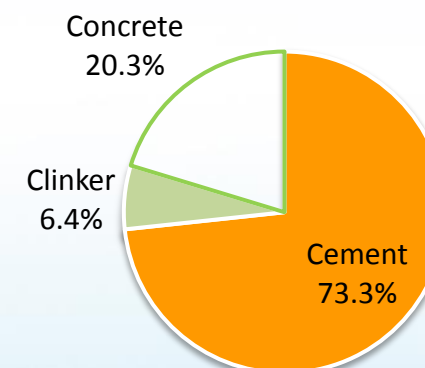
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## 1H15

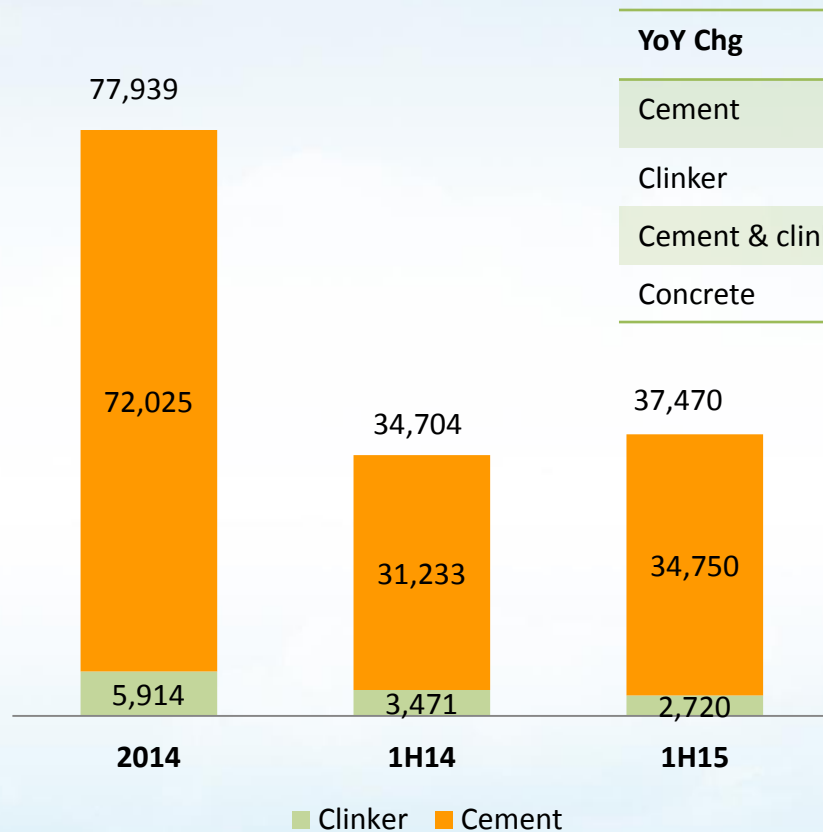


## 1H14



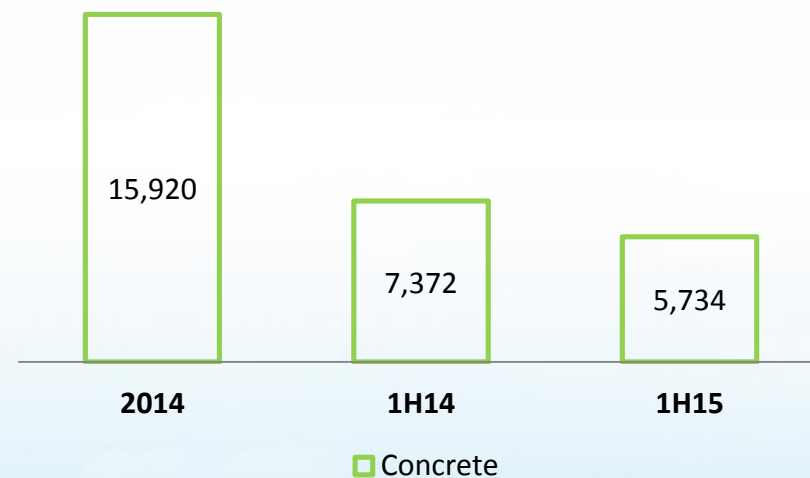
# Sales Volume

## Cement & Clinker ('000 tons)

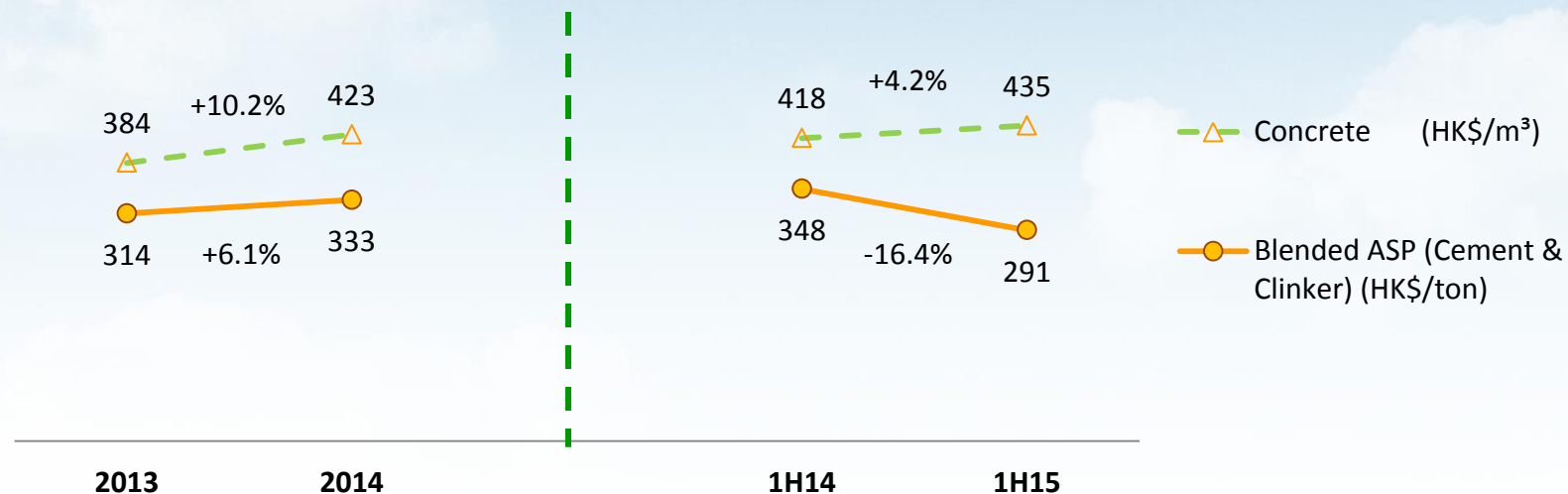


YoY Chg	1H15
Cement	+11.3%
Clinker	-21.6%
Cement & clinker	+8.0%
Concrete	-22.2%

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



# Average Selling Price



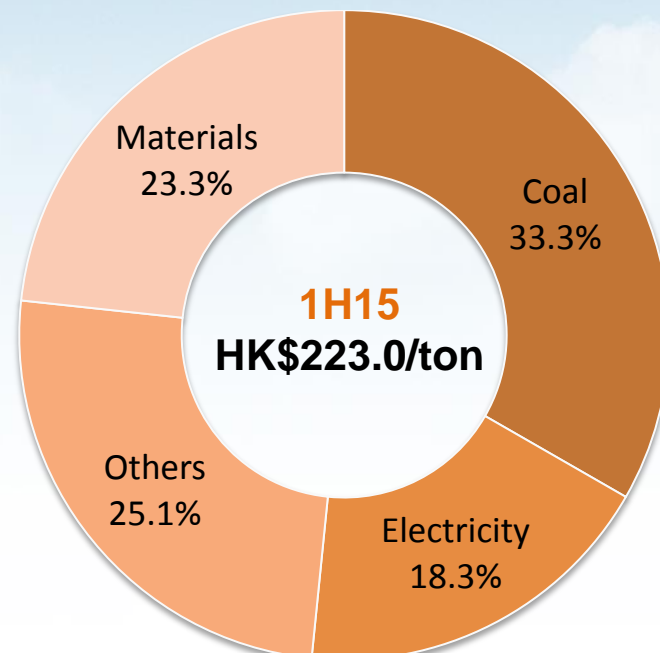
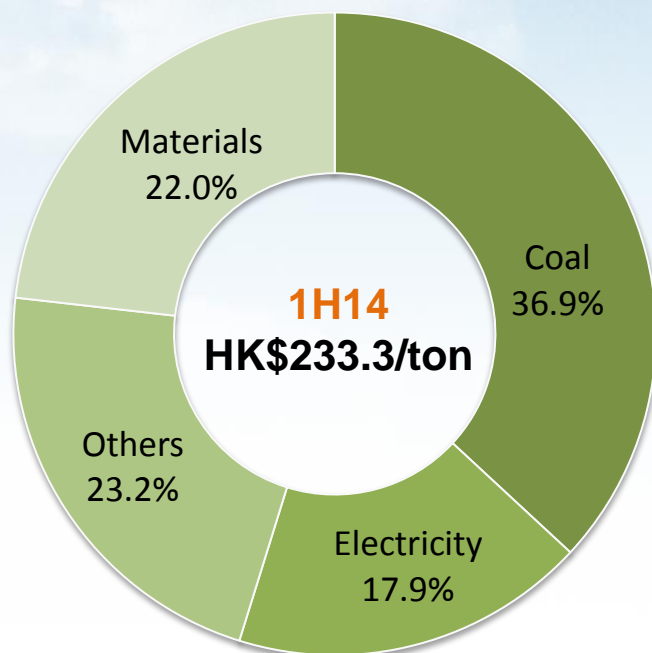
Cement ASP (HK\$/ton)	2014	1H14	1H15	YoY
Guangdong	373	390	320	-18.1%
Guangxi	321	326	302	-7.2%
Fujian	309	343	269	-21.7%
Hainan	403	438	323	-26.4%
Shanxi	209	224	178	-20.5%
Yunnan	285	301	253	-16.0%
Guizhou*	266	-	217	n.a.

\*Operation in Guizhou started in Jul 2014





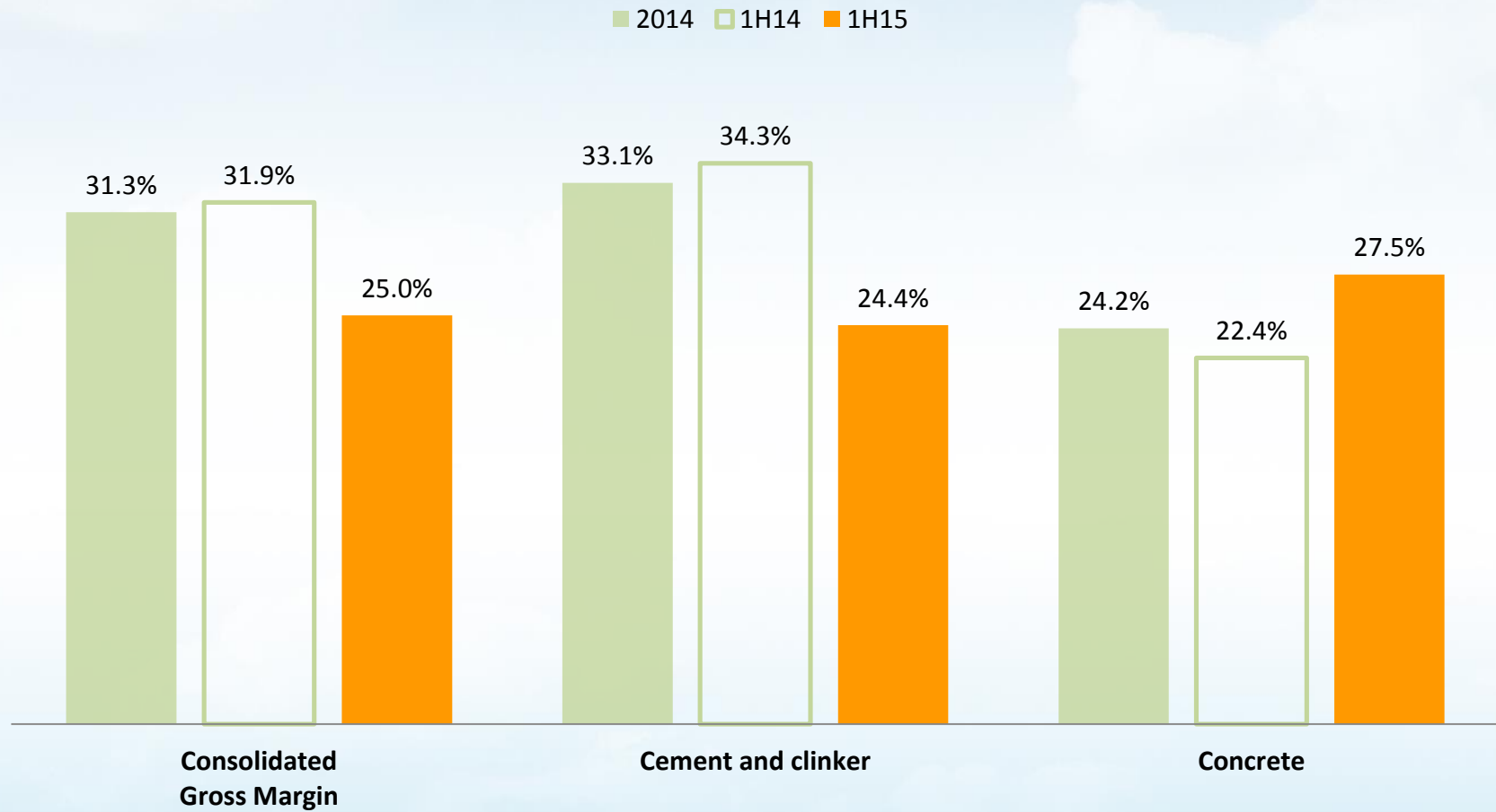
# Cost Structure of Cement Products (HK\$/ton)



(HK\$/ton)	1H14	1H15	YoY
Coal	86.1	74.4	-13.6%
Electricity	41.7	40.7	-2.4%
Materials	51.4	51.8	+1.0%
Others	54.1	56.1	+3.7%
Total	233.3	223.0	-4.4%

*Note: Cement products comprise cement & clinker*

# Gross Margin by Product

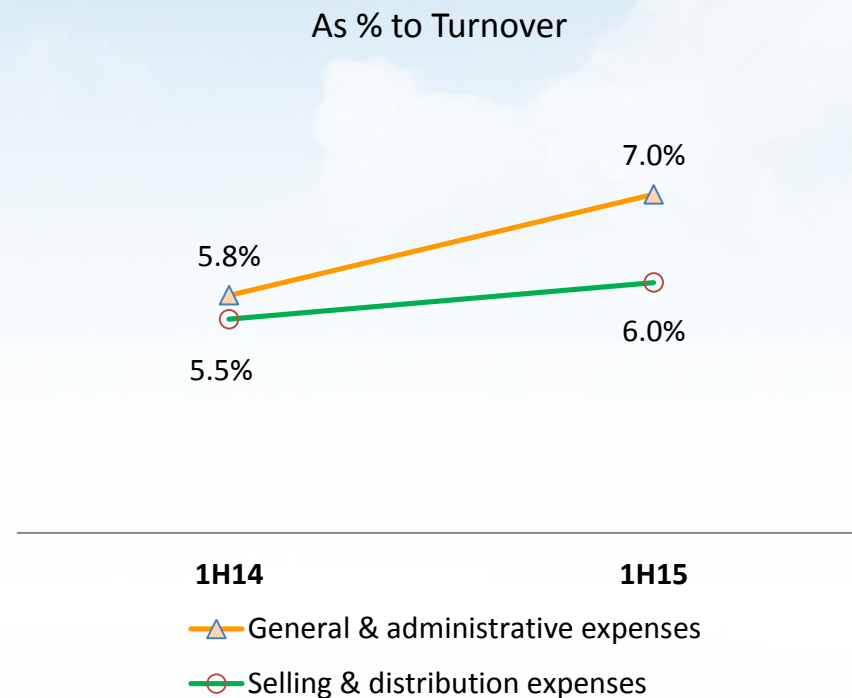
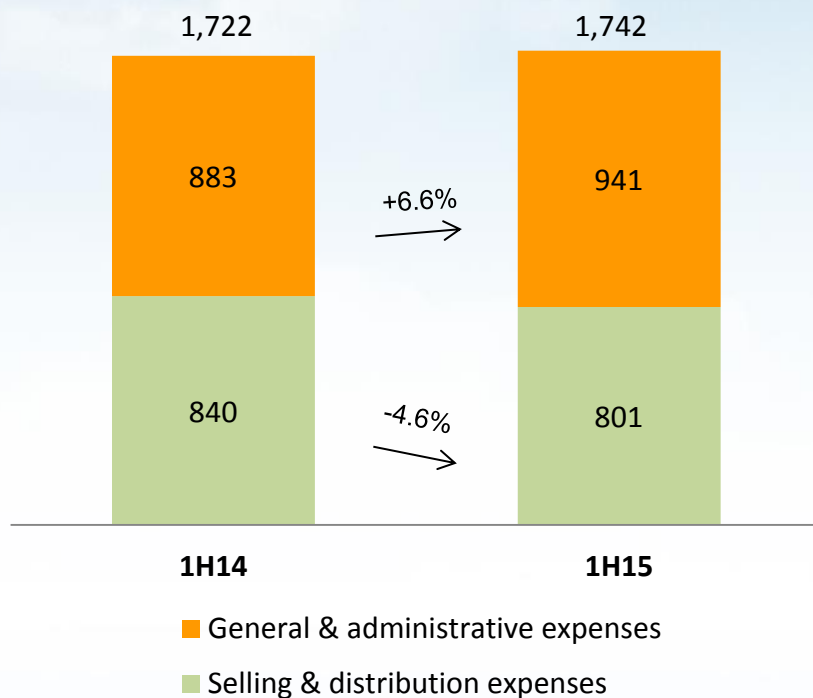


# Selling, General & Administrative Expenses



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(HK\$ million)

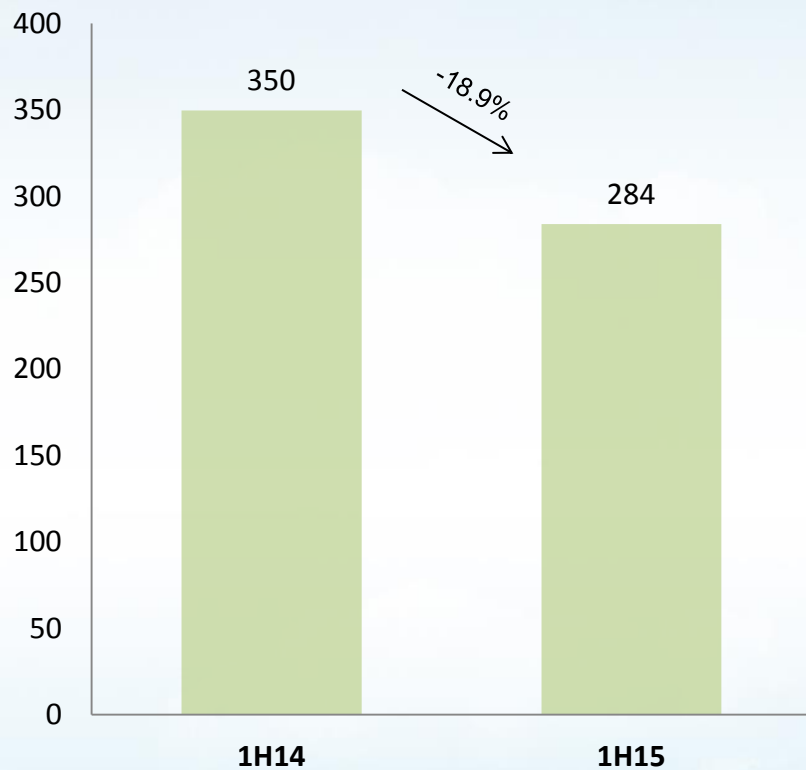


- 1H15, an allowance for doubtful debts in respect of long outstanding trade receivables of HK\$19.9 million and a bonus accrual of HK\$32.1 million were made (a reversal of allowance for doubtful debts of HK\$9.5 million and a reversal of bonus accrual of HK\$33.0 million were made in 1H14).

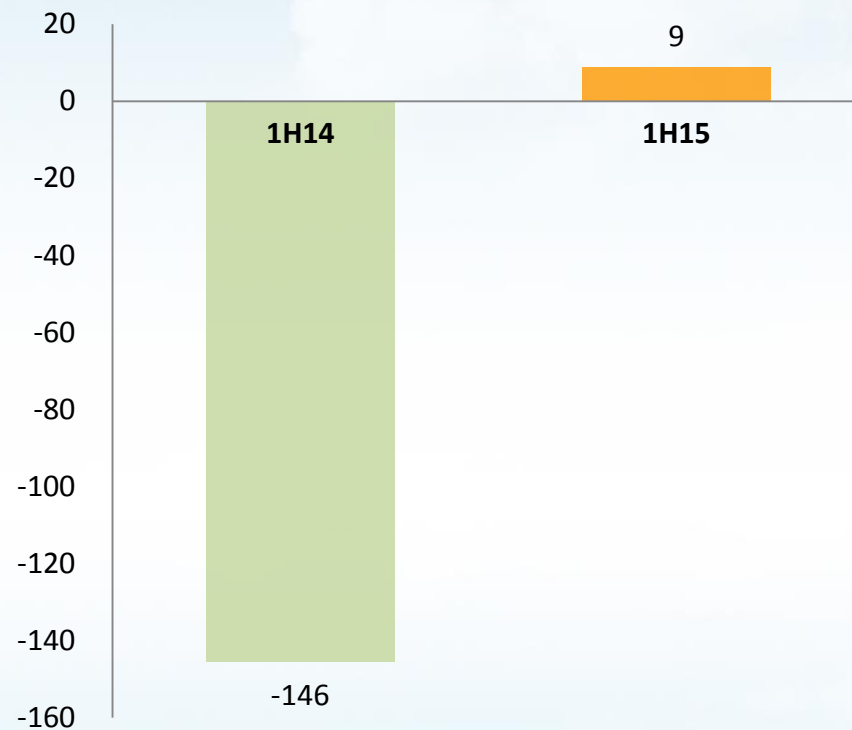
# Finance Costs & Exchange Gain/Loss

(HK\$ million)

Finance costs



Exchange gain/(loss)



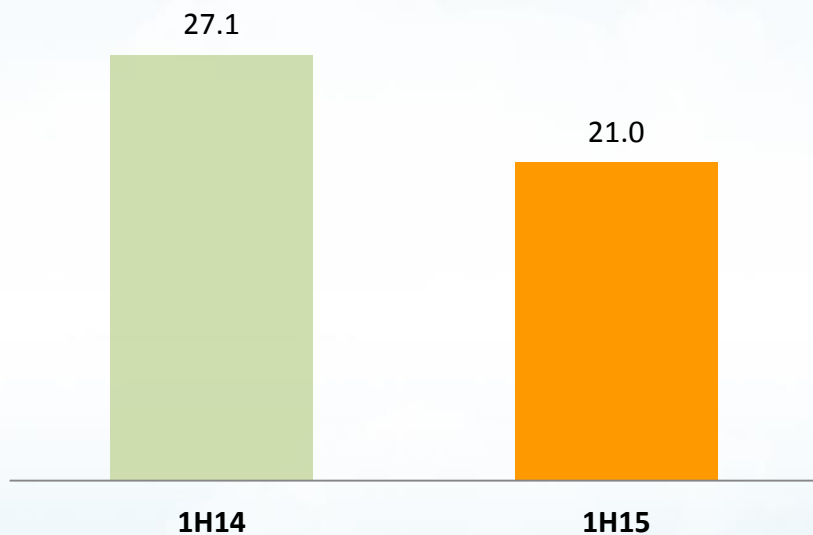


	1H14	1H15	YoY
Taxation (HK\$ million)	753.7	-102.3	-113.6%
Effective tax rate (excluding the results of associates and joint ventures and tax reversal)	21.3%	26.2%	+4.9ppt

- An amount of HK\$499,421,000 representing the over-provision of enterprise income tax for the period from 1 January 2013 to 30 September 2014 is reversed and included in taxation for the Period.

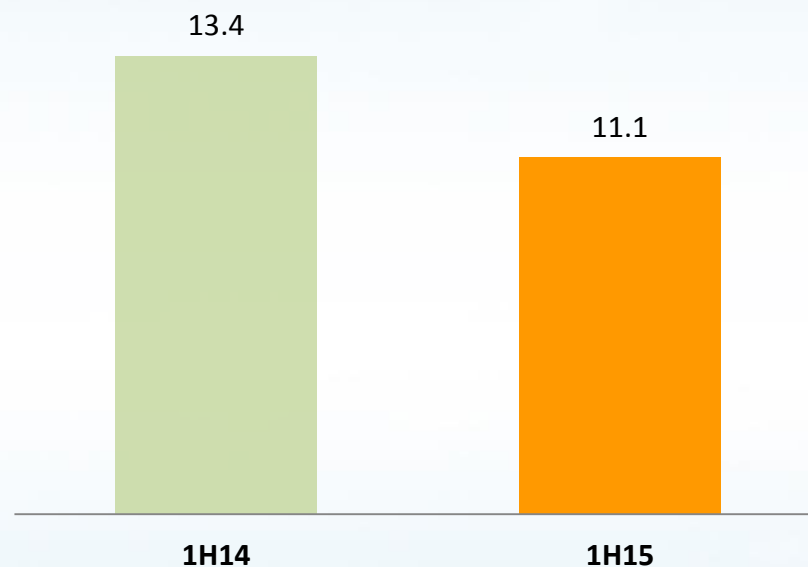
# Profitability

## EBITDA Margin (%)



*Note: EBITDA Margin = EBITDA/Turnover*

## Net Margin (%)



*Note: Net Margin = Net Profit/Turnover*

# Financial Position

(HK\$ million)	31 Dec 2014	30 Jun 2015	Change
Cash and bank balances	4,147.8	3,057.8	-26.3%
Total assets	57,537.1	56,582.0	-1.7%
Net borrowings	16,112.7	16,323.7	+1.3%
Net gearing ratio	57.2%	56.2%	-1.0ppt
Net assets per share (HK\$)	4.31	4.45	+3.2%

**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 relevant reporting period.*

# Cash Flow

(HK\$ million)	30 Jun 2014	30 Jun 2015	Change
Net cash generated from operating activities	2,235.5	1,184.2	-47.0%
Net cash used in investing activities	(1,816.7)	(744.7)	-59.0%
Net cash used in financing activities	(659.6)	(1,528.2)	+131.7%
Net increase in cash and cash equivalents for the period	(240.7)	(1,088.8)	+352.3%
Cash and cash equivalent at end of the period	2,555.1	3,057.8	+19.7%

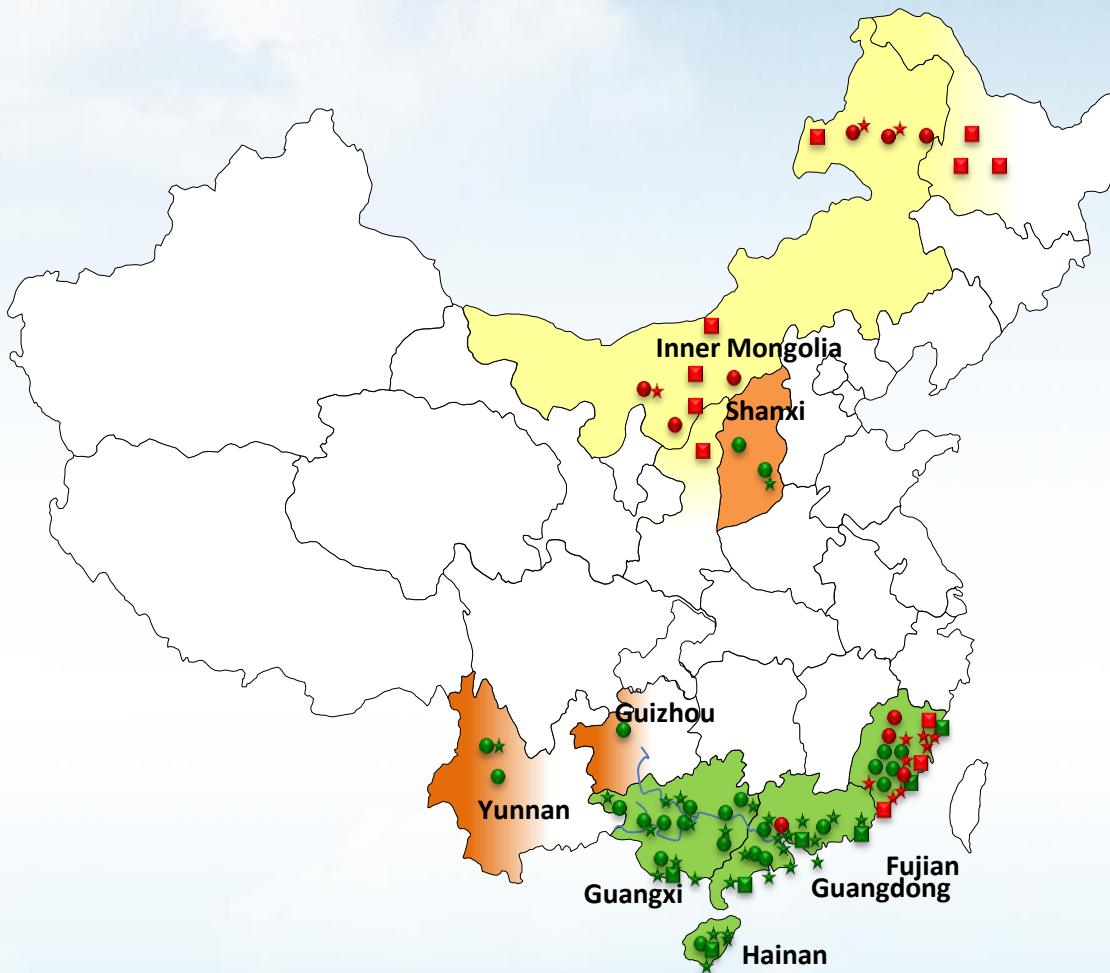
- Total payment for capital expenditure of the Group in 1H15 was HK\$1,529.5 million. It is expected to be approximately HK\$2,391.9 million in 2H15.



# Operational Review



# Production Capacity



## In Operation

● Clinker and Cement Production Line

■ Cement Grinding Line

★ Concrete Batching Plant

## Joint Ventures and Associates

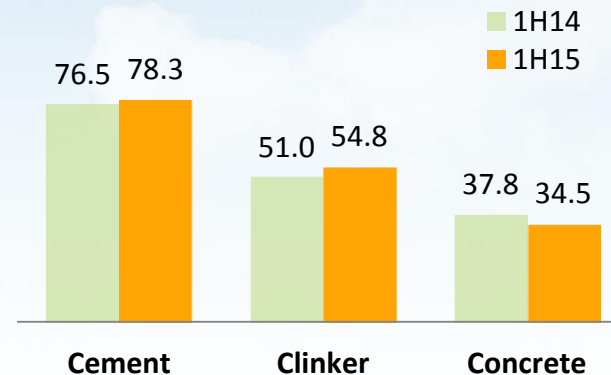
● Clinker and Cement Production Line

■ Cement Grinding Line

★ Concrete Batching Plant

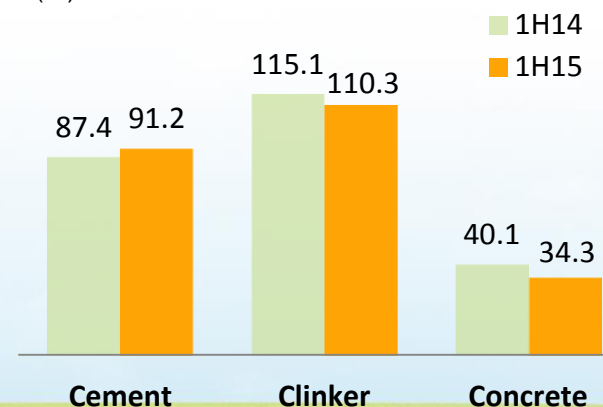
## Production Capacity

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



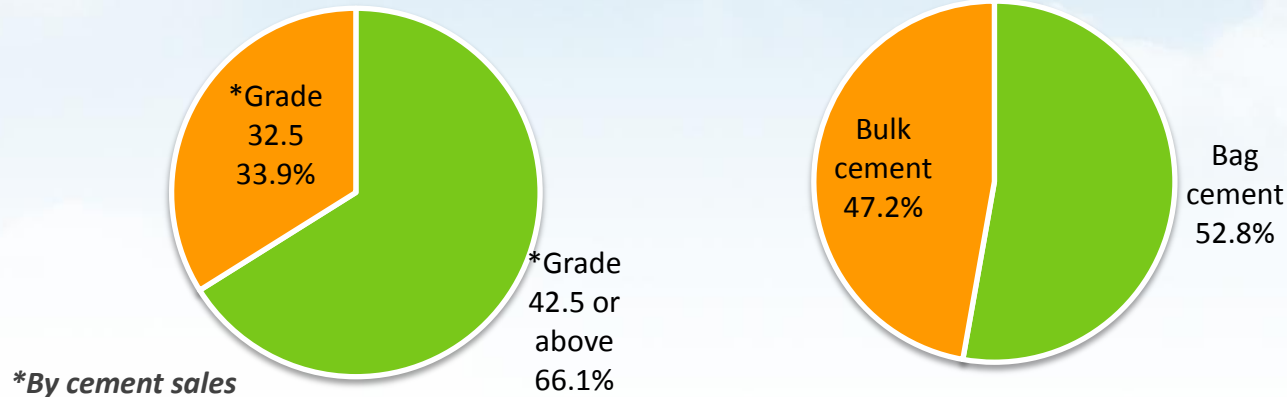
## Utilization Rate

(%)



# Breakdown of Cement Sales Volume

## By product type and regional breakdown in 1H15



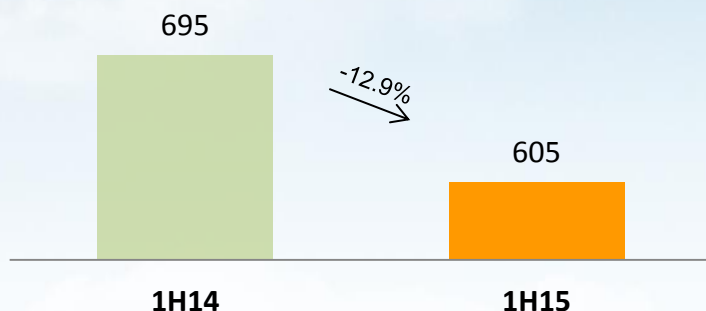
million tons	1H15	YoY	As % of total
Guangdong	14.3	+11.6%	41.1%
Guangxi	9.8	+10.3%	28.1%
Fujian	3.8	-0.6%	11.0%
Hainan	2.2	-5.0%	6.5%
Shanxi	1.4	-16.6%	4.1%
Yunnan	2.4	+44.0%	6.9%
Guizhou*	0.8	-	2.3%

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

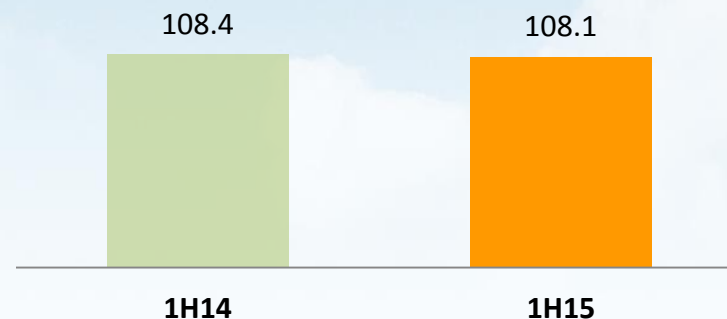


# Improved Energy Consumption

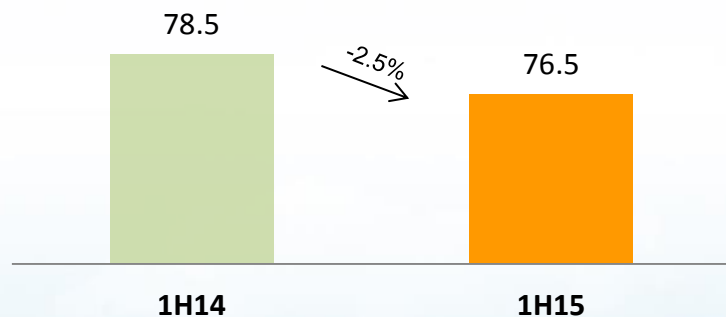
Average Coal Purchase Price (HK\$/ton)



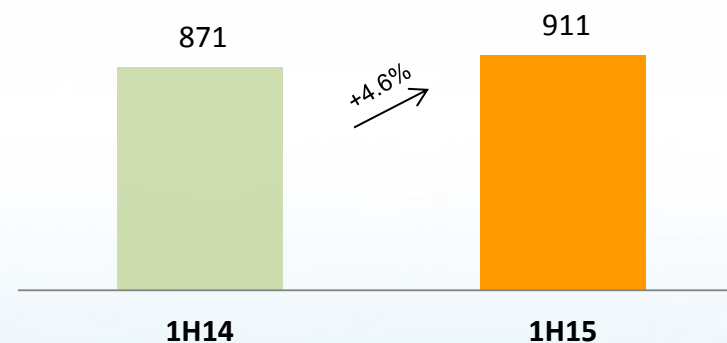
Standard Coal Consumption (kg/ton of clinker)



Electricity Consumption (kwh/ton of cement)



Electricity Generation (million kwh)



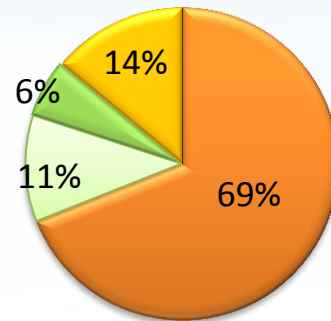
- Average coal cost per clinker produced decreased by 14.4% to HK\$90.1/ton
- The reduced electricity consumption resulted in a cost saving of approx. HK\$51.8 million in 1H15
- Residual heat recovery generators - 31.1% of required electricity consumption, representing a cost saving of approx. HK\$563.3 million in 1H15



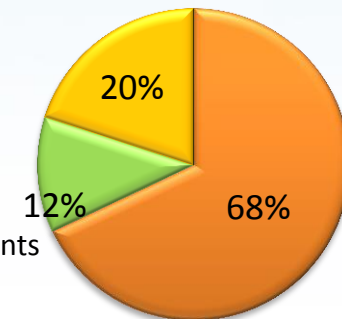
## Coal Procurement

- In 1H15, the Group purchased 4.4 million tons of coal, increased by 4.7% yoy.
- Approximately 68%, 20% and 12% were sourced from northern China, neighboring areas of our plants and Australia respectively.
- The proportion of the Group's direct coal procurement from coal suppliers was approximately 66%.

Coal Procurement in 1H14



Coal Procurement in 1H15



- Northern China
- Other Countries
- Australia
- Neighbor areas of the plants

## Logistics Management

- As at 30 Jun 2015, through owning of vessels and tendering for shipping services, the Group has secured 726,000 tons of shipping capacity on the Xijiang River, with annual shipping capacity of about 32.5 million tons.
- The Group has controlled the operation of 58 silo terminals (mainly in the Pearl River Delta region of Guangdong) with an annual capacity of 38.7 million tons.

## Safety, Energy saving and Emission reduction

- All clinker production lines completed technological upgrade on **denitrogenation** and the Group's emission level of nitrogen oxides is better than the national standards of 400mg/Nm<sup>3</sup>.
- The emission levels of **particulate matters** for all production plants are in compliance with the national standard of 30mg/Nm<sup>3</sup>.
  - As of 30 Jun 2015, 30 clinker production lines were equipped with bag filter systems.
  - The remaining 11 clinker production lines are expected to complete technological upgrade by the end of 2016.

## Award and Recognition by industry and general public

- China Resources Cement (Pingnan) Limited and China Resources Cement (Tianyang) Limited were awarded the “**One Hundred Energy-Saving Model Enterprises**” by the China Building Materials Federation among the building materials industry.
- China Resources Cement (Fengkai) Limited was awarded the medal and certificate of the “**Environmental Protection Model Enterprise of Large-Scale Cement Group in China**” by the China Cement Association.


# Outlook & Prospects






# Government Keynote Policy

- The accelerating approval of infrastructure projects, loosening control on real estate market and promotion of One Belt One Road and New-type urbanization are positive to cement consumption in China.




**Infrastructure:** The government accelerated the approval of infrastructure projects, actively promoted the PPP model which extensively covering industries including water facilities, municipal facilities, transportation facilities, public services and environmental resources, etc.


**Market liquidity:** The PBoC lowered the benchmark interest rates of RMB loan and deposit of financial institutions for three times in order to further reduce corporate financing costs, and reduce the deposit RRR of all categories of financial institutions for three times in order to further support the real economy development.



**Real estate:** The governments launched a series of loosening policies such as interest rate cut, loosening the restrictions on mortgage lending and purchase, loosening limitations on mortgage and withdrawal from housing provident fund, shortening the duration for exemption of business tax and lowering the down payment ratio for mortgage of second home purchase.



**“One Belt and One Road”** covers 16 provinces including Guangdong, Guangxi, Fujian and Yunnan where we have operations.



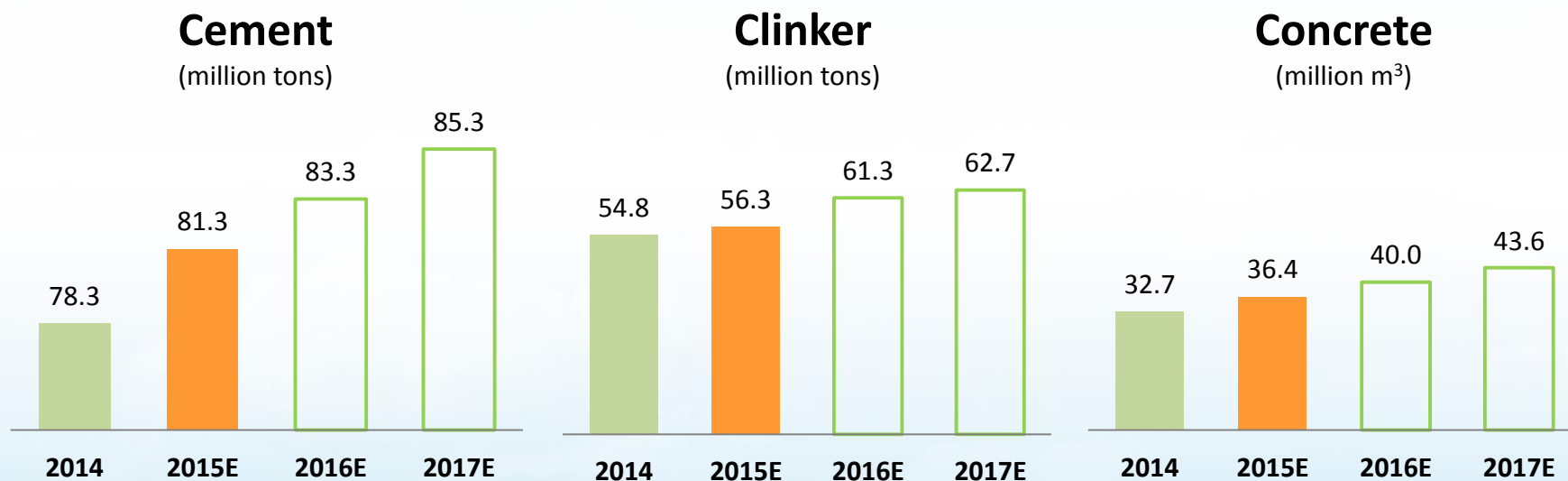
**New-type urbanization** is one of the key drivers for long-term economic growth in China. Rural population will gradually change to urban population. This will propel the construction of public infrastructure, houses and all kinds of supporting facilities.



# 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.
- Promoting lean management for cost reduction and efficiency enhancement, improving product quality, energy saving and emission reduction, impelling the urban waste co-processing, promoting green development and contributing 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 30 Jun 2015)

## Controlled by the Group

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	21	19.5	7	9.4	26	15.9
Guangxi	35	31.2	17	25.0	20	11.8
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>58</b>	<b>34.5</b>

## Controlled by associates and joint ventures

Total	48	33.5	18	22.4	15	7.4
<b>Attributable</b>	<b>-</b>	<b>11.1</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.

# Q & A

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





# Appendix

## Investor Relations Contact

**Tel:** (852) 3118 6800

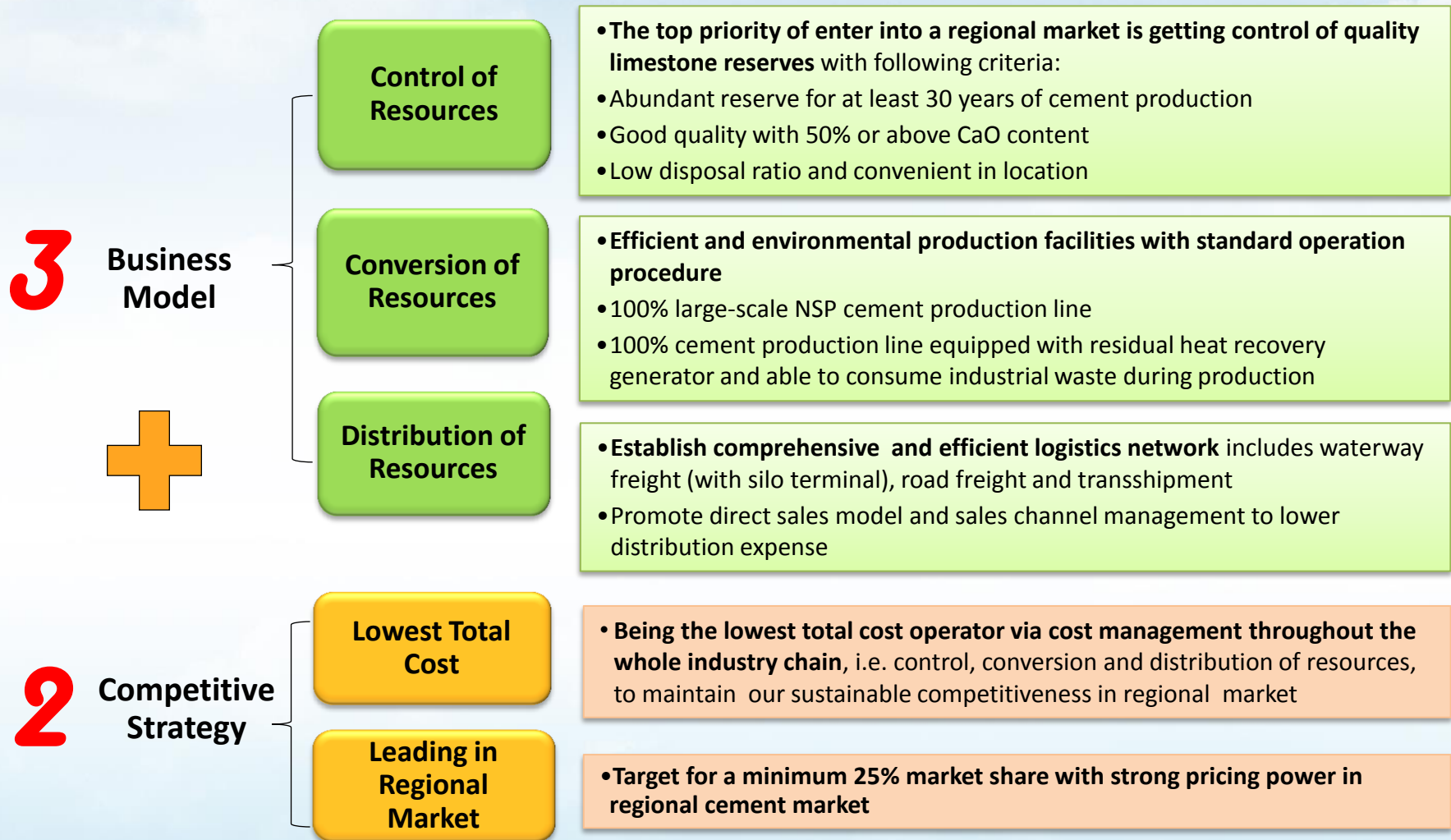
**E-mail:** [crcement@crc.com.hk](mailto:crcement@crc.com.hk)

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





# CR Cement – “3+2” Development Strategy



# Financial Summary

(HK\$ million)	2014	2013	2012	2011	2010
Turnover	32,668.9	29,340.6	25,345.3	23,240.0	14,141.5
EBITDA	8,285.2	6,698.1	5,235.5	6,633.7	3,346.8
Profit attributable to owners of the Company	4,206.4	3,338.4	2,324.4	4,179.0	2,040.8
Basic earnings per share (HK\$)	0.644	0.512	0.357	0.641	0.313
Total Assets	57,537.1	54,179.7	52,159.1	50,579.7	35,327.9
Equity attributable to owners of the Company	28,179.9	24,820.9	21,375.7	19,298.7	14,776.3
Net borrowings	16,112.7	17,618.1	18,641.9	17,625.5	9,095.7
Net assets per share (HK\$)	4.31	3.80	3.28	2.96	2.27

**Note:**

1. Net borrowings equal to total indebtedness less cash and bank balances and pledged bank deposits.

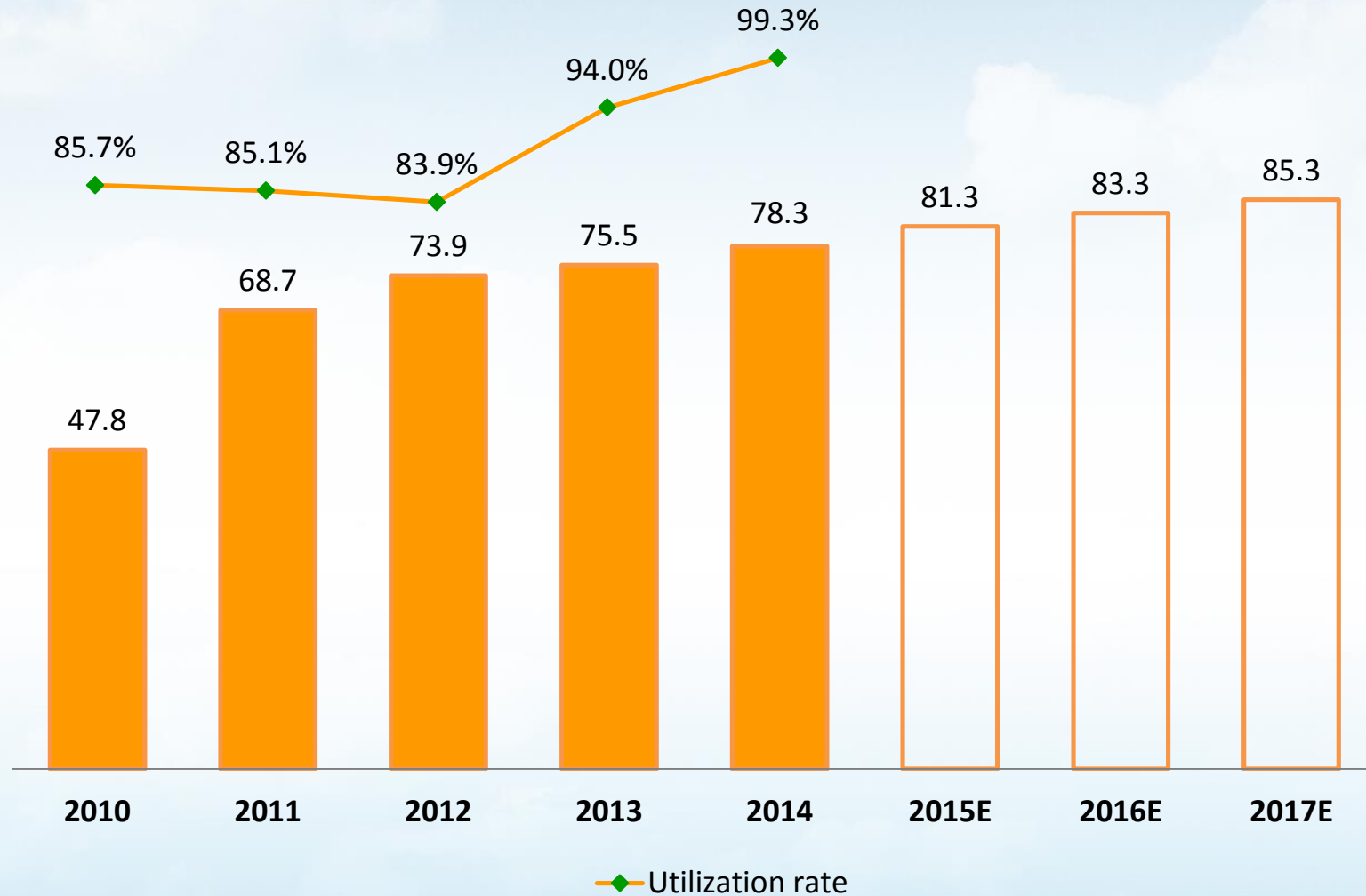
2. Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the year.

# Cement capacity

(million tons)



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

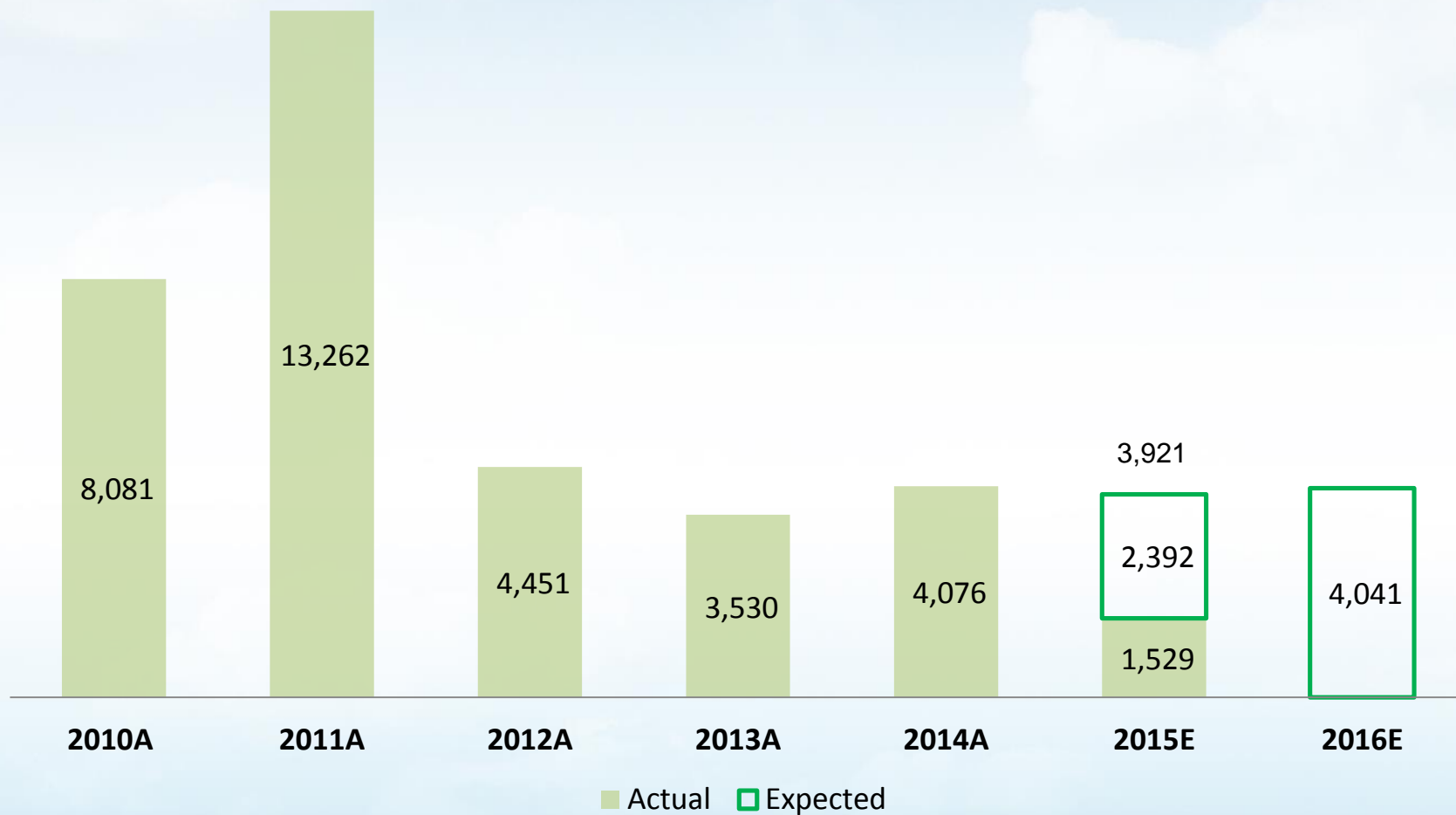


# CAPEX

(HK\$ million)



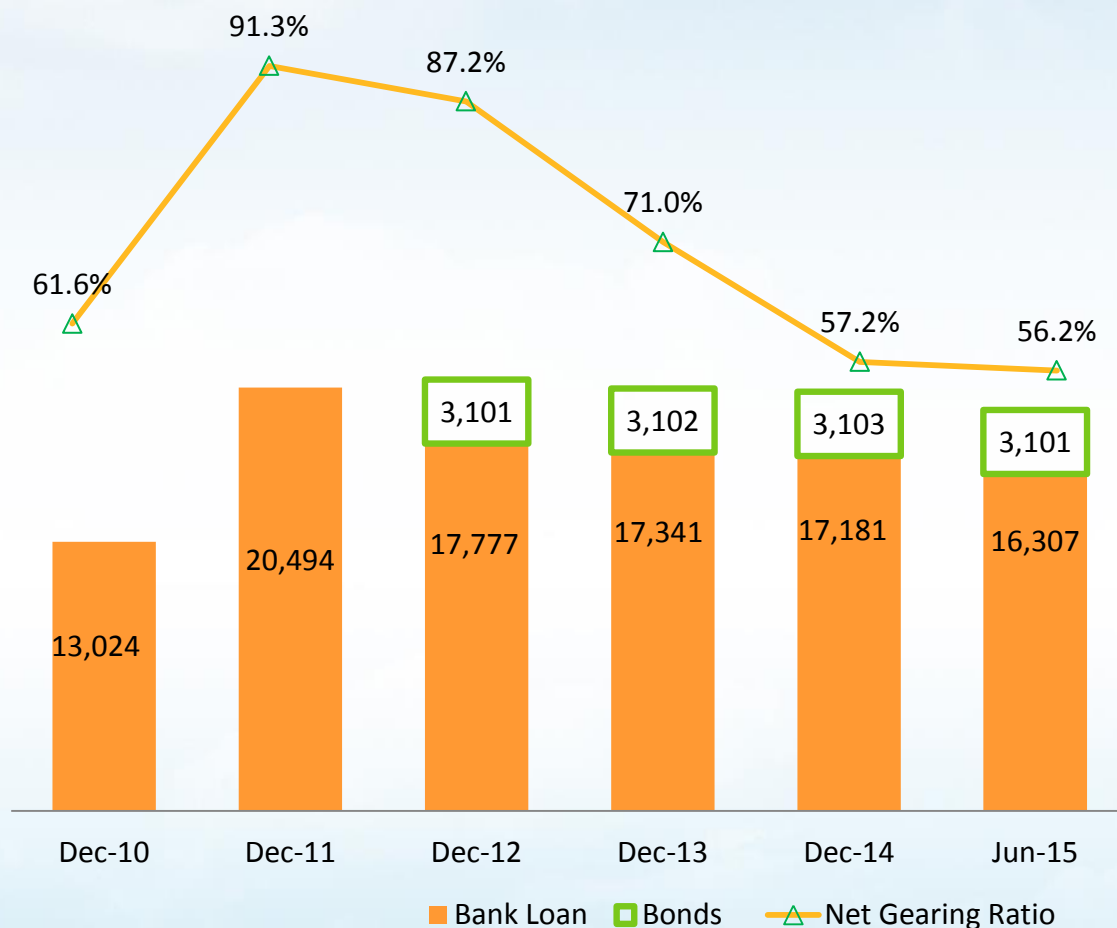
華潤水泥控股有限公司  
China Resources Cement Holdings Limited





# Debt Structure

(HK\$ million)



## Note:

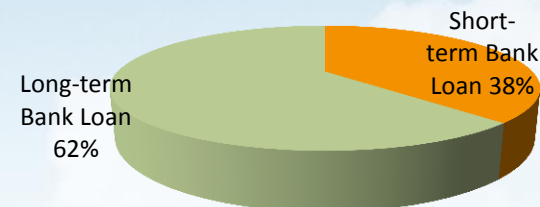
1. Net borrowings equal to total bank borrowings and unsecured bonds less cash and bank balances and pledged bank deposits.
2. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.



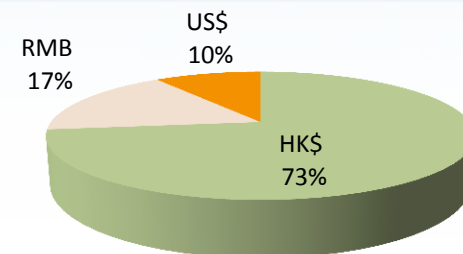
華潤水泥控股有限公司  
China Resources Cement Holdings Limited

(As at 30 Jun 2015)

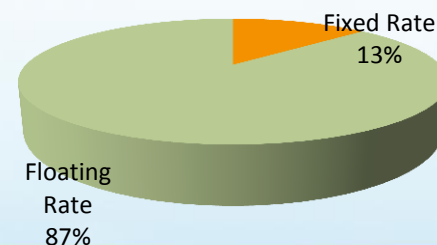
## Duration



## Currency



## Fixed and Floating Rate



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