



中国西部水泥有限公司
WEST CHINA CEMENT LIMITED

2016 Interim Results

August 2016



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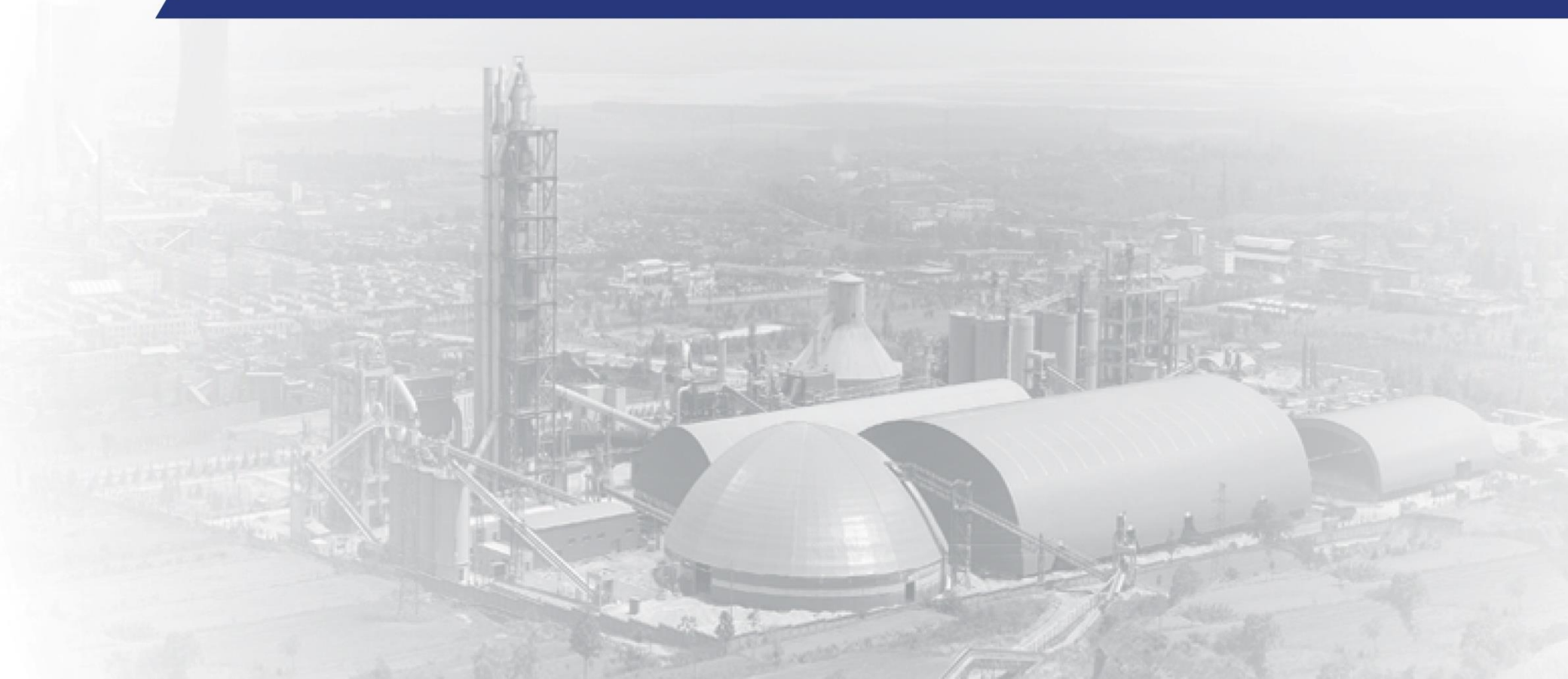
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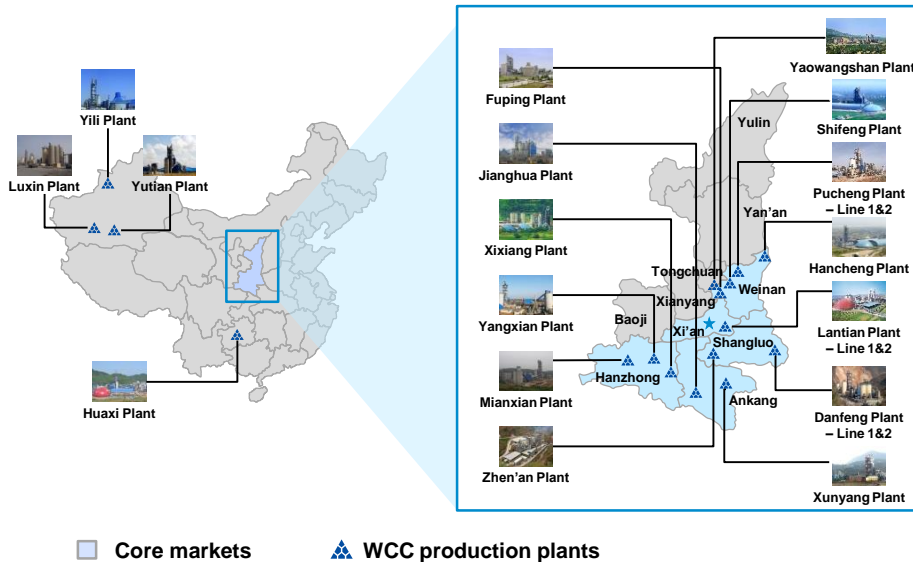


中国西部水泥有限公司
WEST CHINA CEMENT LIMITED

Company Overview



Western China focus – Shaanxi, Xinjiang and Guizhou



The largest cement producer in Shaanxi Province by NSP production capacity

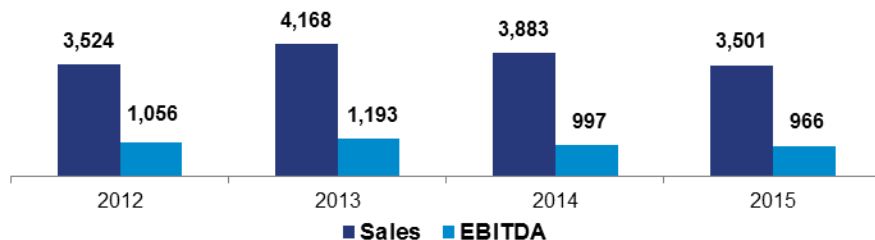
Market leader in Southern and Eastern Central Shaanxi

Annual cement production capacity of 29.2m tons

Revenue and EBITDA of RMB3.5bn and RMB966m respectively in FY2015

Sales and EBITDA* Trend

(RMB mn)



- 100% NSP capacity. Matching Clinker/Cement volumes at each plant
- Southern Shaanxi core markets: Dominant market position
- Eastern Central Shaanxi core market: Access to Xi'an metropolitan market
- Xinjiang and Guizhou: Growth opportunities
- Well positioned to capitalize on West China development

- A key strategic cement asset in North West China

Note*: 2014 EBITDA includes deduction of RMB92.2m for 2016 Senior Note Redemption Costs



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WEST CHINA CEMENT LIMITED

2016 Interim Results



■ Operational

- Period-end installed capacity of 29.2mt (30 June 2015: 27.0mt)
- Cement sales volume of 8.32mt (30 June 2015: 7.83mt). Including clinker sales 8.39mt (30 June 2015: 7.95mt).
- Cement ASP's of RMB 193/t (30 June 2015: RMB208/t)

■ Financial

- Gross Profit decrease to RMB152.9m (30 June 2015: RMB216.0m)
- EBITDA decrease to RMB449.6m (30 June 2015: RMB483.5m)
- Profit/(Loss) Attributable to Shareholders (RMB 113.5m) (30 June 2015: RMB2.4m)
- Net Gearing 57.4% (31 December 2015: 57.2%)
- Cash & cash equivalents of RMB586.6m (31 December 2015: RMB528.2m)

■ Further Developments

- Conch had 1,147,565,970 shares in WCC, representing approximately 21.17% of WCC's issued share capital
- Ms. Liu Yan and Mr. Qin Hongji are the representatives of Conch in the Board of Directors, which can promote a strong working relationship between West China Cement and Conch
- West China Cement and Conch are currently exploring further business collaboration in different structure or manners



WCC Cement capacity: 29.2mt
Shaanxi – 23.3mt
Xinjiang – 4.1mt
Guizhou – 1.8mt

Financial Analysis and KPIs

RMB Million (unless otherwise specified)	Ended 30 Jun 2016	Ended 30 Jun 2015	Change		Ended 30 Jun 2016	Ended 30 June 2015
Cement Sales Volume	8.32	7.83	6.3%	ASP/t (RMB)	193	208
Revenue	1,629.0	1690.8	(3.7%)	GP/t (RMB)	18	27
Gross Profit	152.9	216.0	(29.2%)			
EBITDA	449.6	483.5	(7.0%)	Trade receivable Turnover Days ⁽⁵⁾	50	49
Profit (Loss) Attributable to Shareholders	(113.5)	2.4	(4,829.2%)	Inventory Turnover Days ⁽⁶⁾	68	67
Basic E(L)PS (cents)	(2.1)	0.1	(2,200.0%)	Trade payable Turnover Days ⁽⁷⁾	81	102
Interim Dividend (cents)	Nil	Nil	Nil			
Gross Profit Margin	9.4%	12.8%	(3.4p.pt)			
EBITDA Margin	27.6%	28.6%	(1.0p.pt)			
	As at 30 Jun 2016	As at 31 Dec 2015				
Total Assets	11,126.4	11,382.5	(2.2%)			
Net Debt ⁽¹⁾	3,320.8	3,375.7	(1.6%)			
Net Gearing ⁽²⁾	57.4%	57.2%	0.2p.pt			
Net Debt / EBITDA ⁽³⁾	3.7	3.5	5.7%			
EBITDA / Fixed Charge ^{(3) (4)}	3.5	3.6	(2.7%)			
Net Assets Per Share(cents)	107	109	(1.8%)			

1. Net debt equal to total borrowings, short/medium-term notes and senior notes, less bank balances and cash and restricted bank deposits

2. Net Gearing is measured as net debt to equity

3. EBITDA is 1H2016 value annualised

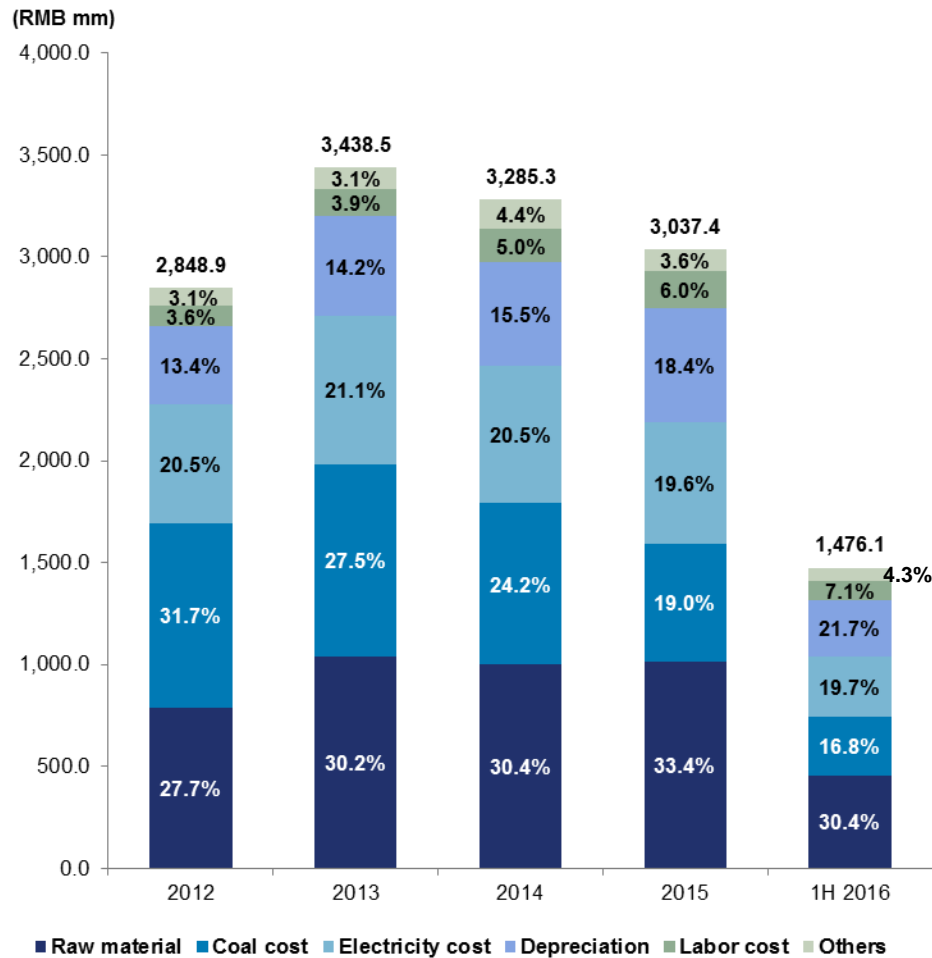
4. Fixed charge means gross interest expenses. 1H2016 value annualised.

5. 365 day / (Turnover / Average trade receivable)

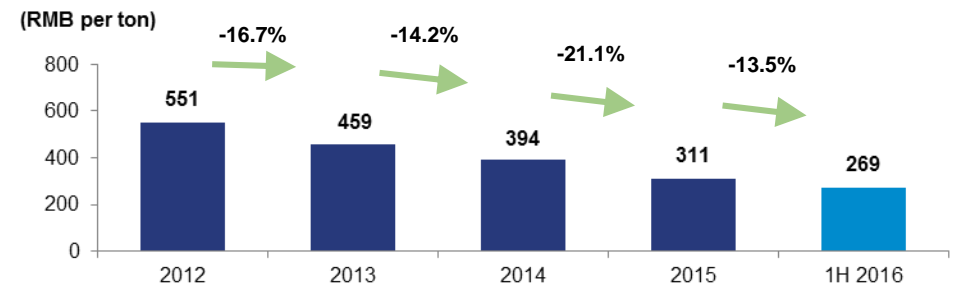
6. 365 day / (Production cost / Average inventory)

7. 365 day / (Production cost / Average trade payable)

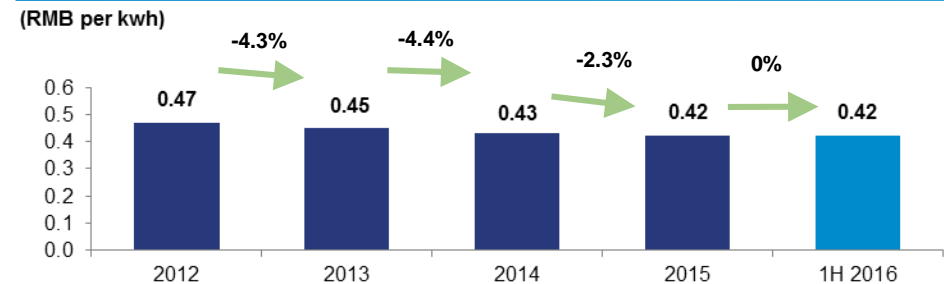
Production Cost



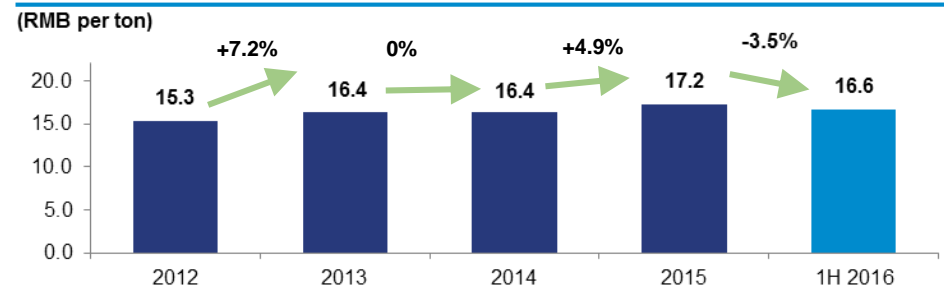
Average Coal Cost



Average Electricity Cost



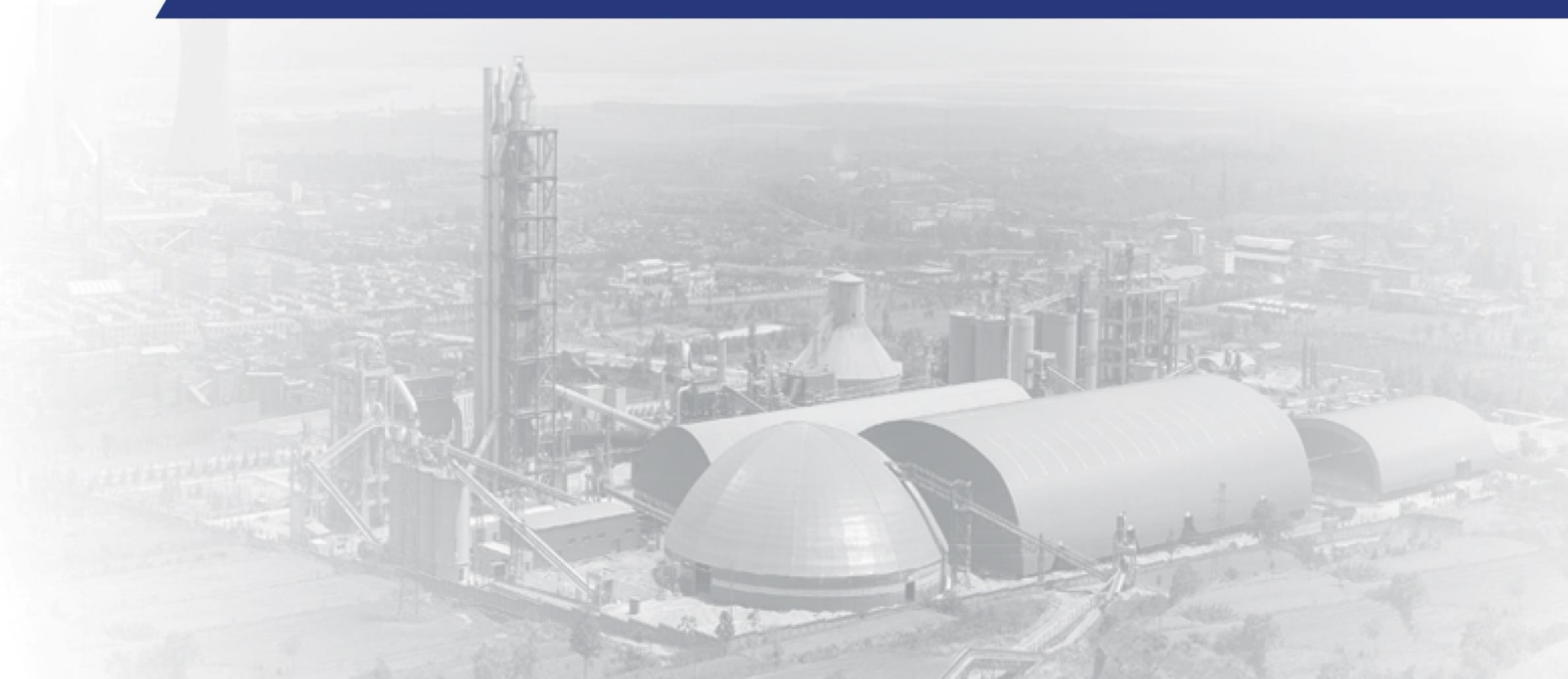
Average Limestone Cost



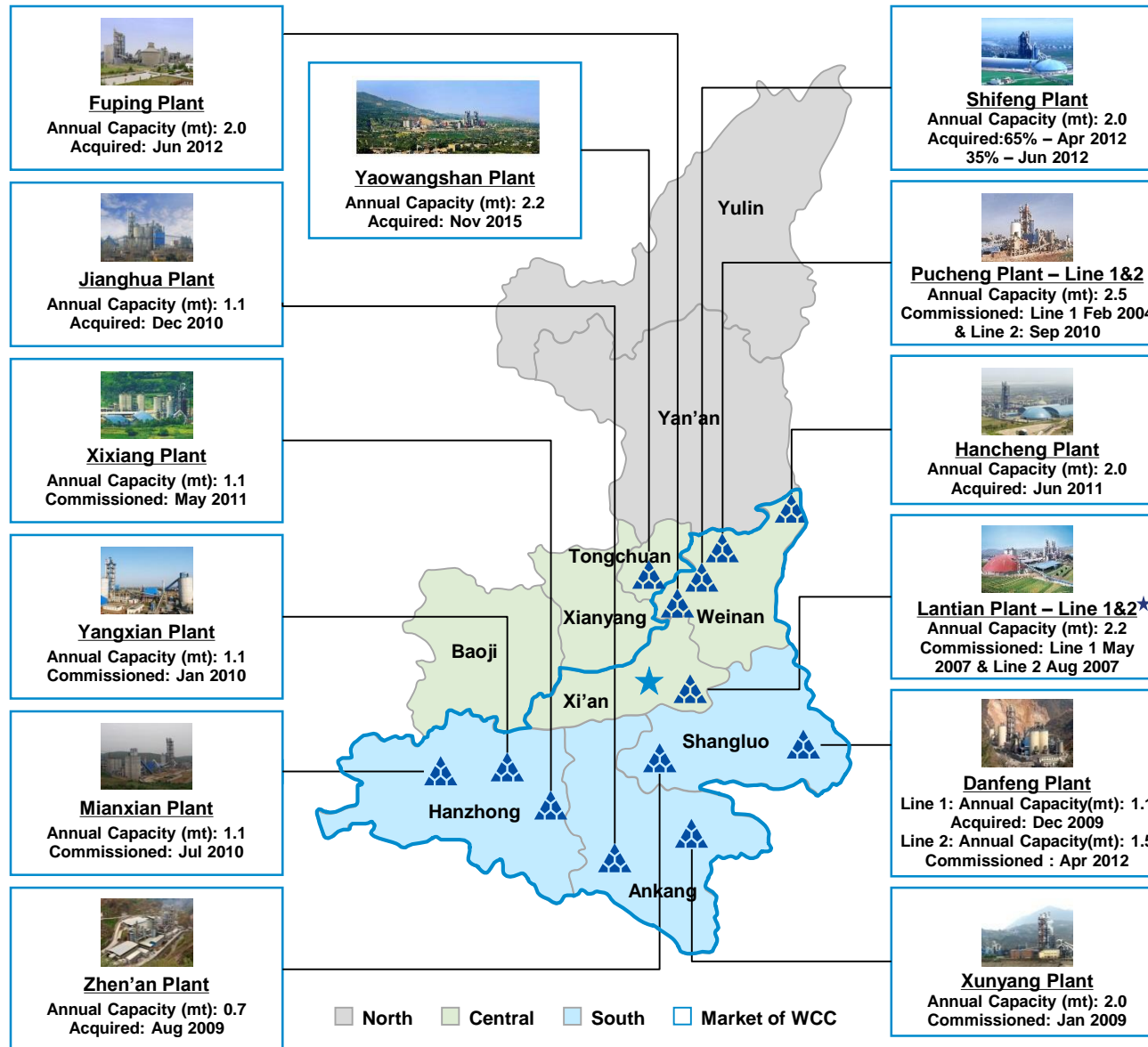


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Operations & Markets



Our Position in Shaanxi's Market



★ Lantian Grinding Mill: Adds effective 0.7m tons to capacity of Lantian Plant

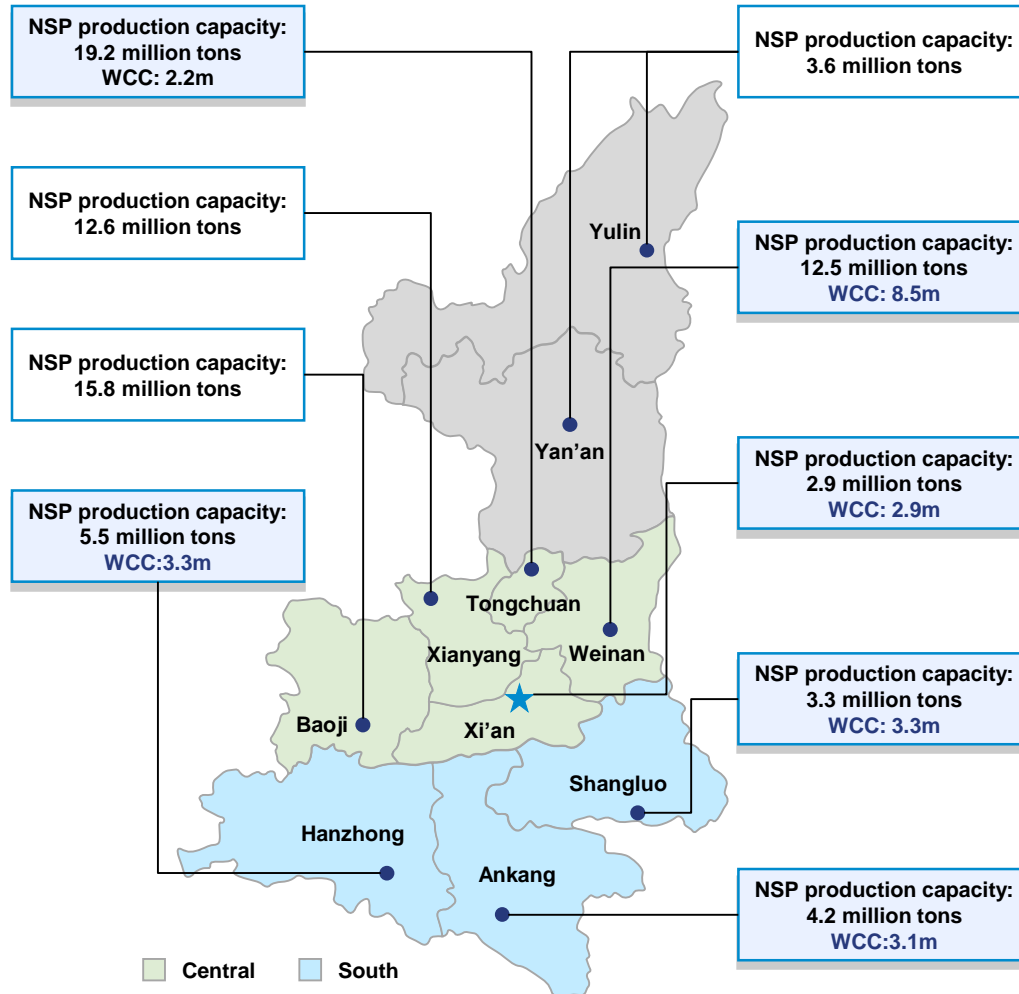
■ Southern Shaanxi – Shangluo, Ankang & Hanzhong

- ☑ An area dominated by the Qingling Mountains
- ☑ Market shares of 60%-100% in each region
- ☑ Limited limestone deposits have resulted in relatively little new cement capacity over the past few years
- ☑ Long transportation distances from other markets
- ☑ Results in a disciplined supply side with good pricing power

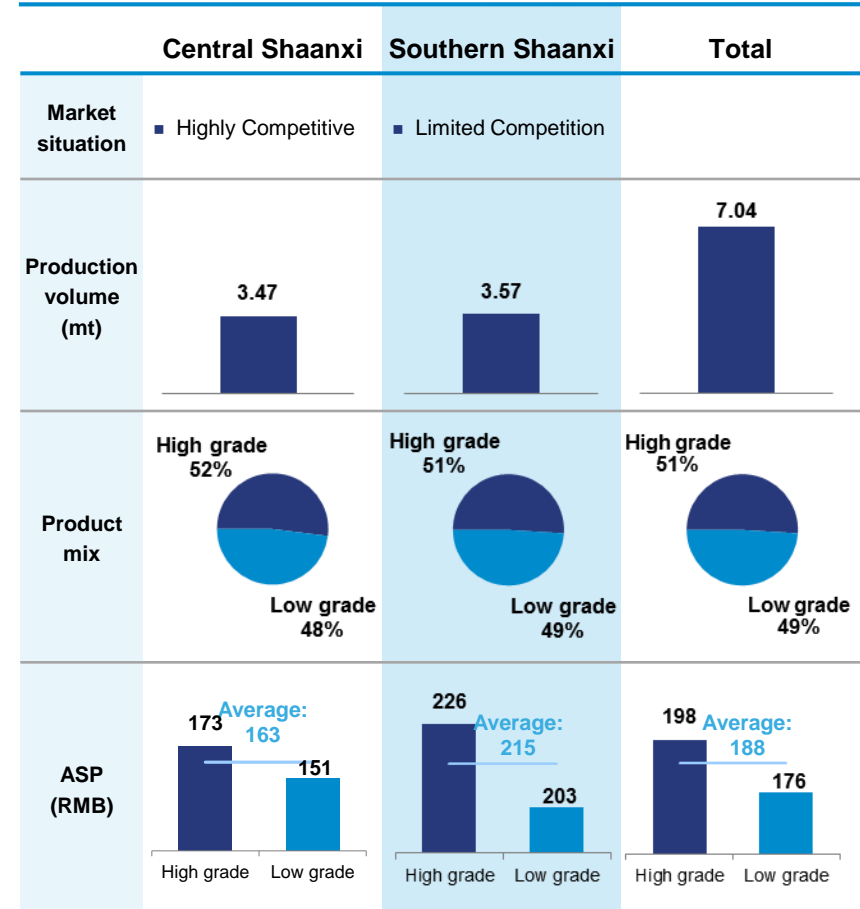
■ Central Shaanxi – Weinan & Xi'an

- ☑ Dominated by the Xi'an market which is 30-40% of provincial demand
- ☑ Plentiful limestone, new capacity, more competition
- ☑ Market share of 68% in Weinan Region
- ☑ Three plants in close proximity to the Xi'an market
- ☑ Positioned to benefit from Xi-Xian New Area development plans


Dominant Position in Our Core Markets



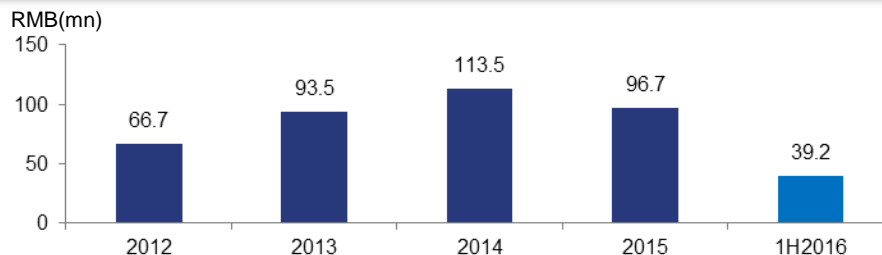
Our regional operational metrics (1H2016)



New environmental standards – upgrades and cost savings

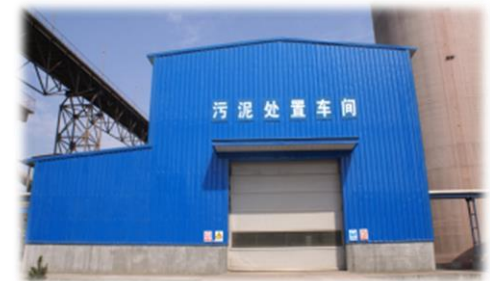
	Progress	Impact
Residual heat recovery systems	 <p>80% of total capacity</p>	<ul style="list-style-type: none"> Reduce 30% electricity consumption Decrease CO₂ emissions by c.20,000 tons/year/mn tons
Denitration (De-NOx) equipment	<ul style="list-style-type: none"> Installation completed at all plants in Shaanxi, Xinjiang and Guizhou. 	<ul style="list-style-type: none"> Reduce nitrous oxide emissions by c.60% per ton of clinker produced
NSP technology	<ul style="list-style-type: none"> All plants 	<ul style="list-style-type: none"> Requires less energy to produce cement More environmentally friendly

Residual Heat Recovery - Electricity cost saving



Source: Company Information.

New revenue stream – waste treatment



Waste Treatment – Yaobai Environmental

- New JV with Conch Venture (Wuhu Conch) following cash injection;** 60% Conch Venture, 20% WCC, 20% Mr Ma Zhaoyong's investment vehicle. A Platform for hazardous waste treatment in China. Investment Agreement was completed at the beginning of 2016.
- Lantian Waste Sludge Treatment Facility. Phase I** annual capacity of 31,500 tons & **Phase II** of 49,500 tons for total annual capacity of 80,500 tons
- Fuping Waste Treatment Facility.** Annual capacity of 100,000 tons
- Mianxian Solid Waste Treatment Facility.** Annual capacity of 16,500 tons is due to start construction in 2016
- Further small facilities of 350 tons/day capacity planned at Danfeng and Hancheng plants.

Key infrastructure projects

Xi'an to Chengdu High Speed Railway Passenger Line

- Total distance of 343KM within Shaanxi Province, passing through Xi'an and Hanzhong Regions; over 85% of total distance accounted for by bridges and tunnels. Shaanxi total consumption approx. 3.0 – 4.0 million tons
- WCC supplying over 70% of the tender sections - approx. 3 million tons over 5 years. Construction commenced in 2012

Inner Mongolia to Jiangxi (Mengxi) Coal Transportation Railway

- Shaanxi section is located in north of province beginning north of Jingbian, via Yanan and Hancheng. Construction commences in 2016.
- Total distance of 321.5 km in Shaanxi; 73% of distance accounted for by bridges and tunnels. 1.4 million tons of cement demand in 2016 of which WCC will supply 0.9 million tons.

Hanjiang-To-Weihe River Water Transfer Project (引汉济渭工程)

- Transfer water from the Han River south of the Qinling Mt. to the Wei River in the north to resolve water shortages in central and northern Shaanxi Province by 2020
- Includes Hydro-Junctions, Pump Stations, Dams and the 98km Qingling Tunnel

Ankang to Yangpingguan (Hanzhong City) Double Track Railway

- Freight transportation line linking Northwest China to the South. Construction of 325KM in Shaanxi of which 240KM in Hanzhong, 50% bridges and tunnels
- WCC commenced supplying with further section tendering in the second half of 2014. Total consumption over 1.3m tons. A major growth driver in Ankang Region for 2016

Baoji to Hanzhong Highway

- Distance of >150KM within WCC area, passing through Hanzhong Region to Sichuan border. WCC to supply up to 1mt
- WCC has won 100% of tender sections of the Hanzhong to Sichuan Border Segment.

Southern Shaanxi Resettlement Project (陕南移民搬迁及安居工程)

- Major population resettlement project in Southern Shaanxi from 2011 until 2020
- WCC continues to supply between 300,000 and 400,000 tons per year to this project

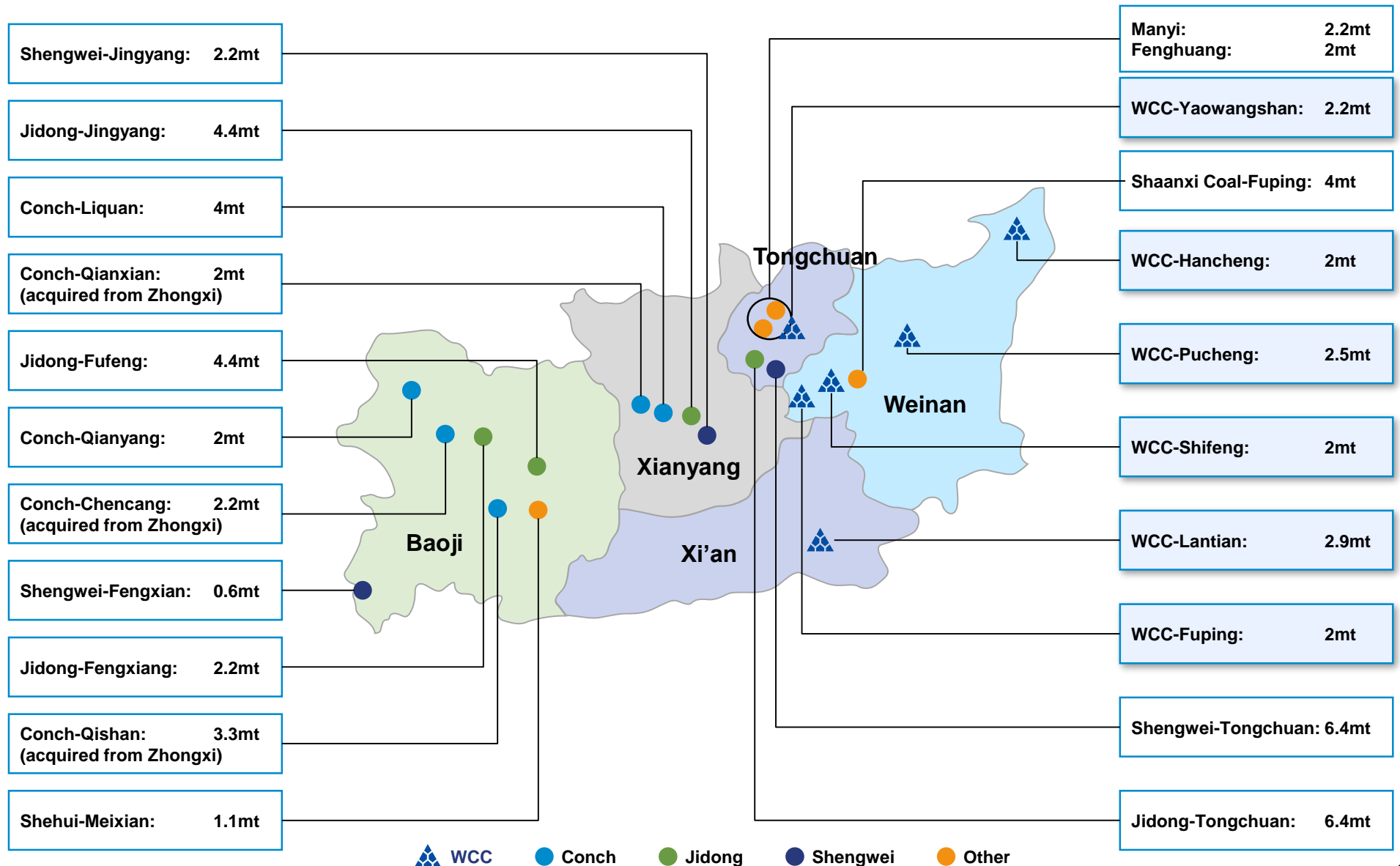
Other infrastructure projects

Project Name	Planned Construction Period	Project Name	Planned Construction Period
Expressway			
Pucheng-Baishui-Huangling Expressway(Weinan Region)	2016-2020	National Route 312 Reconstruction(Shangluo and Ankang region)	2016-2020
Taoba Expressway(Hanzhong Region)	2016-2020	Shanyang to Zhashui Expressway(Group A)(Shangluo and Ankang region)	2016-2020
National Route 316 Reconstruction(Shangluo and Ankang region)	2016-2020		
Airport			
Ankang Airport Project(Shangluo and Ankang region)	2016-2020		
Other			
Fuping Power Plant (Weinan Region)	2016-2020	Donghe River Reservoir(Shangluo and Ankang region)	2016-2020
Nanmen'gou Reservoir(Weinan Region)	2016-2020	Zhangping Reservoir(Shangluo and Ankang region)	2016-2020
Hanjiang No.4 bridge(Shangluo and Ankang region)	2016-2020	Xi'an Metro Line 4 and 6(Xi'an region)	2016-2020

Other infrastructure projects scheduled to commence construction

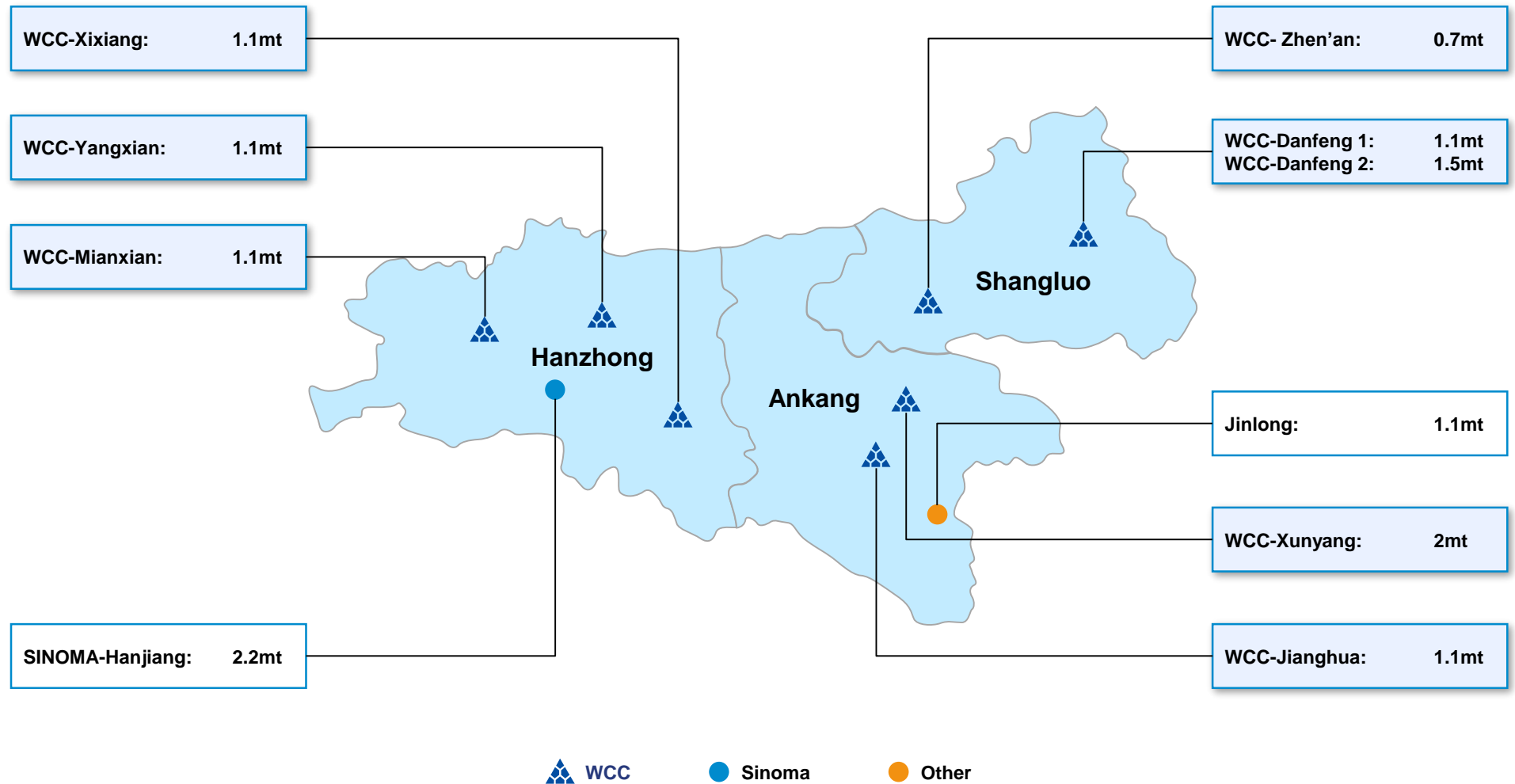
Expressway			
Shanyang-Zhashui Expressway(Group of B,C,D)(Shangluo and Ankang region)	2016-2020	Wuqi-Dingbian Expressway(Weinan Region)	2016-2020
Pingli-Zhenping Expressway(Shangluo and Ankang Region)	2016-2020	Suide-Yan'an Expressway(Weinan Region)	2017-2020
Xixiang-Zhenba Expressway(Hanzhong Region)	2016-2020		
Railway			
Xi'an-Yinchuan Railway (Shangluo and Ankang region)	2016-2020	Xi'an-Wuhan High-Speed Railway(Shangluo and Ankang region)	2017-2020
Xi'an-Chongqing High-Speed Railway(Shangluo and Ankang region)	2017-2020	Xi'an-Yanan Intercity High-Speed Railway(Shangluo and Ankang region)	2017-2020
Xi'an North Station(Shangluo and Ankang and Weinan Region)	2016-2020		
Airport			
Ankang Airport Project(Shangluo and Ankang region)	2016-2020	Xi'an Xianyang international Airport(phase III)(Weinan Region)	2017-2020
Yan'an Airport(Weinan Region)	2016-2020		
Power Station			
Xunyang Hydropower Station(Shangluo and Ankang region)	2016-2020	Shiquan Power Plant(Hanzhong Region)	2016-2020
Zhenan Hydro-power Station(Shangluo and Ankang region)	2016-2020		
Other			
Dongzhuan Reservoir(Weinan Region)	2016-2020	Xian Metro Line 5(Xi'an region)	2016-2020

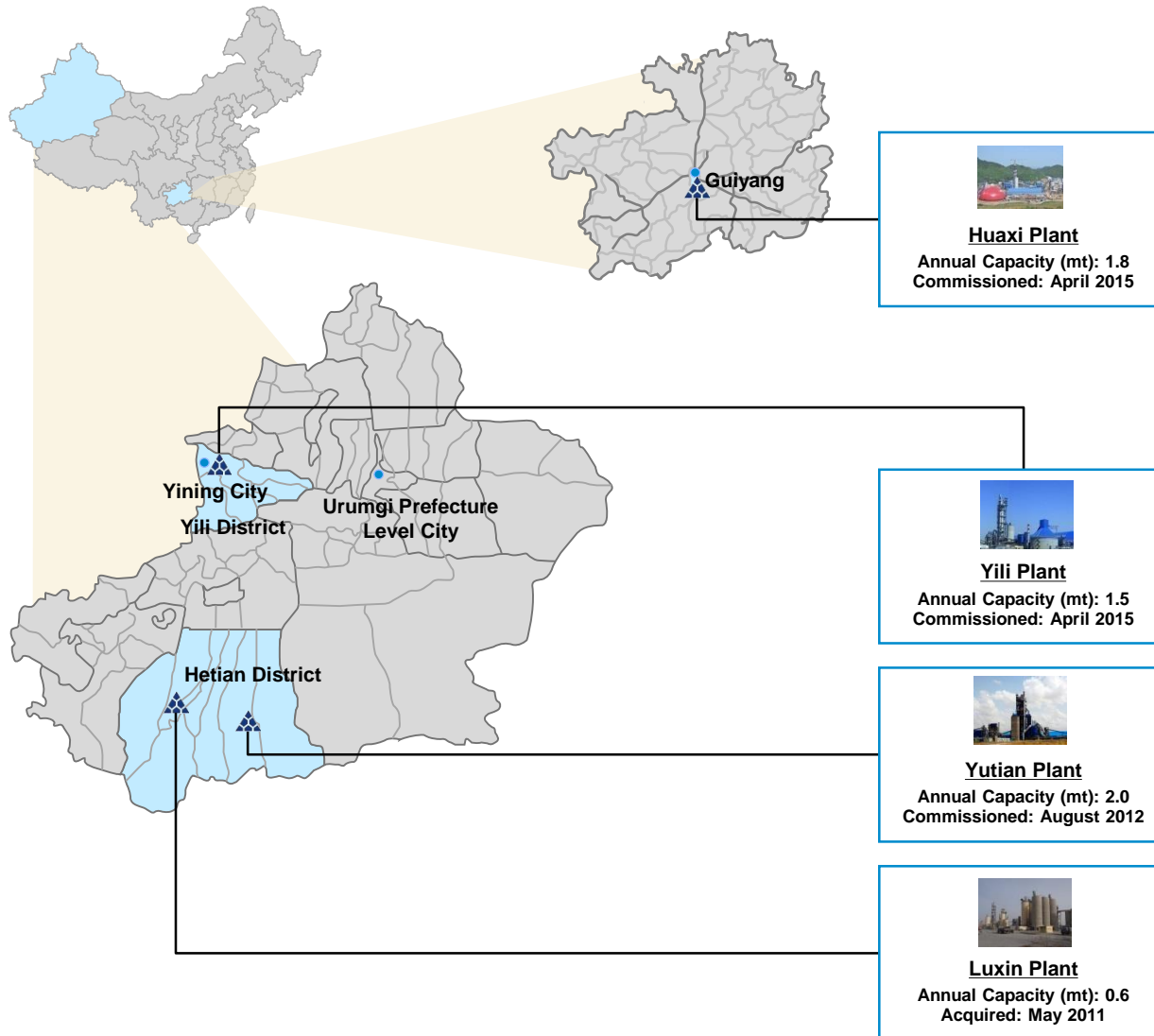
Central Shaanxi – Competitive Landscape



Indicated tonnage is annual cement capacity.
Source: Digital Cement, WCC.

Southern Shaanxi – Competitive Landscape





■ Guizhou

- ✓ Strategic location close to Guiyang city within “Gui-An New Area”
- ✓ Buoyant infrastructure led cement market
- ✓ Well positioned for ongoing infrastructure demand

■ Northern Xinjiang

- ✓ Direct beneficiary of “Silk Road Economic Belt Development”
- ✓ Benefiting from trade connections to Central Asia

■ Southern Xinjiang

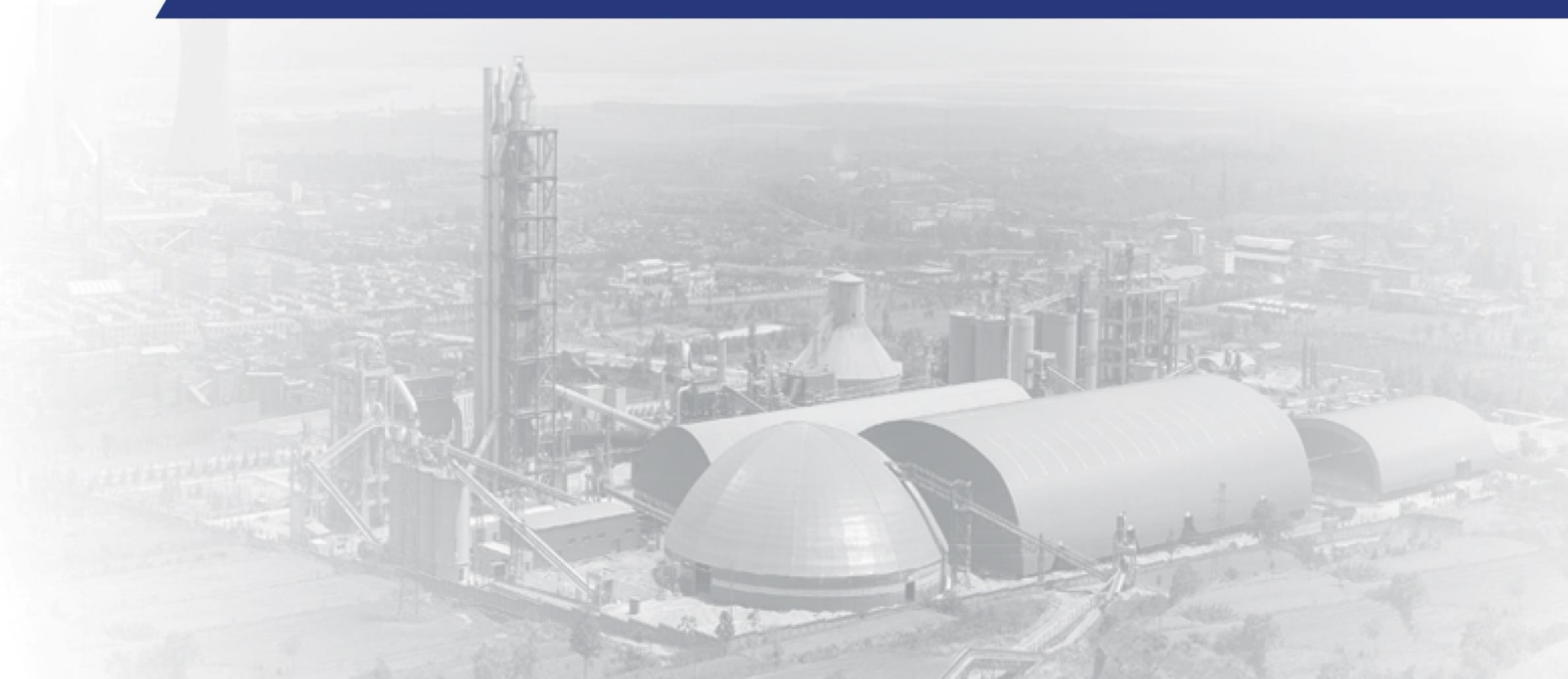
- ✓ Established presence in Hetian area with 50% market share by NSP production capacity
- ✓ Key energy and resource supply area. Abundant cheap coal

Mr. Zhang Jimin, Chairman & Executive Director	<ul style="list-style-type: none"> ■ Over 25 years Industry Experience ■ Chairman of the Shaanxi Cement Association and Vice Chairman of the China Cement Association ■ Received professional training course in economic management from Peking University
Mr. Ma Weiping, CEO & Executive Director	<ul style="list-style-type: none"> ■ Over 20 years of management and technical experience in the building materials industry ■ Has held senior management positions at Holcim, Lafarge and Italcementi in the US and China ■ Ph.D in Material Science and Engineering from Pennsylvania State University and MBA from Michigan State University
Mr. Ma Zhaoyang, Non-executive Director	<ul style="list-style-type: none"> ■ Professor of Management, Northwestern Polytechnic University; extensive academic expertise and experience in strategic planning
Ms Liu Yan, Non-executive Director	<ul style="list-style-type: none"> ■ Head of Finance Department of Anhui Conch Group, responsible for financial management, internal audit and internal risk control. ■ Graduate of Tongling University, majoring in Planning & Statistics ■ Anhui Conch board representative.
Mr Qin Hongji, Non-executive Director	<ul style="list-style-type: none"> ■ Regional Head of Anhui Conch in Shaangan; General Manager of Pingliang and Linxia Conch Cement Companies. ■ Graduate of Wuhan University of Technology, majoring in Silicate Technology ■ Anhui Conch board representative
Independent Non-executive Directors	<ul style="list-style-type: none"> ■ Mr Lee Kong Wai, Conway ■ Mr Wong Kun Kau ■ Mr Tam King Ching, Kenny



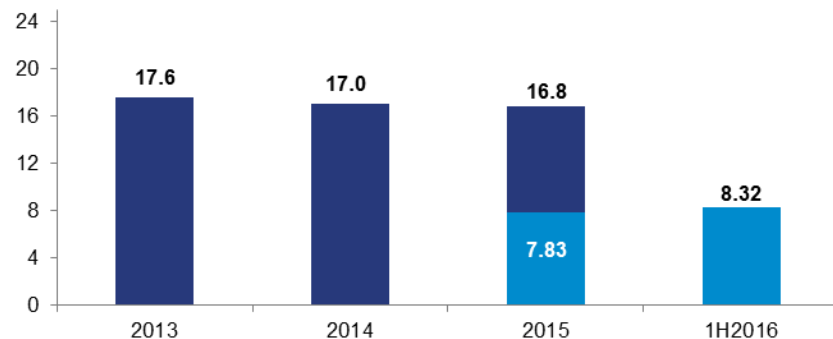
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Financial Performance



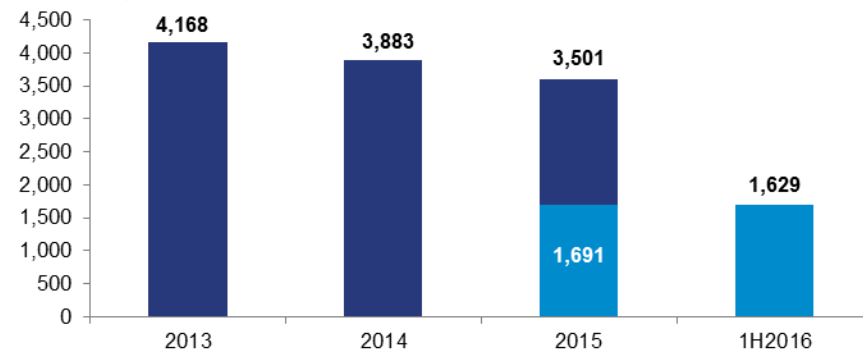
Sales volume of cement

(RMB Tons)



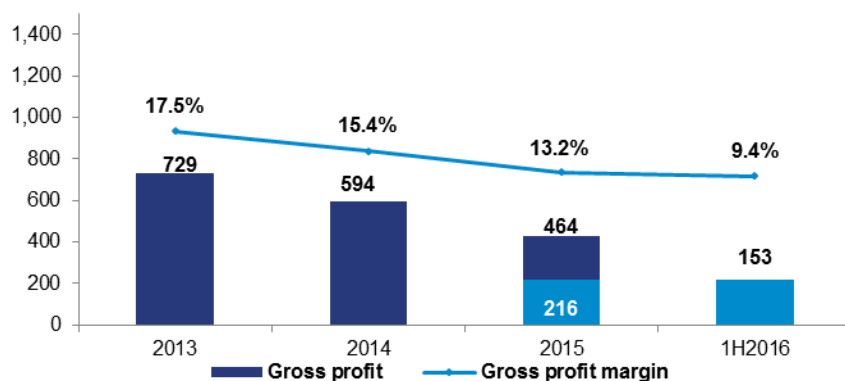
Revenue

(RMB mm)



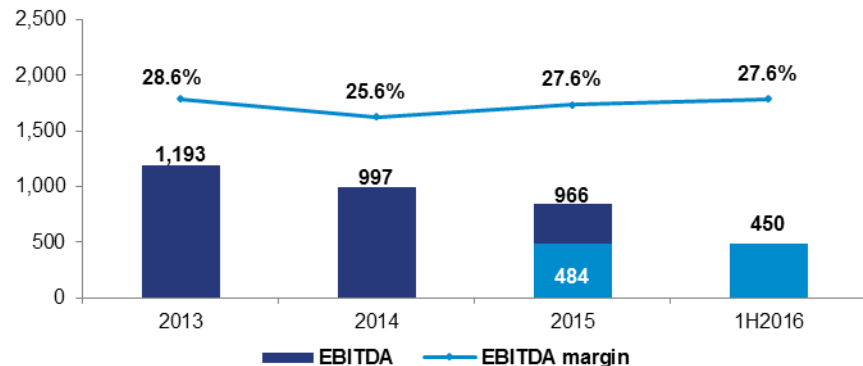
Gross profit and gross profit margin

(RMB mm)



EBITDA^{1&2} and EBITDA margin

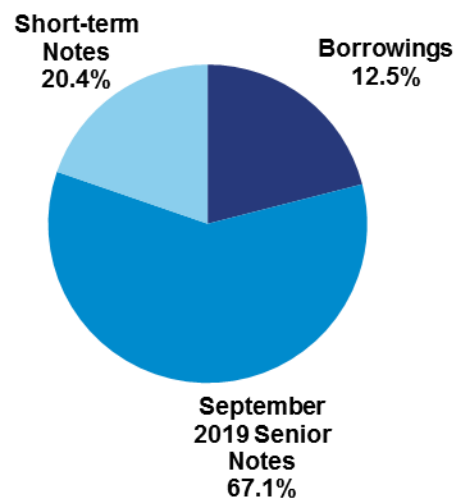
(RMB mm)



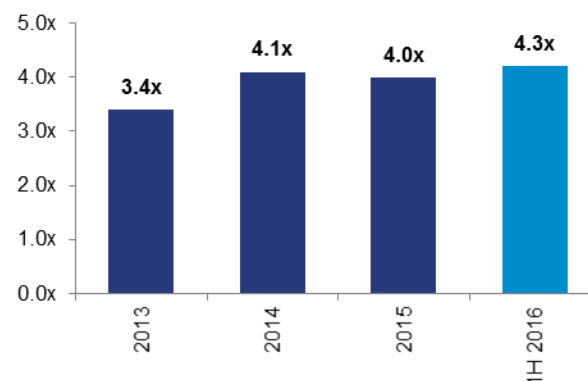
Source: Company information.

1. EBITDA is defined as profit and total comprehensive income minus (x) net foreign exchange (losses) gains and (y) interest income, and plus (i) finance costs, (ii) share-based payments; (iii) impairment loss, (iv) income tax expense; and (v) total depreciation and amortization expenses.
2. 2014 EBITDA includes deduction of RMB92.2m for 2016 Senior Note Redemption Costs.

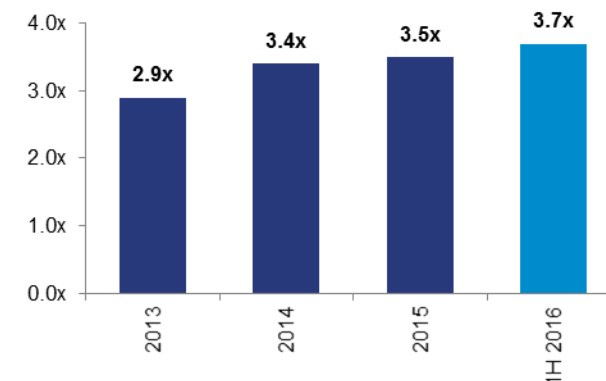
Debt profile ¹



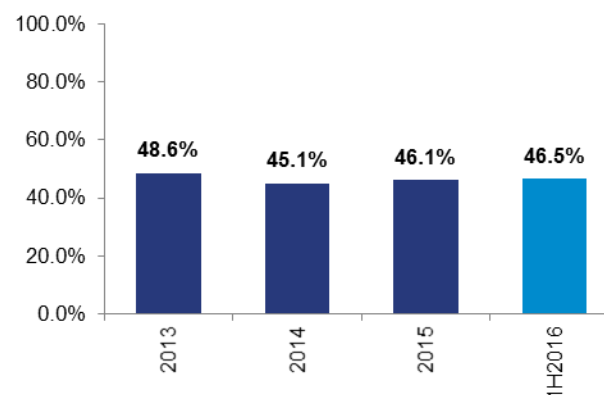
Total debt/EBITDA ^{2 & 3}



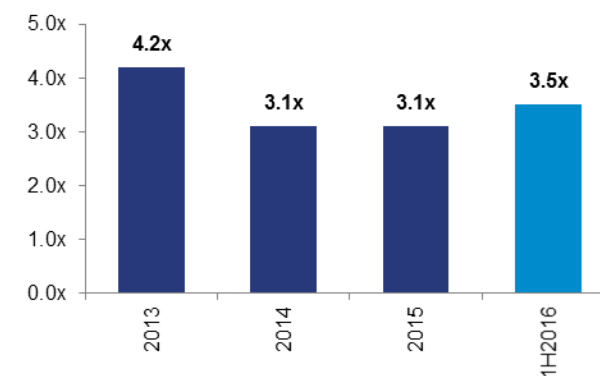
Net debt/EBITDA ^{2 & 3}



Total debt/total capitalization ⁴



Interest coverage ratio ⁵



Source: Company information

1. As of June 30, 2016

2. EBITDA is defined as profit and total comprehensive income minus (x) net foreign exchange (losses) gains and (y) interest income, and plus (i) finance costs, (ii) share-based payments; (iii) impairment loss, (iv). income tax expense; and (v) total depreciation and amortization expenses.

3. EBITDA is 1H2016 value annualised.

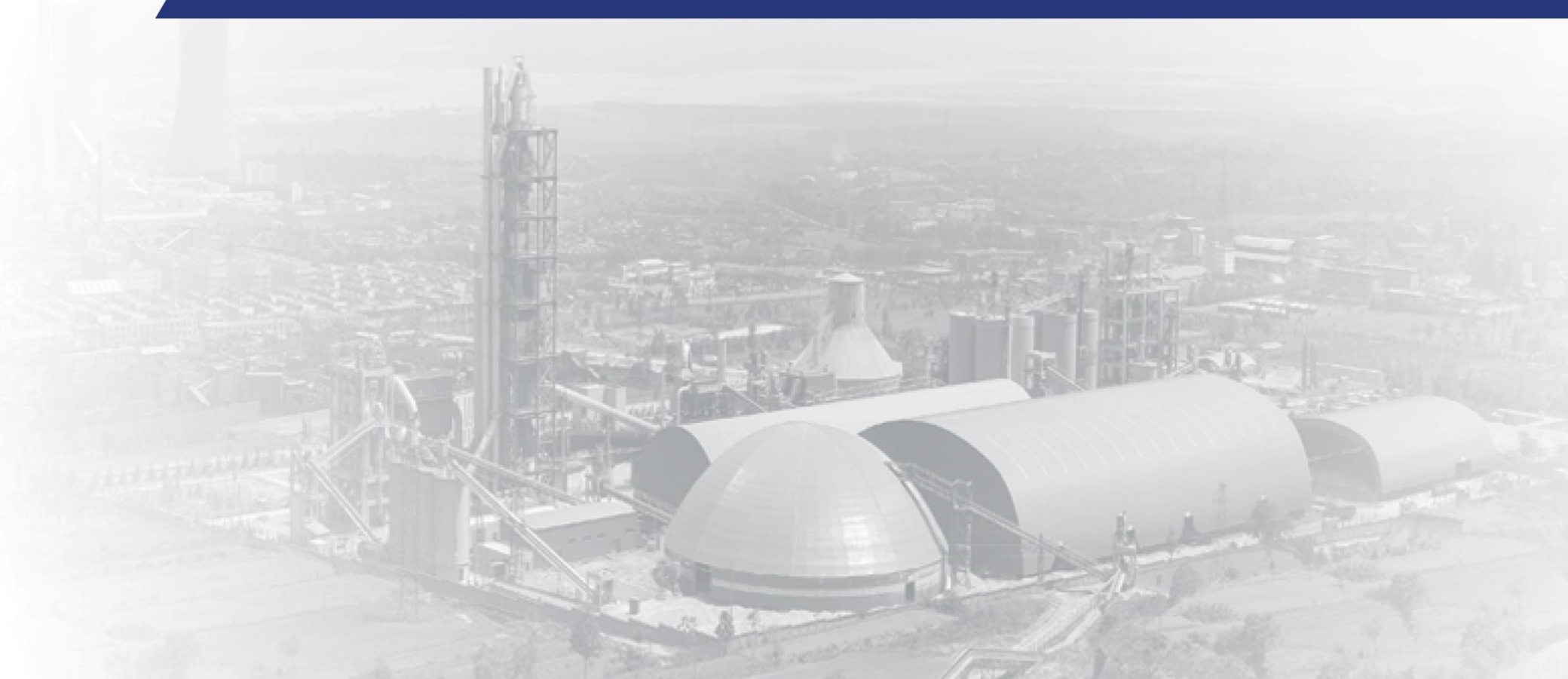
4. Total capitalization equals non-current borrowings plus total equity.

5. EBITDA/Gross interest expense. Gross interest expense is 1H2016 value annualised.



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Appendices



Financial Information

Summary of Consolidated Income Statement

RMB '000	For the year ended 31 December			For the period ended 30 June	
	2013	2014	2015	2015	2016
Revenue	4,167,843	3,883,385	3,500,931	1,690,841	1,628,998
Cost of Sales	(3,438,503)	(3,285,332)	(3,037,447)	(1,474,874)	(1,476,075)
Gross Profit	729,340	598,053	463,484	215,967	152,923
Selling and marketing expenses	(34,718)	(35,826)	(42,953)	(17,072)	(23,397)
Administrative expenses	(243,862)	(258,243)	(270,629)	(122,903)	(114,941)
Other income	169,928	148,156	109,352	66,699	49,608
Other gains / (losses) – net	66,651	(94,911)	(297,560)	(789)	(59,673)
Share of profit of an associate	-	-	-	-	5,167
Finance income	4,817	4,925	18,277	2,697	8,481
Finance cost	(217,074)	(227,118)	(236,508)	(108,831)	(130,750)
Finance costs – net	(212,257)	(222,193)	(218,231)	(106,134)	(122,269)
Profit(Loss) before income tax	475,082	135,036	(256,537)	35,768	(112,582)
Income tax expense	(92,812)	(95,546)	(50,820)	(32,602)	(2,144)
Profit(Loss) for the year	382,270	39,490	(307,357)	3,166	(114,726)

Financial Information

Summary of Consolidated Balance Sheet

Assets

RMB '000	As at 31 December			As at 30 June
	2013	2014	2015	2016
Non-current assets				
Investment in an associate	-	-	-	36,592
Land use rights	448,244	452,929	498,429	492,03
Mining rights	133,116	162,956	281,842	274,142
Other intangible assets	169,693	168,102	195,315	194,141
Deferred income tax assets	18,587	16,118	54,405	63,850
Amount due from non-controlling shareholder of a subsidiary	29,305	39,457	53,260	63,220
	8,802,741	8,911,049	9,339,998	9,046,042
Current assets				
Inventories	530,864	548,318	575,656	529,331
Trade and other receivables and prepayments	707,999	600,921	685,493	704,913
Restricted bank deposits	116,519	212,119	73,397	79,608
Bank balances and cash	506,586	495,605	454,823	507,023
Short-term investment	-	-	253,128	259,503
	1,861,968	1,856,963	2,042,497	2,080,378
Total assets	10,664,709	10,768,012	11,382,495	11,126,420

Liabilities and Equity

RMB '000	As at 31 December			As at 30 June
	2013	2014	2015	2016
Non-current liabilities				
Borrowings	6,000	83,000	3,000	3,000
Senior Notes	2,407,455	2,408,288	2,563,482	2,621,889
Medium-term Notes	794,189	796,548	-	-
Asset retirement obligation	13,763	14,761	20,961	21,598
Deferred income tax liabilities	14,575	20,500	54,731	31,399
Deferred income	55,014	66,633	66,389	61,667
	3,290,996	3,389,730	2,708,563	2,739,553
Current liabilities				
Trade and other payables	1,557,162	1,597,581	1,410,505	1,290,937
Current income tax liabilities	21,870	19,029	22,067	32,554
Medium-term Notes	-	-	799,060	-
Short-term Notes	-	-	-	797,484
Borrowings	709,423	745,173	538,400	485,000
	2,288,455	2,361,783	2,770,032	2,605,975
Total liabilities	5,579,451	5,751,513	5,478,595	5,345,528
Equity				
Total Equity attributable to shareholders	5,044,164	4,970,867	5,856,420	5,734,643
Minority interest	41,094	45,632	47,480	46,249
Total equity	5,085,258	5,016,499	5,903,900	5,780,892
Total equity and liabilities	10,664,709	10,768,012	11,382,495	11,126,420

Financial Information

Summary Consolidated Cash Flow Statements

RMB '000	For the year ended 31 December			For the period ended 30 June	
	2013	2014	2015	2015	2016
Net cash generated from operating activities	932,806	1,181,641	474,070	258,321	422,932
Net cash used in investing activities	(577,077)	(695,811)	(771,736)	(234,691)	(175,497)
Net cash generated from / (used in) financing activities	(217,470)	(483,257)	254,885	1,076,007	(195,916)
Net increase / (decrease) in cash and cash equivalents	138,259	2,573	(42,781)	1,099,637	51,519
Cash and cash equivalent at period end	506,586	495,605	454,823	1,595,215	507,023



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