



中国西部水泥有限公司
WEST CHINA CEMENT LIMITED

2017 Interim Results

August 2017



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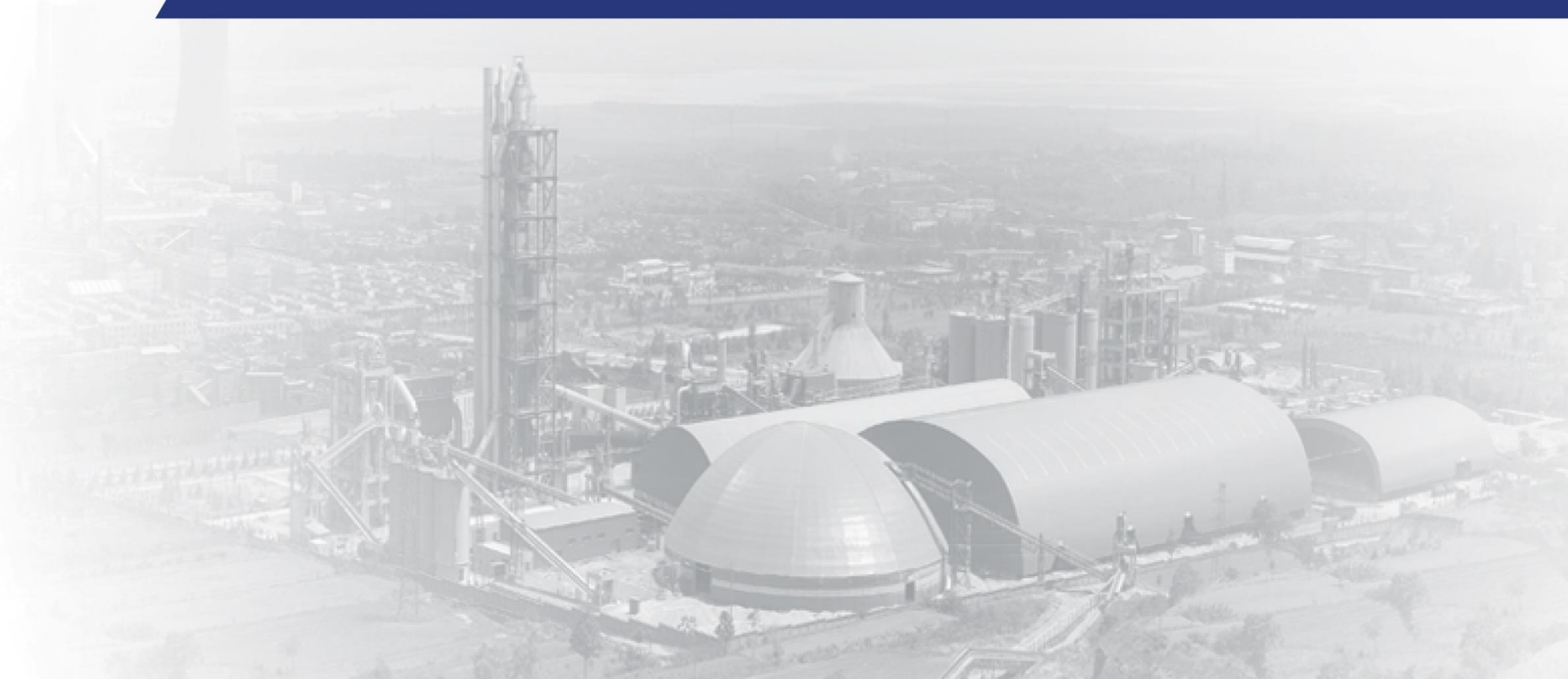
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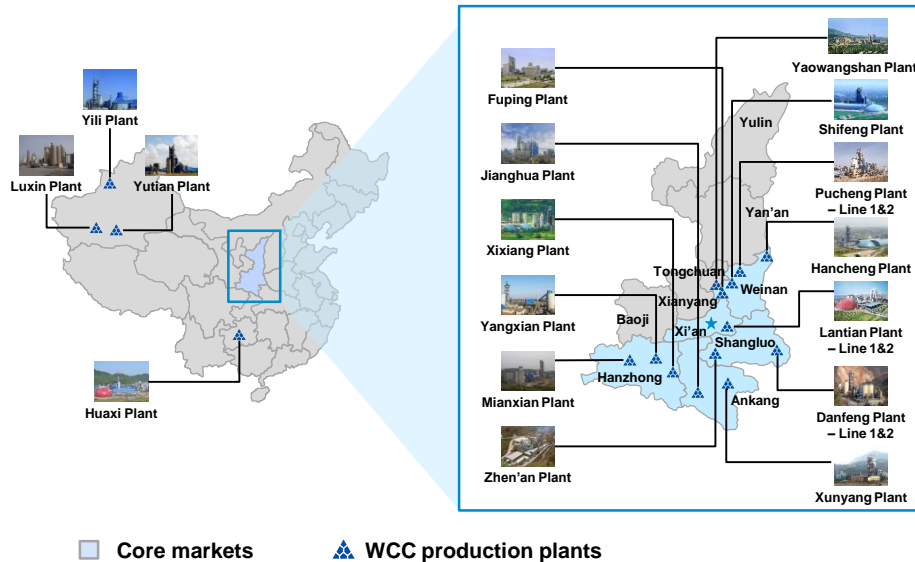


中国西部水泥有限公司
WEST CHINA CEMENT LIMITED

Company Overview



Western China focus – Shaanxi, Xinjiang and Guizhou



The largest cement producer in Shaanxi Province by NSP production capacity

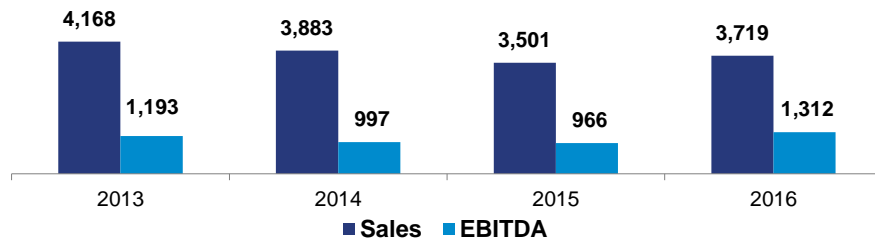
Market leader in Southern and Eastern Central Shaanxi

Annual cement production capacity of 29.2m tons

Revenue and EBITDA of RMB3.7bn and RMB1,312m respectively in FY2016

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

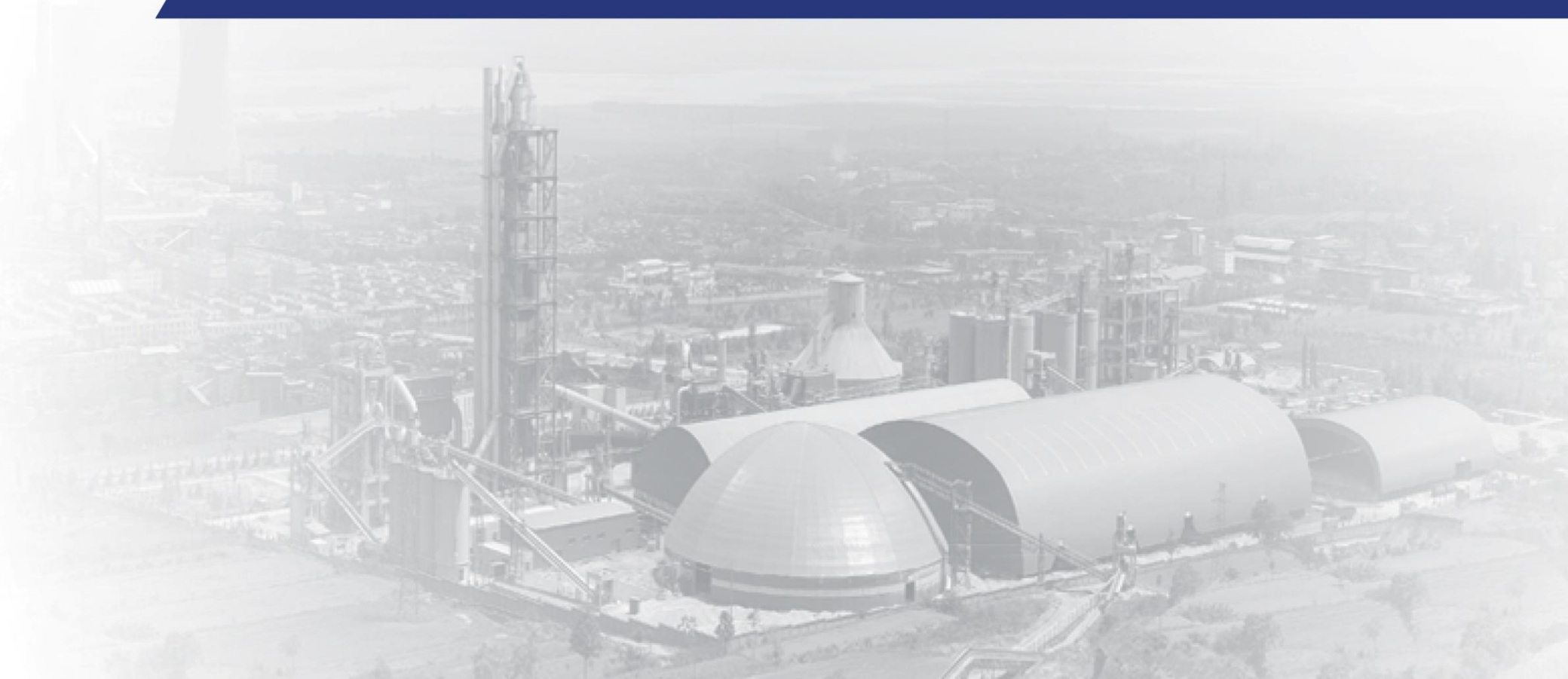
- A key strategic cement asset in North West China

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



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WEST CHINA CEMENT LIMITED

2017 Interim Results



■ Operational

- Period-end installed capacity of 29.2mt (30 June 2016: 29.2mt)
- Cement sales volume of 8.54mt (30 June 2016: 8.32mt). Including clinker sales 8.76mt (30 June 2016: 8.39mt).
- Cement ASP's of RMB 240/t (30 June 2016: RMB193/t)

■ Financial

- Gross Profit increase to RMB466.9m (30 June 2016: RMB152.9m)
- EBITDA increase to RMB761.6m (30 June 2016: RMB449.6m)
- Profit/(Loss) Attributable to Shareholders RMB218.1m (30 June 2016: (RMB113.5m))
- Net Gearing 36.9% (31 December 2016: 45.1%)
- Cash & cash equivalents of RMB1,597.9m (31 December 2016: RMB1,345.6m)

■ Further Developments

- Conch had 1,147,565,970 shares in WCC, representing approximately 21.16% 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

RMB Million (unless otherwise specified)	Ended 30 Jun 2017	Ended 30 Jun 2016	Change		Ended 30 Jun 2017	Ended 30 June 2016
Cement Sales Volume	8.54	8.32	2.6%	ASP/t (RMB)	240	193
Revenue	2,111.9	1,629.0	29.6%	GP/t (RMB)	55	18
Gross Profit	466.9	152.9	205.4%			
EBITDA	761.6	449.6	69.4%	Trade receivable Turnover Days ⁽⁵⁾	40	50
Profit (Loss) Attributable to Shareholders	218.1	(113.5)	292.2%	Inventory Turnover Days ⁽⁶⁾	57	68
Basic E(L)PS (cents)	4.0	(2.1)	290.5%	Trade payable Turnover Days ⁽⁷⁾	64	81
Interim Dividend (cents)	Nil	Nil	Nil			
Gross Profit Margin	22.1%	9.4%	12.7 ppt			
EBITDA Margin	36.1%	27.6%	8.5 ppt			
	As at 30 Jun 2017	As at 31 Dec 2016				
Total Assets	11,144.3	11,181.6	(0.3%)			
Net Debt ⁽¹⁾	2,265.1	2,667.4	(15.1%)			
Net Gearing ⁽²⁾	36.9%	45.1%	(8.2 ppt)			
Net Debt / EBITDA ⁽³⁾	1.5	2.0	(25.0%)			
EBITDA / Fixed Charge ^{(3) (4)}	6.0	5.0	20.0%			
Net Assets Per Share(cents)	113	109	3.7%			

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 1H2017 value annualised

4. Fixed charge means gross interest expenses. 1H2017 value annualised.

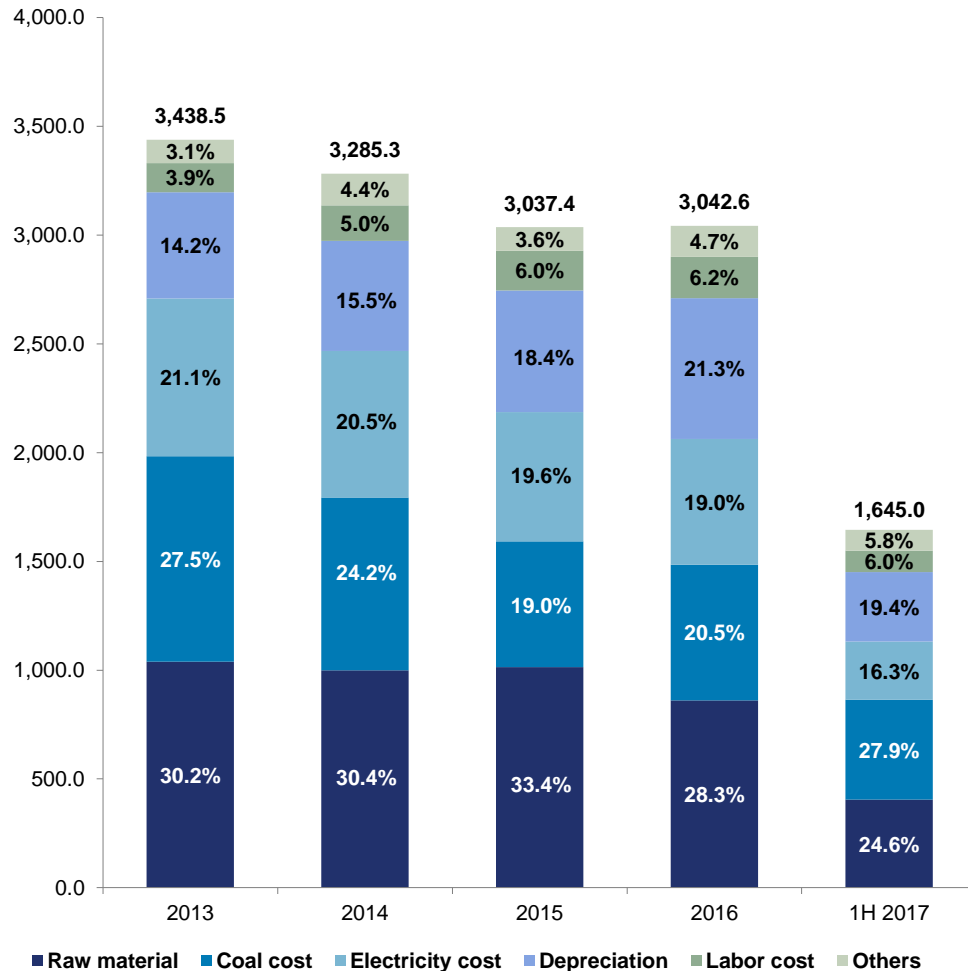
5. 365 day / (Turnover / Average trade and bill receivables)

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

7. 365 day / (Production cost / Average trade and bill payables)

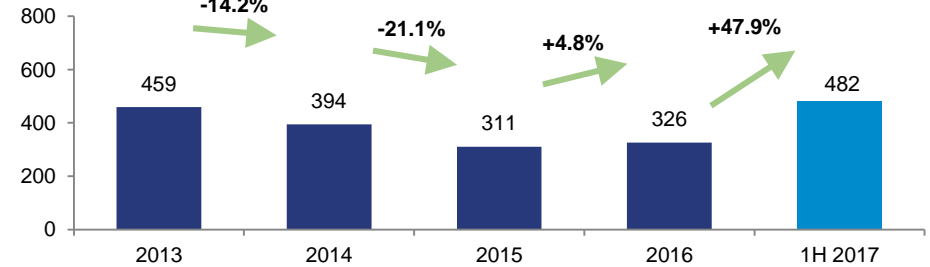
Production Cost

(RMB mm)



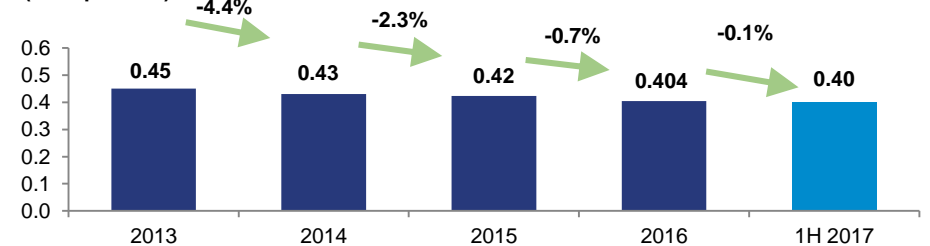
Average Coal Cost

(RMB per ton)



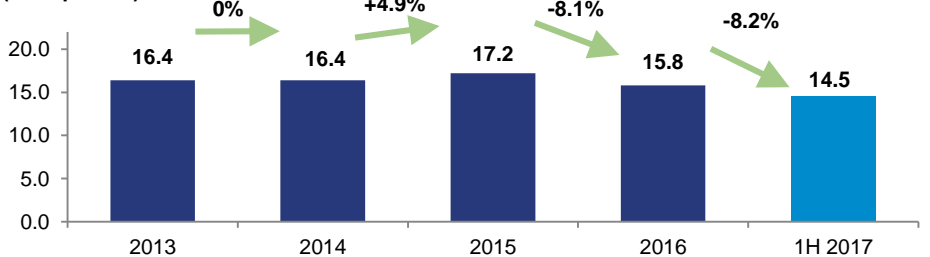
Average Electricity Cost

(RMB per kwh)



Average Limestone Cost

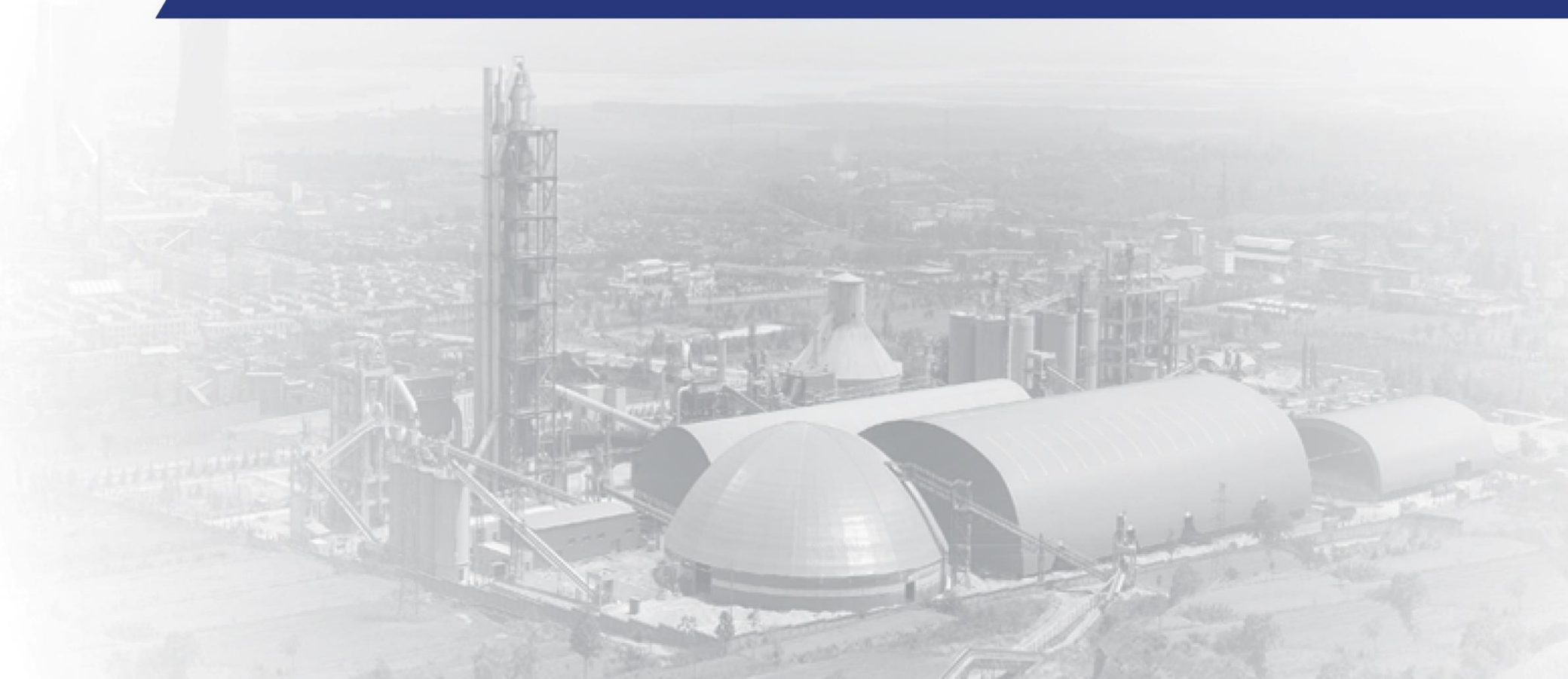
(RMB per ton)



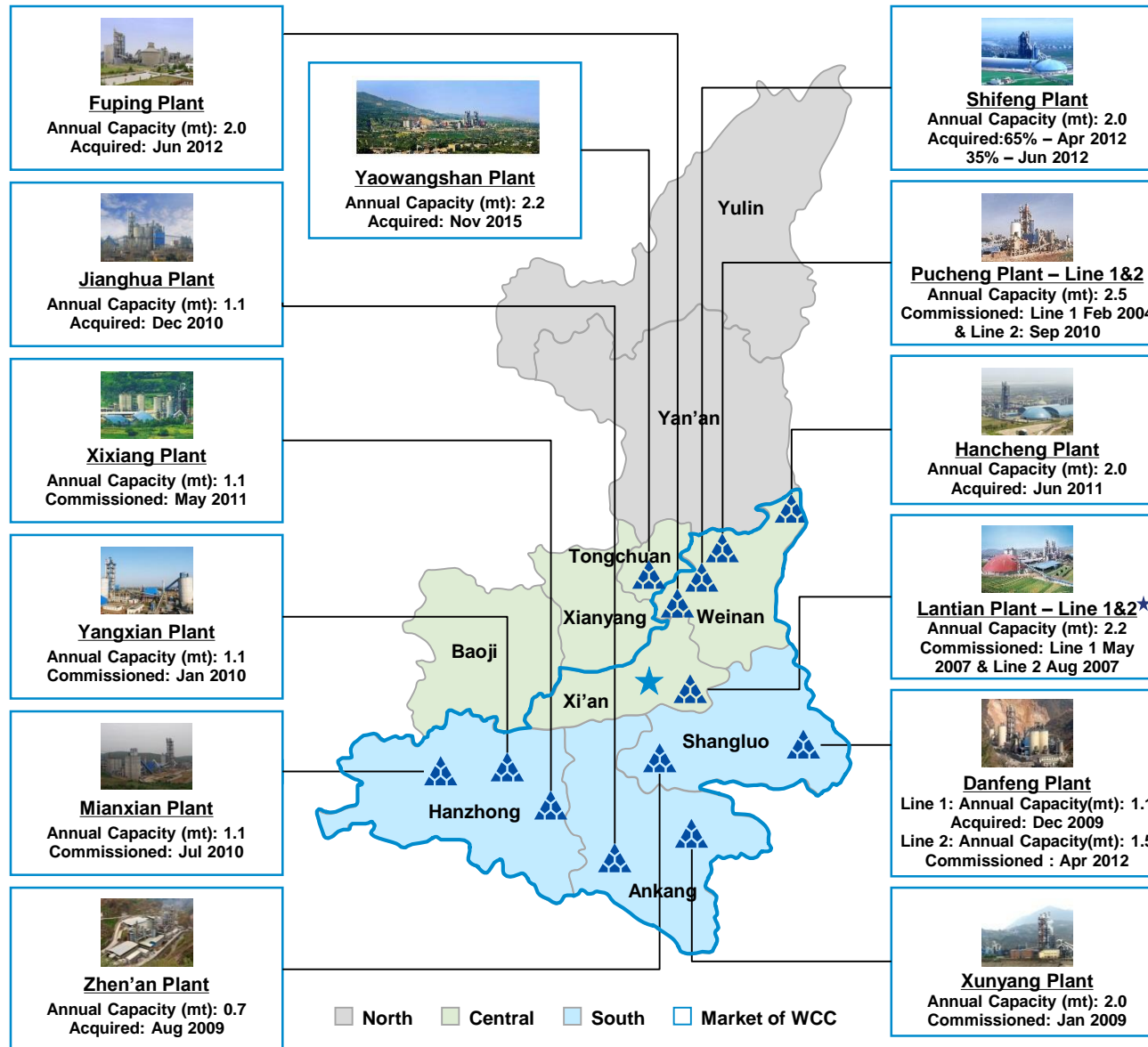


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Operations & Markets



Our Position in Shaanxi's Market



■ Southern Shaanxi – Shangluo, Ankang & Hanzhong

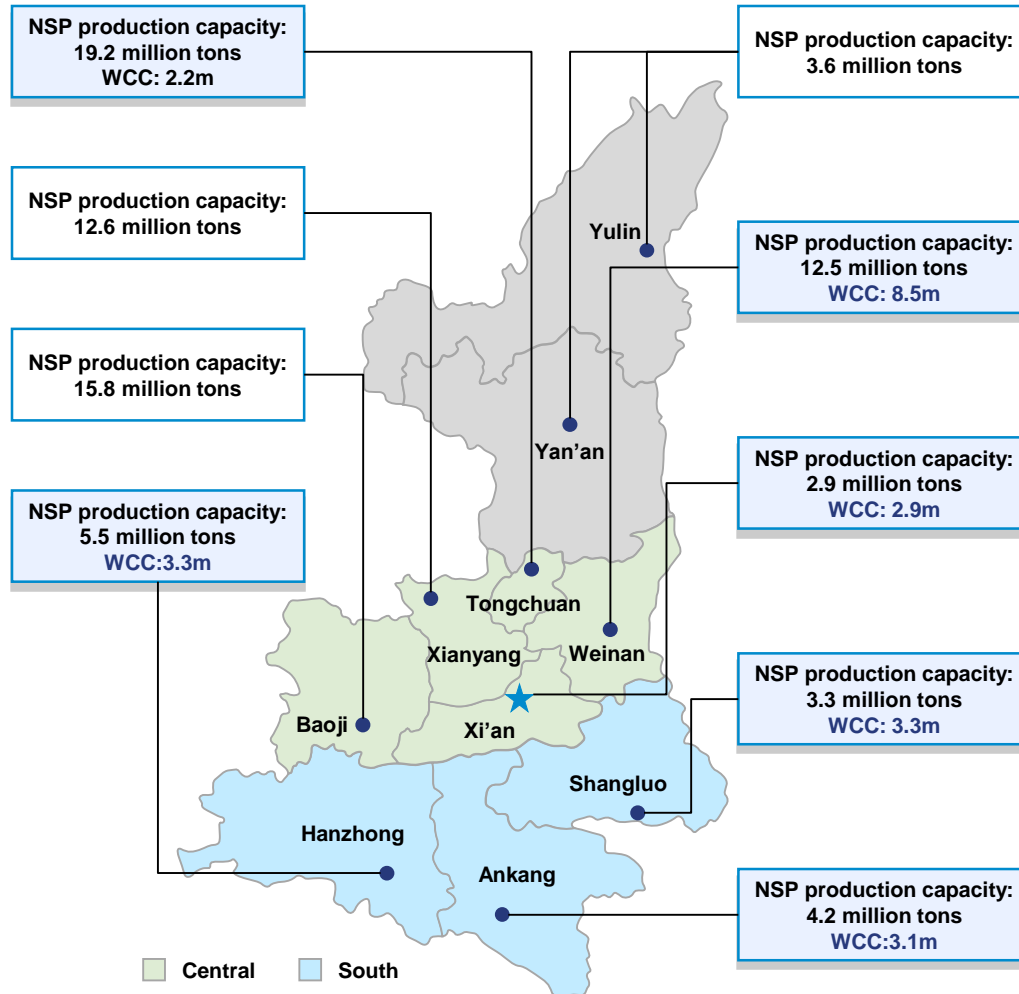
- ☑ An area dominated by the Qingling Mountains
- ☑ Market shares of 60%-100% in each region
- ☑ Limited limestone deposits have resulted in relatively little new cement capacity over the past few years
- ☑ Long transportation distances from other markets
- ☑ Results in a disciplined supply side with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

■ Central Shaanxi – Weinan & Xi'an

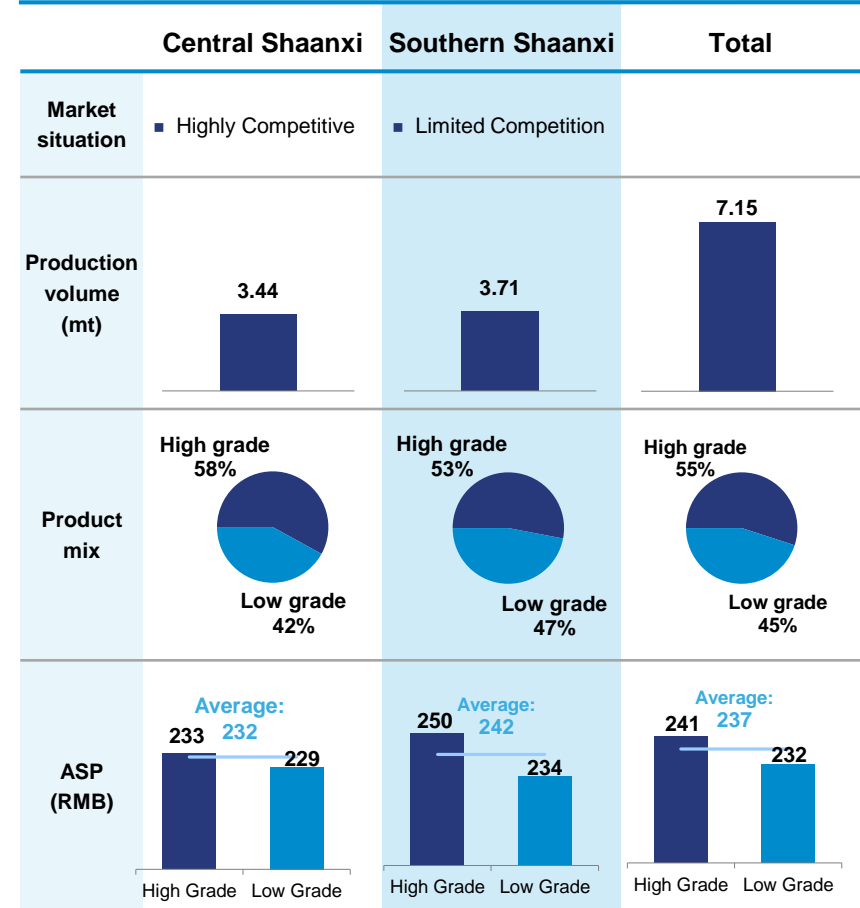
- ☑ Dominated by the Xi'an market which is 30-40% of provincial demand
- ☑ Plentiful limestone, new capacity, more competition
- ☑ Market share of 68% in Weinan Region
- ☑ Three plants in close proximity to the Xi'an market
- ☑ Positioned to benefit from Xi-Xian New Area development plans

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


Dominant Position in Our Core Markets



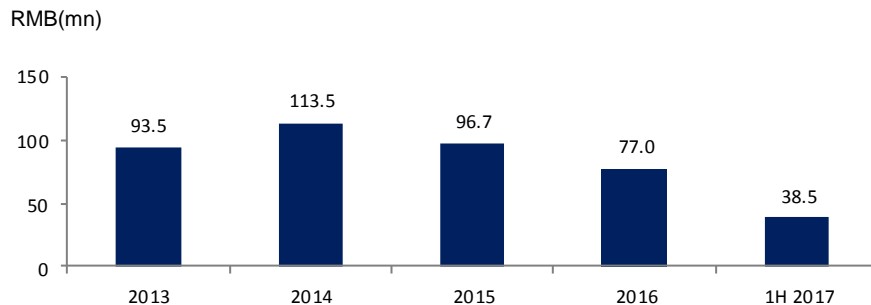
Our regional operational metrics (1H2017)



New environmental standards – upgrades and cost savings

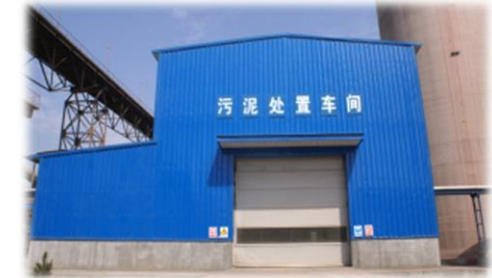
	Progress	Impact
Residual heat recovery systems	 <p>80% of total capacity</p>	<ul style="list-style-type: none"> Reduce 30% electricity consumption Decrease CO₂ emissions by c.20,000 tons/year/mn tons
Denitration (De-NOx) equipment	<ul style="list-style-type: none"> Installation completed at all plants 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.

Waste treatment investment



Waste Treatment – Yaobai Environmental

- **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.
- **Lantian Waste Sludge Treatment Facility. Phase I** current annual capacity of 31,500 tons & **Phase II** of 49,500 tons in production for total annual capacity of 80,500 tons
- **Fuping Municipal Waste Treatment Facility.** Annual capacity of 100,000 tons
- **Mianxian Solid Waste Treatment Facility.** Annual capacity of 16,500 tons is under construction and expects to be completed in 2017.
- **Xianyang Conch Solid Waste Treatment Facility.** Annual capacity of 63,600 tons was acquired during the first half of 2017.

Key infrastructure projects

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 321.5km in Shaanxi. 73% of distance accounted for by bridges and tunnels. WCC will supply 0.8m tons in 2017.

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. WCC will supply 0.45m tons in 2017, which is still a major growth driver in Ankang Region.

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 Langao Expressway

- Starting from Ankang Hanbin District, constructing a pivot interchange in conjunction with Shitian Expressway. Endig at south side to Langao Dabashan Tunnel, which is in conjunction with the entry section of Chongqiang Expressway. Total distance of 91.3km.
- Construction commences in 2017 with total consumption over 1m tons. WCC will supply 0.2m tons in 2017.

Pingli to Zhenping Expressway

- The project connects the eastern Pingli with the Pingli –Longgu pivot interchange of the G4213 (Macheng-Ankang) Ankang-Pingli Expressway , with a total distance of 85.26 km (81.91 km for the Shaanxi section). Total investment is approx. RMB11.041 billion (excluding the Jixinling Tunnel).
- Construction commenced in the end of 2016 with total consumption over 0.9m tons. WCC will supply 0.26m tons in 2017.

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

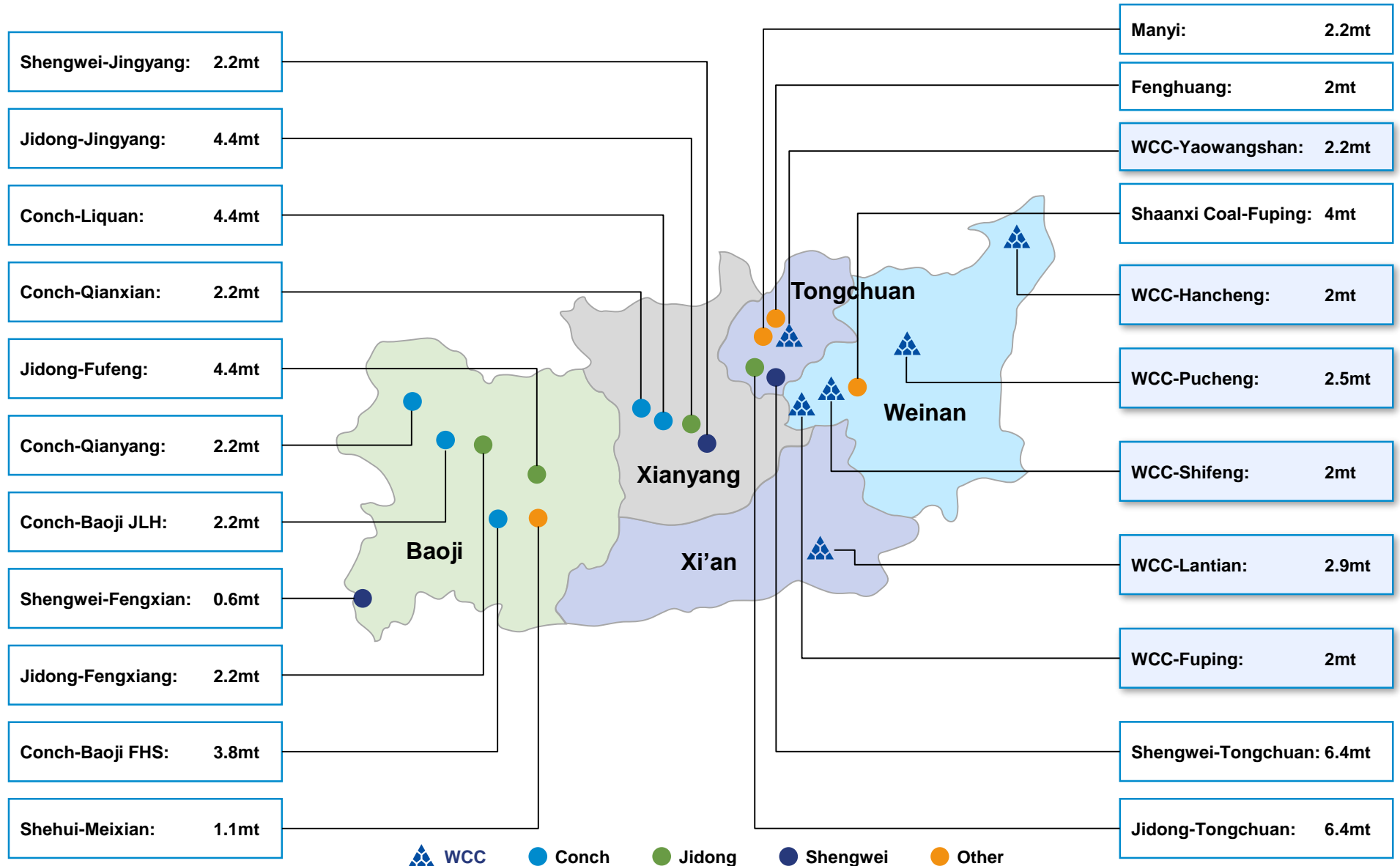
Project Name	Planned Construction Period	Project Name	Planned Construction Period
Railway			
Xi'an-Chengdu Railway (Central and Shannan Region)	2012-2017	Yinchuan-Xi'an Railway (Central Region)	2016-2021
Yangpingguan-Ankang Railway Line II (Shannan Region)	2016-2018		
Expressway			
Shanyang-Zhashui (Shannan Region)	2017-2018	Baoji-Hanzhong Expressway (Shannan Region)	2013-2017
Taoba Expressway (Shannan Region)	2016-2020	Xixiang-Zhenba Expressway (Shannan Region)	2017-2020
Taibai-Fengxian Expressway (Shannan Region)	2017-2018		
Others			
Xunyang Hydropower Station (Shannan Region)	2017-2022	Nangoumen Reservoir (Central Region)	2016-2020
Xi'an Metro Line 5&6 (Central Region)	2016-2020	Hanjiang No.4 Bridge (Shannan Region)	2016-2018
Xi'an Railway Station Reconstruction and Expansion (Central Region)	2016-2018	Donghe Reservoir (Shannan Region)	2016-2018

Other infrastructure projects scheduled to commence construction

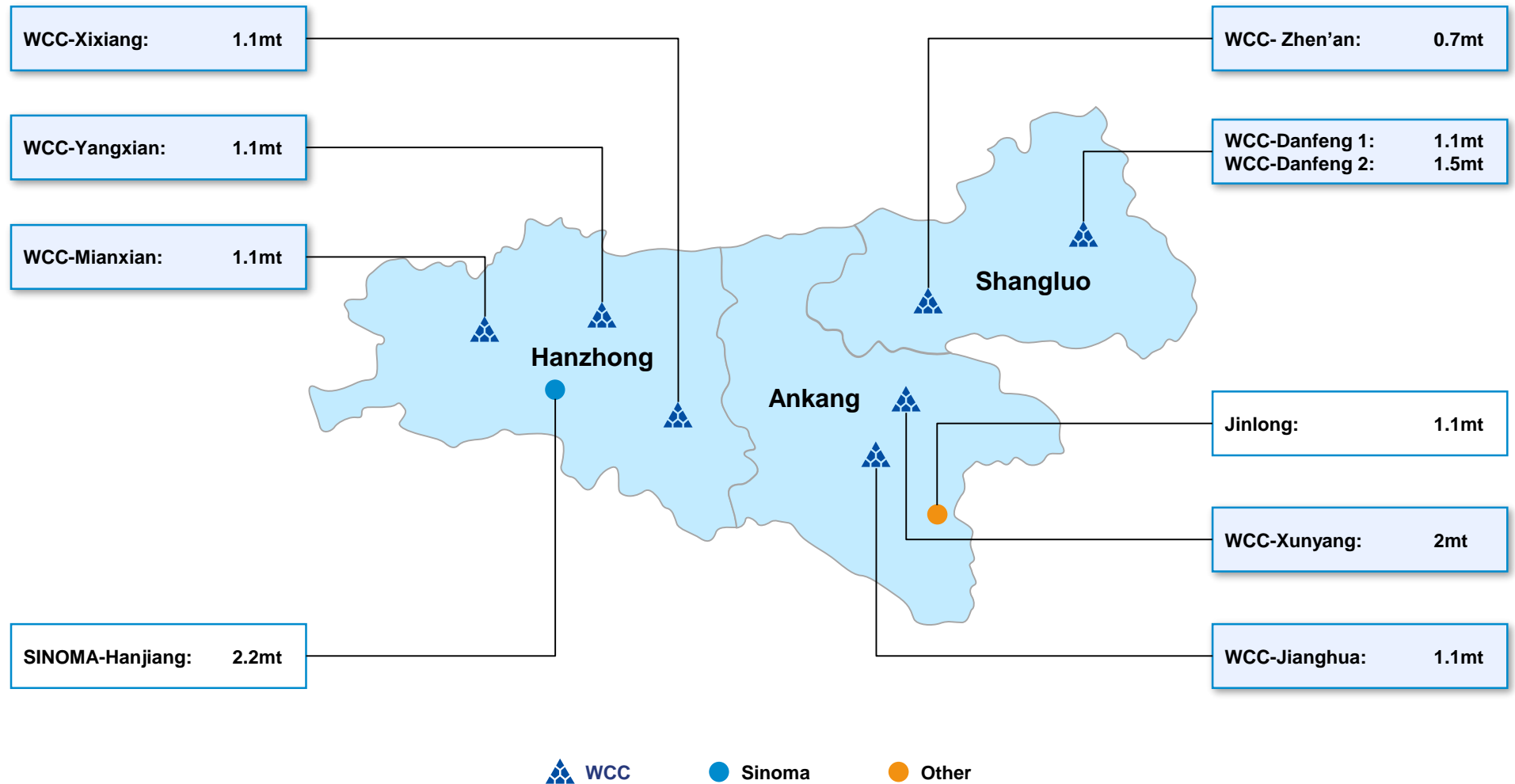
Project Name	Planned Construction Period	Project Name	Planned Construction Period
Railway		Airport	
Xi'an-Yan'an Railway (Central Region)	2017-2021	Ankang Airport (Shannan Region)	2017-2021
Xi'an-Wuhan Railway (Shannan Region)	2017-2021	Yan'an Airport (Central Region)	2017-2021
Xi'an-Chongqing Railway (Shannan Region)	2017-2021	Xi'an Xianyang international Airport Phase III (Central Region)	2017-2020
Xi'an-Famen Temple Inter-City Railway (Central Region)	2017-2021		
Xi'an-Hancheng Inter-City Railway (Central Region)	2017-2021	Hydropower Station	
Yanliang-Xianyang International Airport Inter-City Railway (Central Region)	2017-2021	Zhen'an Hydropower Station (Shannan Region)	2017-2021
Expressway		Others	
Heyang-Tongchuan Expressway (Central Region)	2017-2020	Dongzhuang Reservoir (Central Region)	2017-2021
Reconstruction and extension of Pucheng-Laoyukou Expressway of Beijing-Kunming line (Central Region)	2018-2021	Xi'an Metro Line 9 (Central Region)	2017-2020
Shiquan-Ningshan Expressway (Shannan Region)	2017-2021		
Xi'an-Xianyang South Ring Expressway (Central Region)	2018-2021		

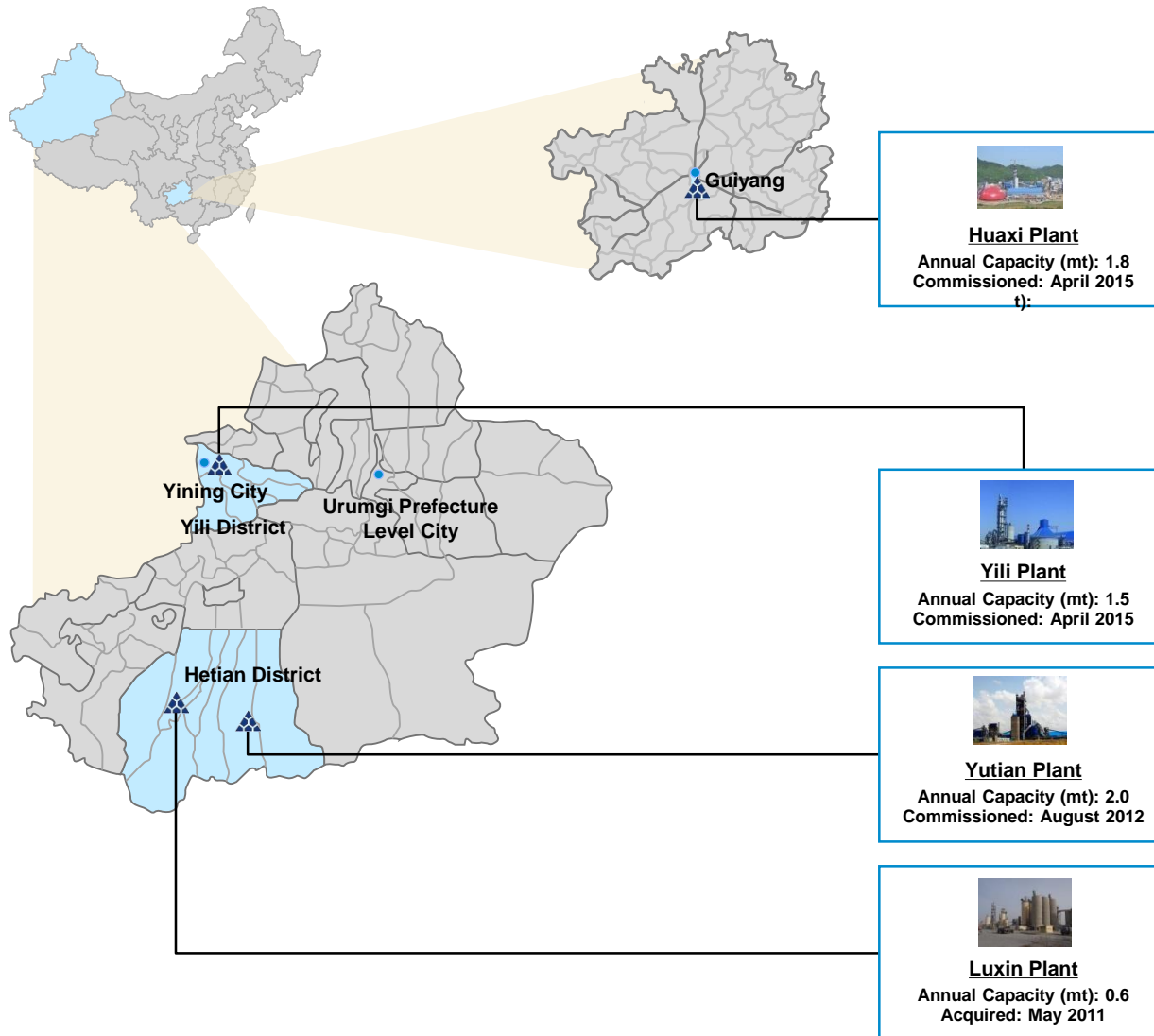
Source: Shaanxi Province NDRC Data.

Central Shaanxi – Competitive Landscape



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

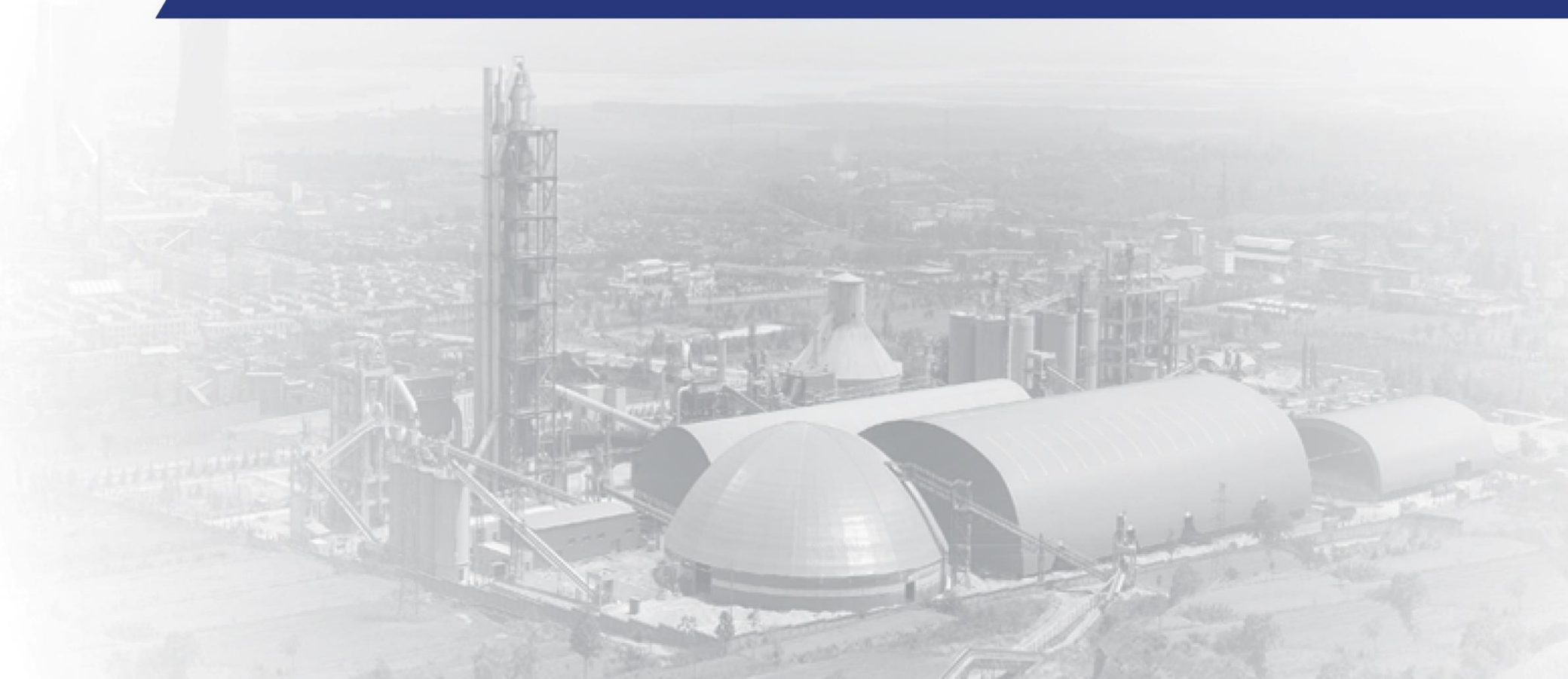
- ✓ Established presence in Hetian area with 50% market share by NSP production capacity
- ✓ Key energy and resource supply area. Abundant cheap coal

Mr. Zhang Jimin, Chairman & Executive Director	<ul style="list-style-type: none"> ■ Over 26 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
Dr. Ma Weiping, CEO & Executive Director	<ul style="list-style-type: none"> ■ Over 21 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



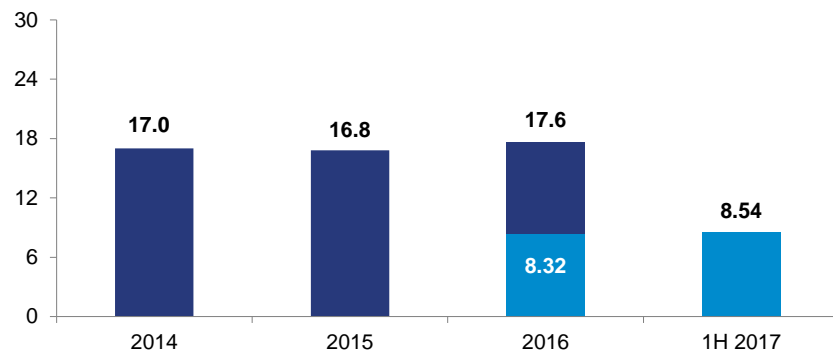
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Financial Performance



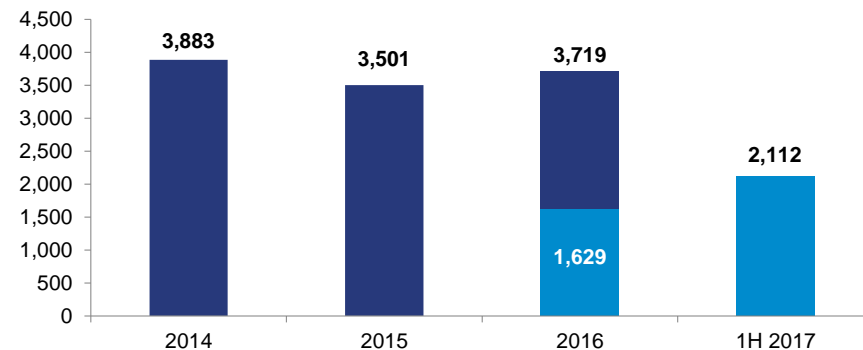
Sales volume of cement

(RMB Tons)



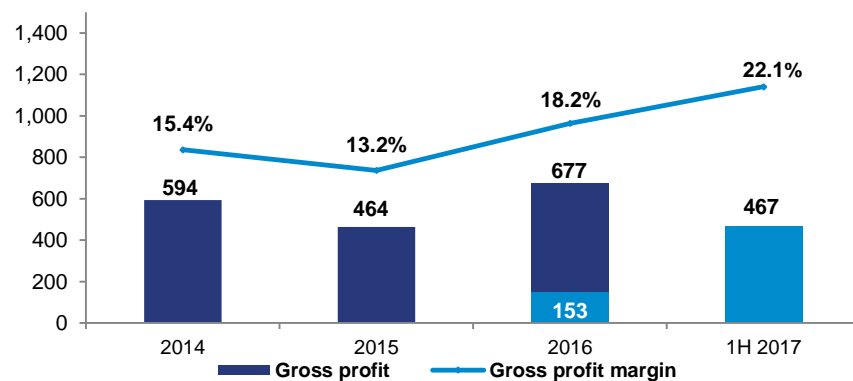
Revenue

(RMB mm)



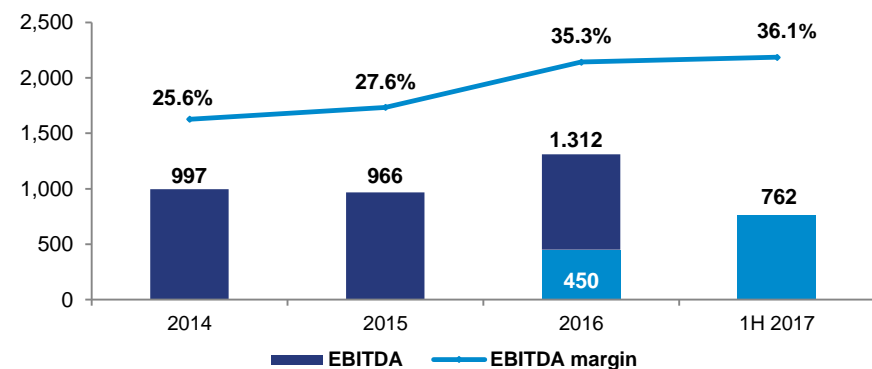
Gross profit and gross profit margin

(RMB mm)



EBITDA ^{1&2} and EBITDA margin

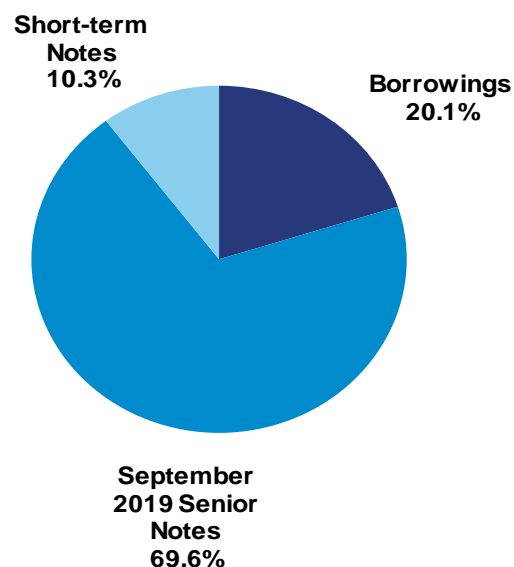
(RMB mm)



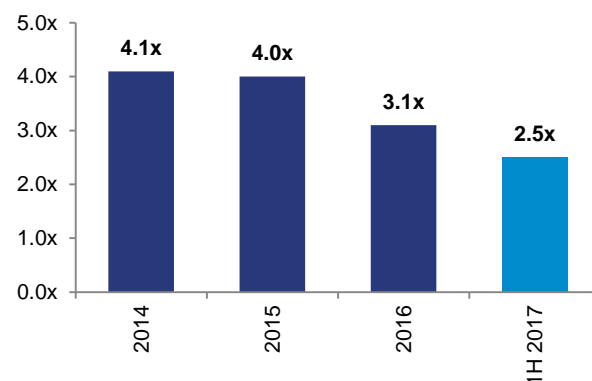
Source: Company information.

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.

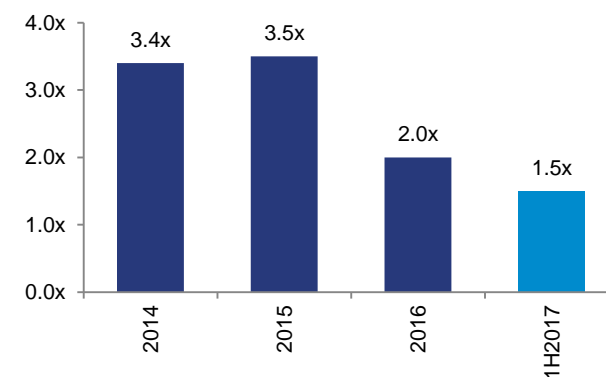
Debt profile ¹



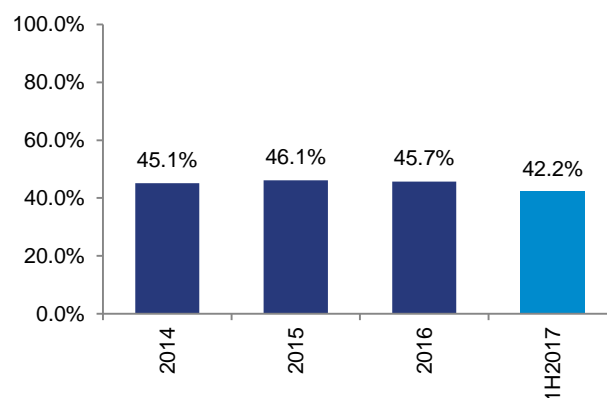
Total debt/EBITDA ^{2 & 3}



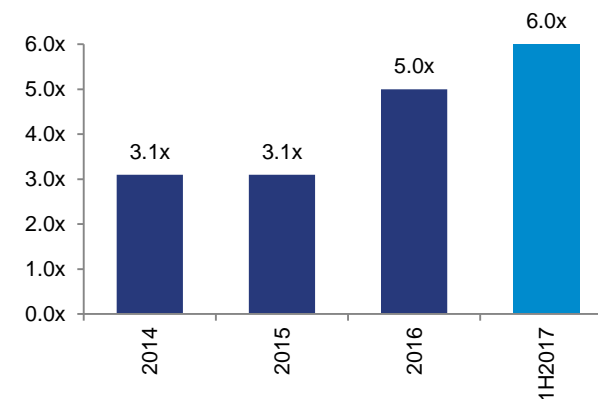
Net debt/EBITDA ^{2 & 3}



Total debt/total capitalization ⁴



Interest coverage ratio ⁵



Source: Company information

1. As of June 30, 2017

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 1H2017 value annualised.

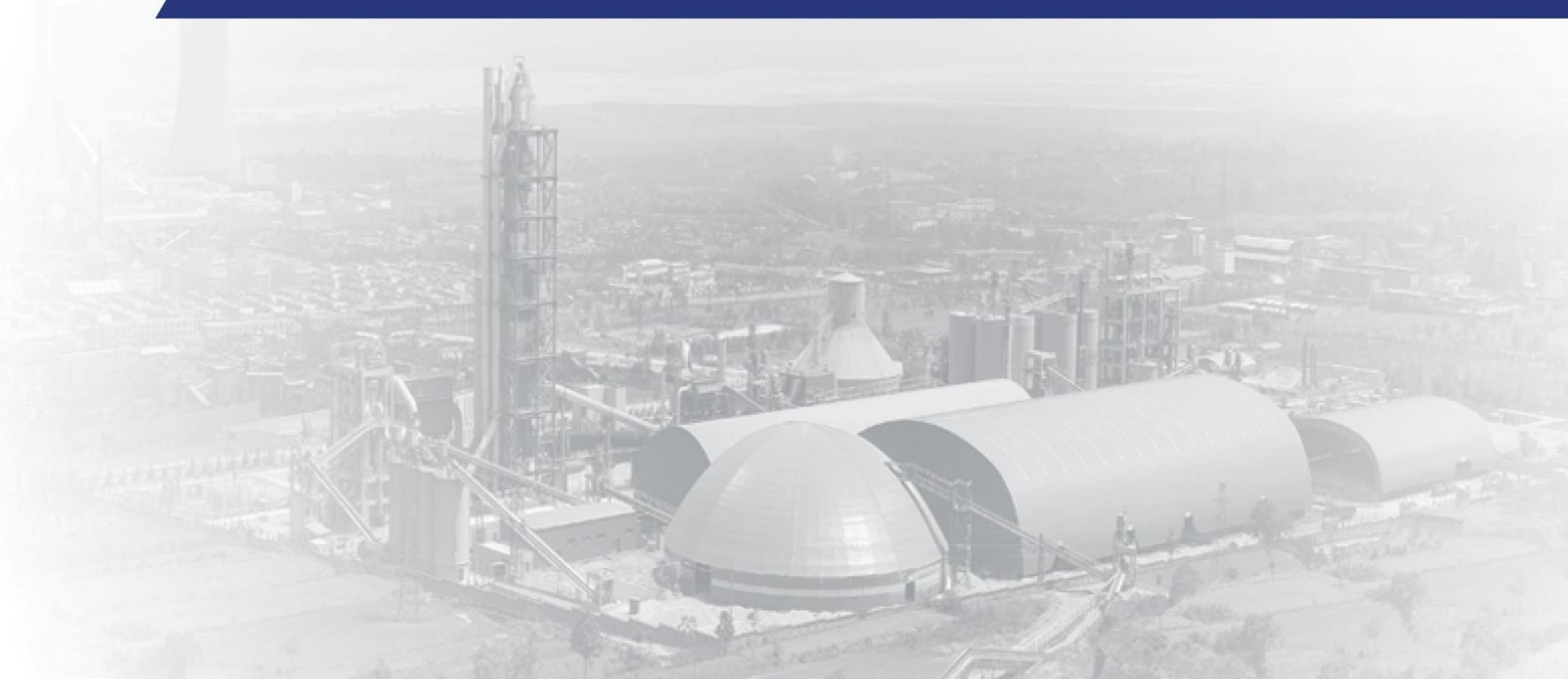
4. Total capitalization equals non-current borrowings plus total equity.

5. EBITDA/Gross interest expense. Gross interest expense is 1H2017 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	
	2014	2015	2016	2016	2017
Revenue	3,883,385	3,500,931	3,719,280	1,628,998	2,111,890
Cost of Sales	(3,285,332)	(3,037,447)	(3,042,628)	(1,476,075)	(1,644,968)
Gross Profit	598,053	463,484	676,652	152,923	466,922
Selling and marketing expenses	(35,826)	(42,953)	(42,454)	(23,397)	(23,594)
Administrative expenses	(258,243)	(270,629)	(242,249)	(114,941)	(126,863)
Other expenses	-	-	-	-	(34,100)
Other income	148,156	109,352	151,076	49,608	96,761
Other gains / (losses) – net	(94,911)	(297,560)	(184,356)	(59,673)	39,112
Share of profit of an associate	-	-	9,532	5,167	7,497
Finance income	4,925	18,277	16,664	8,481	7,077
Finance cost	(227,118)	(236,508)	(265,467)	(130,750)	(126,862)
Finance costs – net	(222,193)	(218,231)	(248,803)	(122,269)	(119,785)
Profit(Loss) before income tax	135,036	(256,537)	119,398	(112,582)	305,950
Income tax expense	(95,546)	(50,820)	(104,460)	(2,144)	(80,651)
Profit(Loss) for the year	39,490	(307,357)	14,938	(114,726)	225,299

Financial Information

Summary of Consolidated Balance Sheet

Assets

RMB '000	As at 31 December			As at 30 June
	2014	2015	2016	2017
Non-current assets				
Investment in an associate	-	-	40,957	48,454
Property, plant and equipment	8,071,487	8,256,747	7,564,018	7,211,887
Land use rights	452,929	498,429	486,675	478,755
Mining rights	162,956	281,842	272,714	266,618
Other intangible assets	168,102	195,315	192,973	191,930
Deferred income tax assets	16,118	54,405	45,931	45,775
Amount due from non-controlling shareholder of a subsidiary	39,457	53,260	63,225	63,228
	8,911,049	9,339,998	8,666,493	8,306,647
Current assets				
Inventories	548,318	575,656	508,893	522,475
Trade and other receivables and prepayments	600,921	685,493	660,545	717,337
Restricted bank deposits	212,119	73,397	86,978	73,036
Bank balances and cash	495,605	454,823	1,258,668	1,524,851
Short-term investment	-	253,128	-	-
	1,856,963	2,042,497	2,515,084	2,837,699
Total assets	10,768,012	11,382,495	11,181,577	11,144,346

Liabilities and Equity

RMB '000	As at 31 December			As at 30 June
	2014	2015	2016	2017
Non-current liabilities				
Borrowings	83,000	3,000	2,000	202,000
Senior Notes	2,408,288	2,563,482	2,747,221	2,687,295
Medium-term Notes	796,548	-	-	-
Asset retirement obligation	14,761	20,961	22,066	21,156
Deferred income tax liabilities	20,500	54,731	39,078	39,724
Deferred income	66,633	66,389	58,136	63,364
	3,389,730	2,708,563	2,868,501	3,013,539
Current liabilities				
Trade and other payables	1,597,581	1,410,505	1,076,940	928,903
Current income tax liabilities	19,029	22,067	58,965	86,054
Medium-term Notes	-	799,060	-	-
Short-term Notes	-	-	799,214	398,700
Borrowings	745,173	538,400	464,600	575,000
	2,361,783	2,770,032	2,399,719	1,988,657
Total liabilities	5,751,513	5,478,595	5,268,220	5,002,196
Equity				
Total Equity attributable to shareholders	4,970,867	5,856,420	5,862,630	6,084,182
Minority interest	45,632	47,480	50,727	57,968
Total equity	5,016,499	5,903,900	5,913,357	6,142,150
Total equity and liabilities	10,768,012	11,382,495	11,181,577	11,144,346

Financial Information

Summary Consolidated Cash Flow Statements

RMB '000	For the year ended 31 December			For the period ended 30 June	
	2014	2015	2016	2016	2017
Net cash generated from operating activities	1,181,641	474,070	1,315,842	418,932	538,305
Net cash used in investing activities	(695,811)	(771,736)	(172,157)	(171,497)	(32,242)
Net cash generated from / (used in) financing activities	(483,257)	254,885	(342,042)	(195,916)	(239,626)
Net increase / (decrease) in cash and cash equivalents	2,573	(42,781)	801,643	51,519	266,437
Cash and cash equivalent at period end	495,605	454,823	1,258,668	507,023	1,524,851



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