



中国西部水泥有限公司
WEST CHINA CEMENT LIMITED

2018 Interim Results

August 2018



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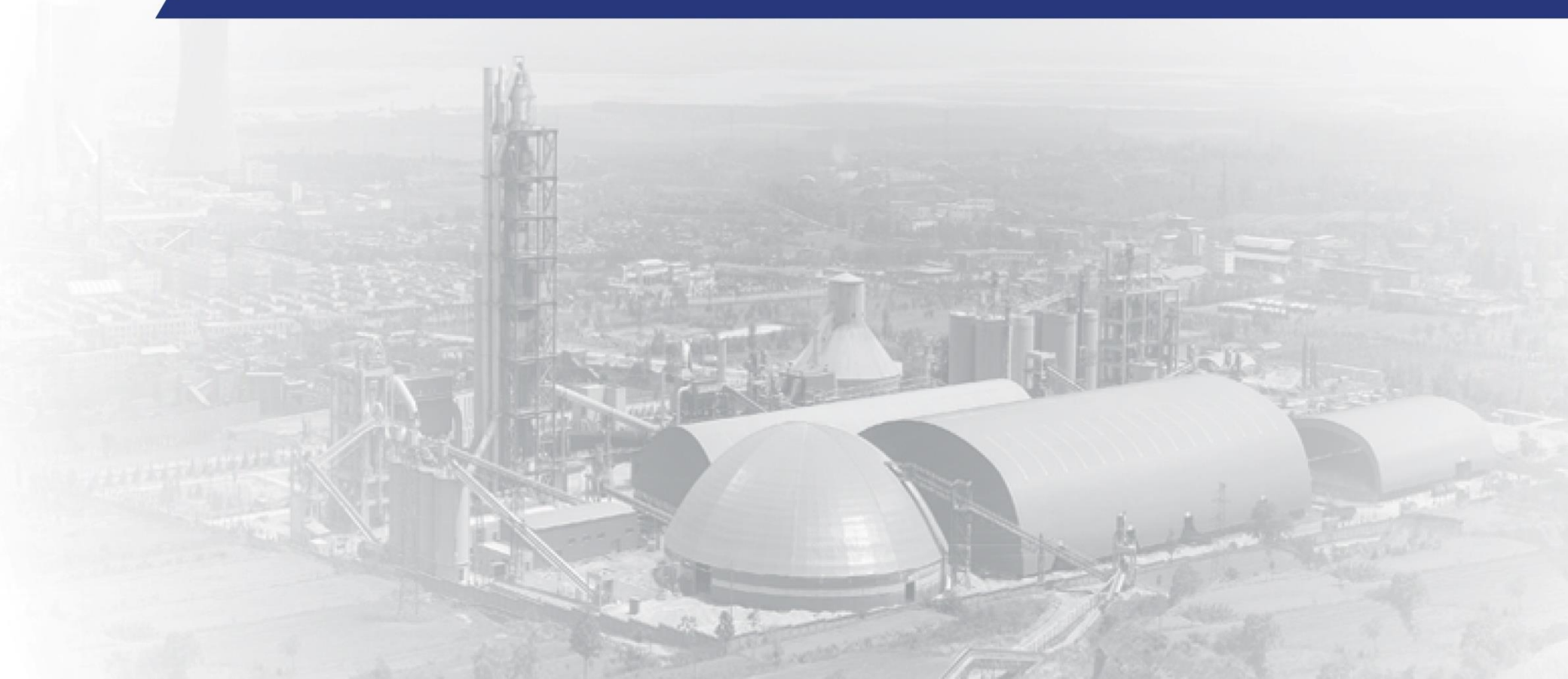
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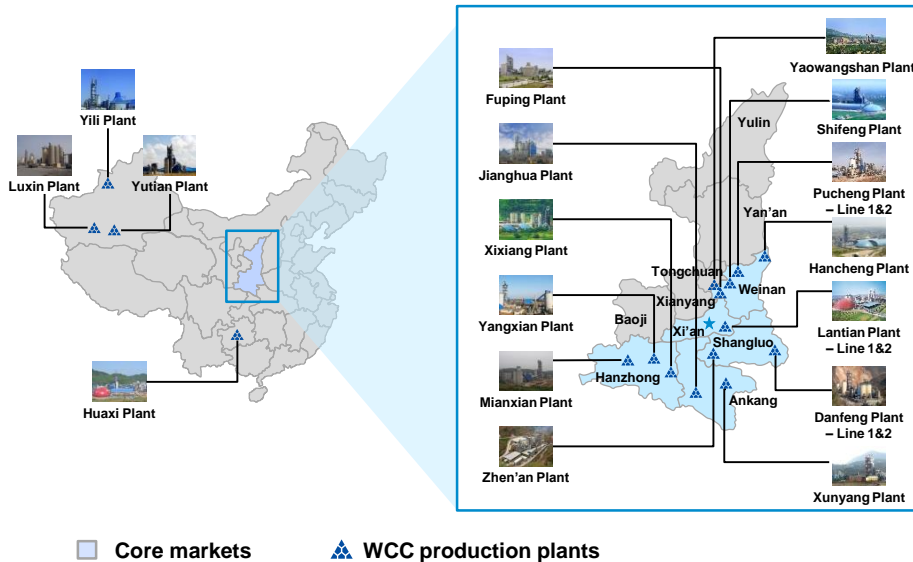


中国西部水泥有限公司
WEST CHINA CEMENT LIMITED

Company Overview



Western China focus – Shaanxi, Xinjiang and Guizhou



The largest cement producer in Shaanxi Province by NSP production capacity

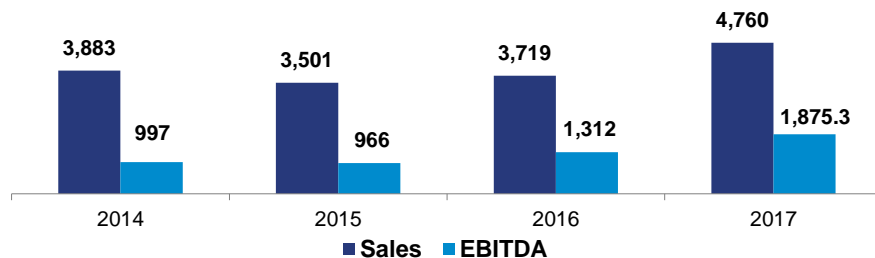
Market leader in Southern and Eastern Central Shaanxi

Annual cement production capacity of 29.2m tons

Revenue and EBITDA of RMB4.8bn and RMB1,875m respectively in FY2017

Sales and EBITDA* Trend

(RMB mn)



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

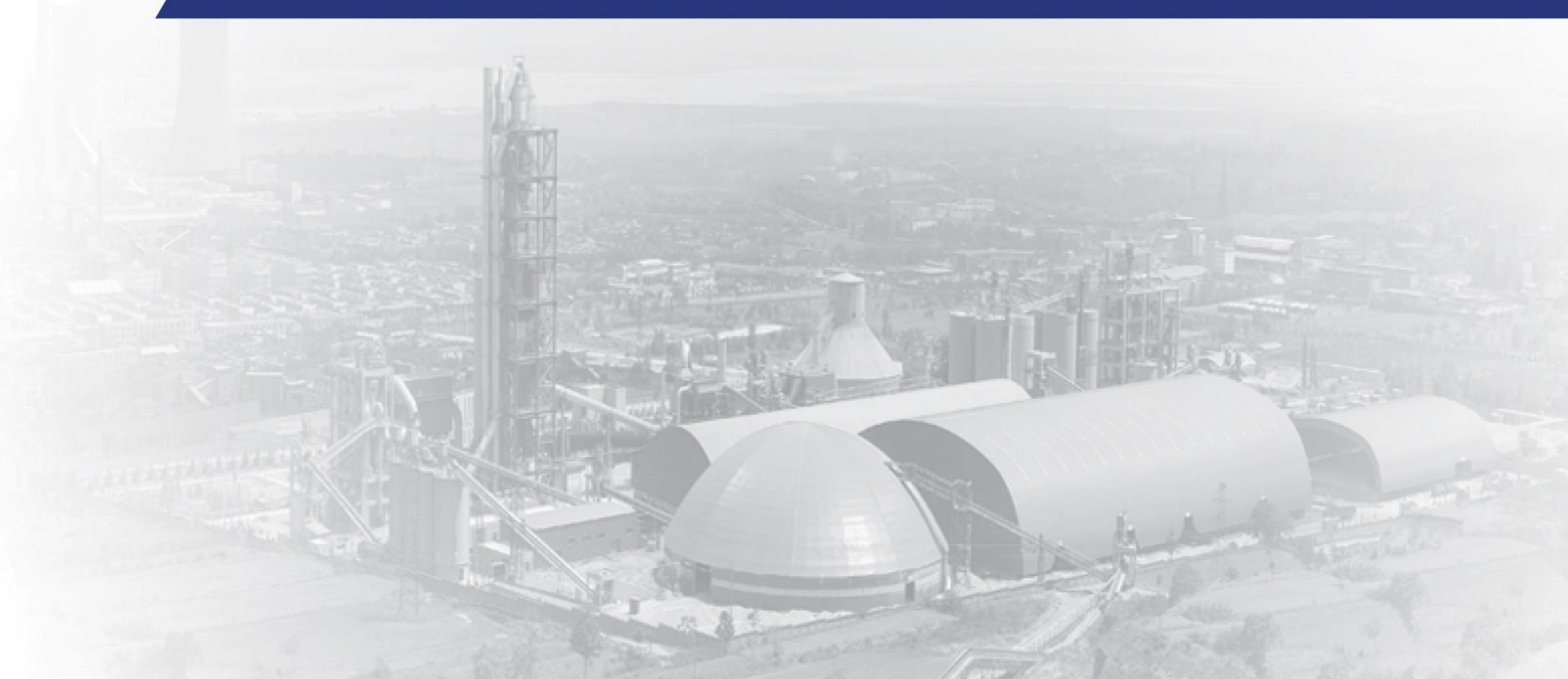
- 100% NSP capacity. Matching Clinker/Cement volumes at each plant
- Southern Shaanxi core markets: Dominant market position
- Eastern Central Shaanxi core market: Access to Xi'an metropolitan market
- Xinjiang and Guizhou: Growth opportunities
- Well positioned to capitalize on West China development

- A key strategic cement asset in North West China



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2018 Interim Results



■ Operational

- Period-end installed capacity of 29.2mt (30 June 2017: 29.2mt)
- Cement sales volume of 8.14mt (30 June 2017: 8.54mt). Including clinker sales 8.19mt (30 June 2017: 8.76mt).
- Cement ASP's of RMB 313/t (30 June 2017: RMB240/t)

■ Financial

- Gross Profit increase to RMB966.5m (30 June 2017: RMB466.9m)
- EBITDA increase to RMB1,301.1m (30 June 2017: RMB761.6m)
- Profit Attributable to Shareholders RMB646.7m (30 June 2017: RMB218.1m)
- Net Gearing 28.9% (31 December 2017: 34.5%)
- Cash & cash equivalents of RMB1,229.6m (31 December 2017: RMB1,375.4m)

■ Further Developments

- Conch had 1,147,565,970 shares in WCC, representing approximately 21.11% 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 2018	Ended 30 Jun 2017	Change
Cement Sales Volume	8.14	8.54	(4.7%)
Revenue	2,601.9	2,111.9	23.2%
Gross Profit	966.5	466.9	107.0%
EBITDA	1,301.1	761.6	70.8%
Profit Attributable to Shareholders	646.7	218.1	196.5%
Basic EPS (cents)	11.9	4.0	197.5%
Interim Dividend (cents)	1.2	Nil	Nil
Gross Profit Margin	37.1%	22.1%	15.0p.pt
EBITDA Margin	50.0%	36.1%	13.9p.pt
	As at 30 Jun 2018	As at 31 Dec 2017	
Total Assets	12,230.5	11,671.9	4.8%
Net Debt ⁽¹⁾	2,064.0	2,287.7	(9.8%)
Net Gearing ⁽²⁾	28.9%	34.5%	5.6p.pt
Net Debt / EBITDA ⁽³⁾	0.8	1.2	(33.3%)
EBITDA / Fixed Charge ^{(3) (4)}	11.4	7.4	54.1%
Net Assets Per Share(cents)	132	122	8.2%

	Ended 30 Jun 2018	Ended 30 June 2017
ASP/t (RMB)	313	240
GP/t (RMB)	120	55
Trade receivable Turnover Days ⁽⁵⁾	39	40
Inventory Turnover Days ⁽⁶⁾	53	57
Trade payable Turnover Days ⁽⁷⁾	64	64

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 1H2018 value annualised

4. Fixed charge means gross interest expenses. 1H2018 value annualised.

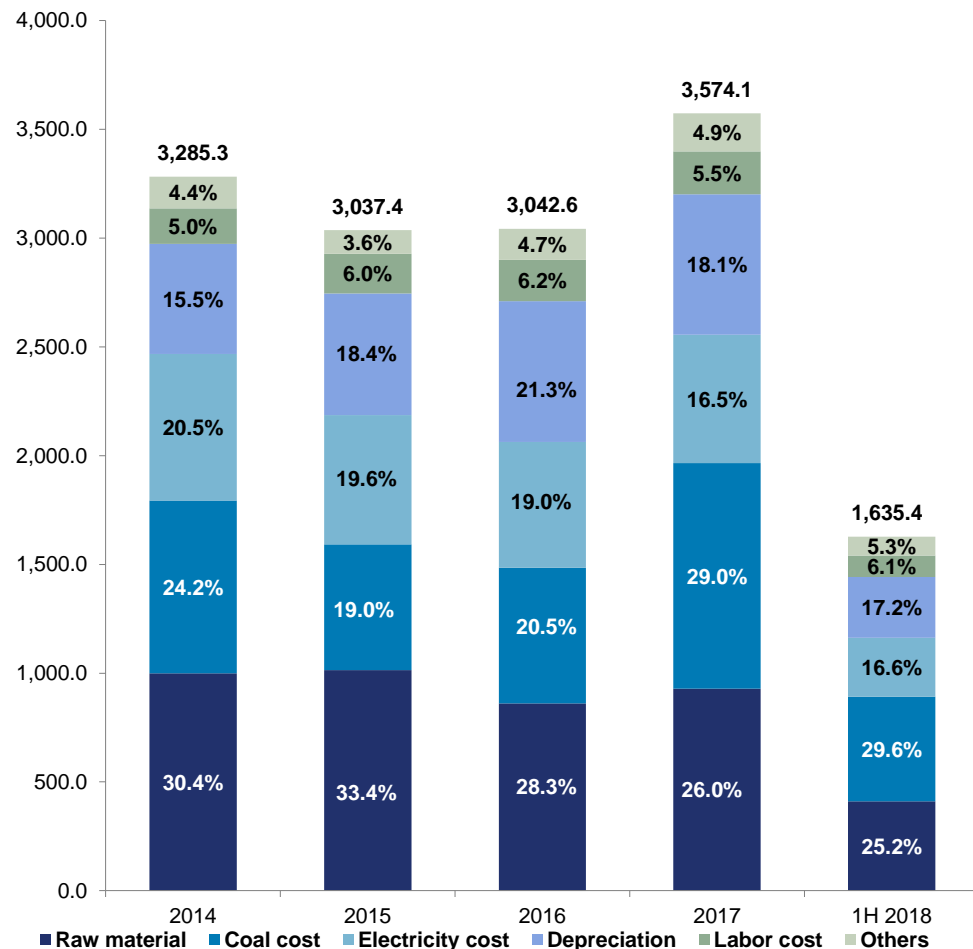
5. 365 day / (Turnover / Average trade and bill receivables)

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

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

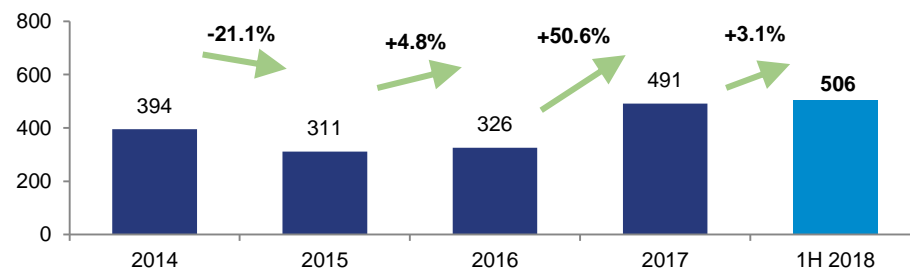
Production Cost

(RMB mm)



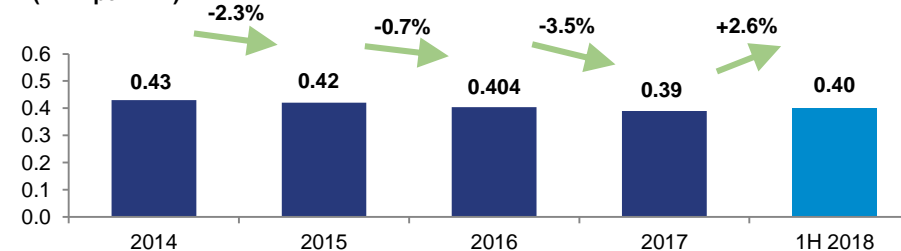
Average Coal Cost

(RMB per ton)



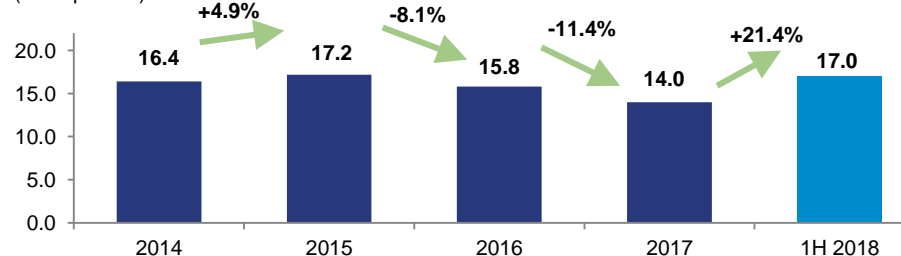
Average Electricity Cost

(RMB per kwh)



Average Limestone Cost

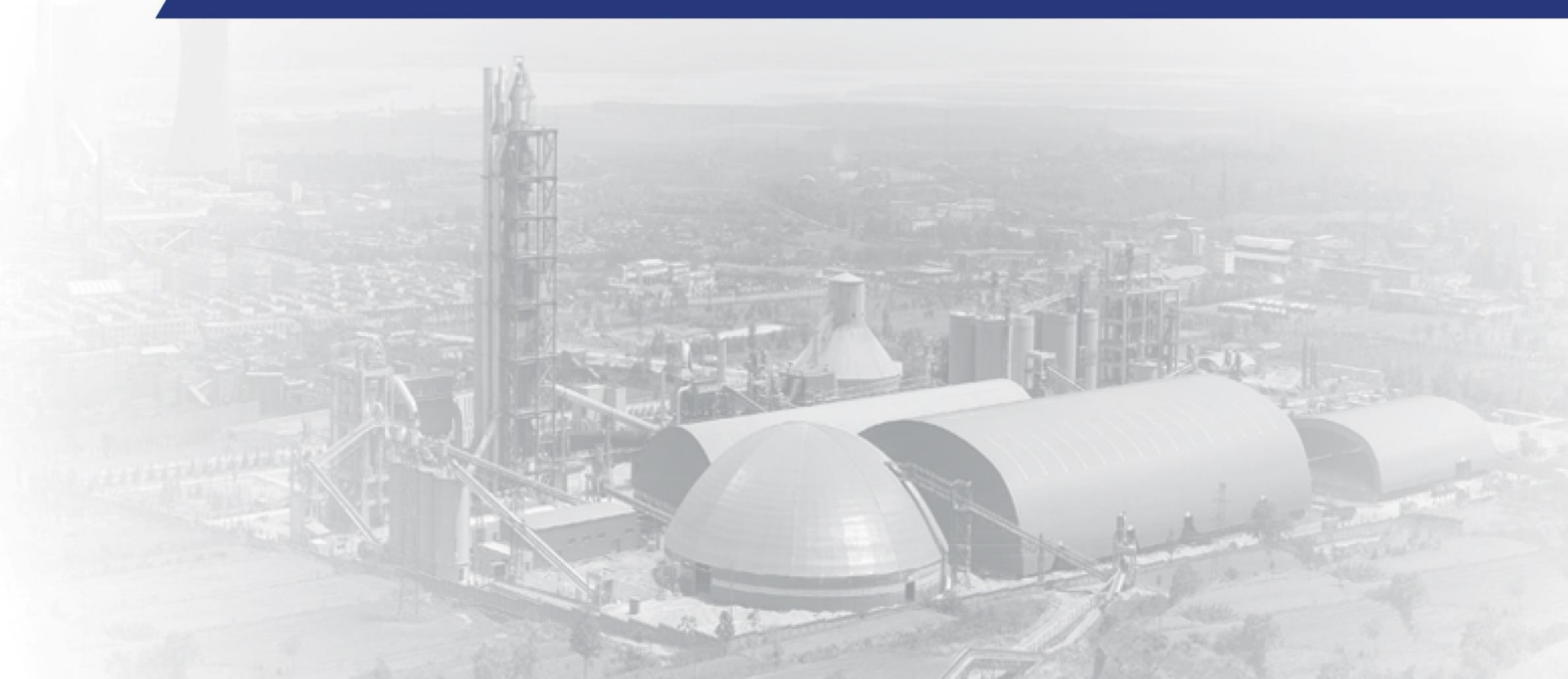
(RMB per ton)



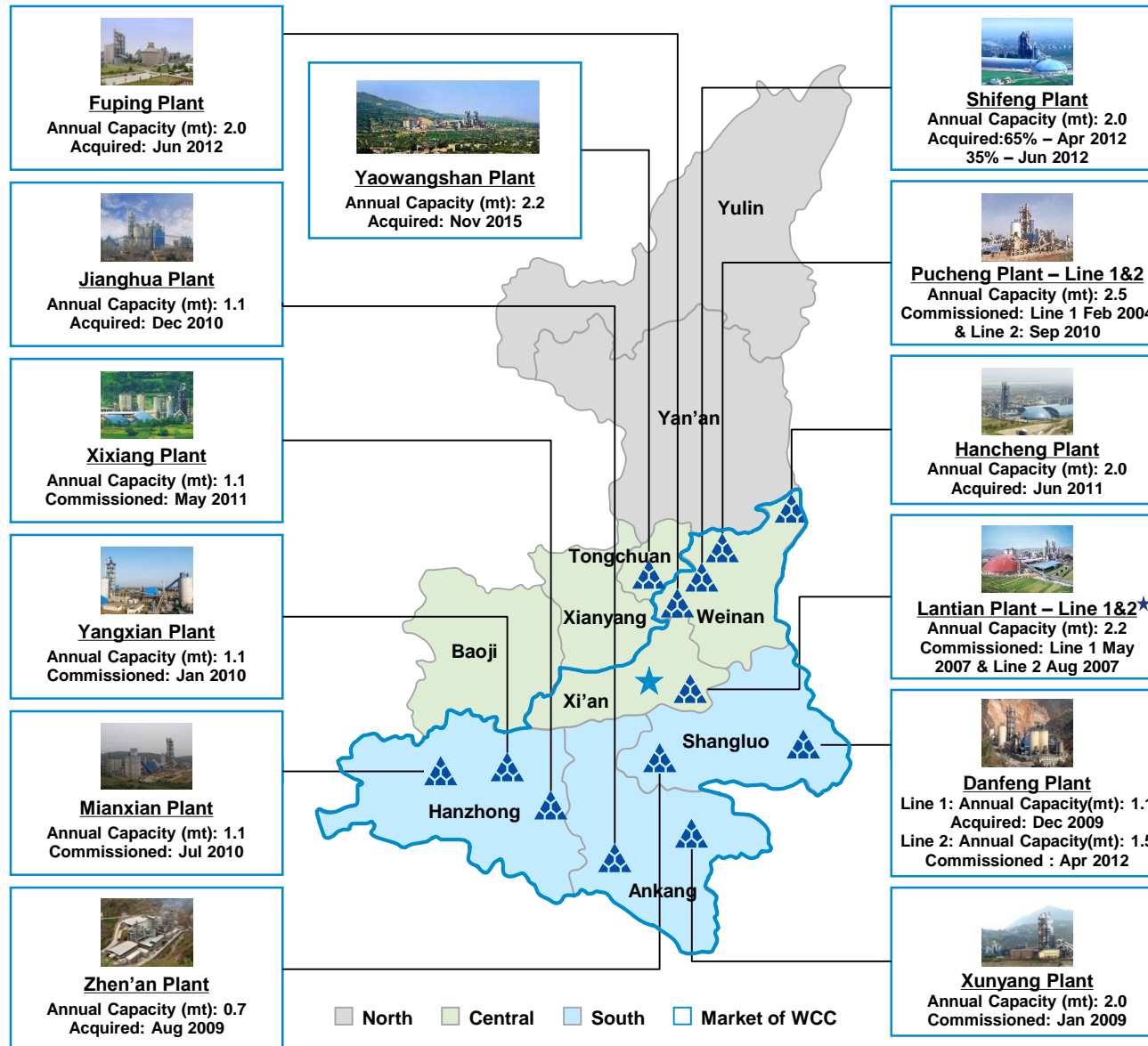


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Operations & Markets



Our Position in Shaanxi's Market



■ Southern Shaanxi – Shangluo, Ankang & Hanzhong

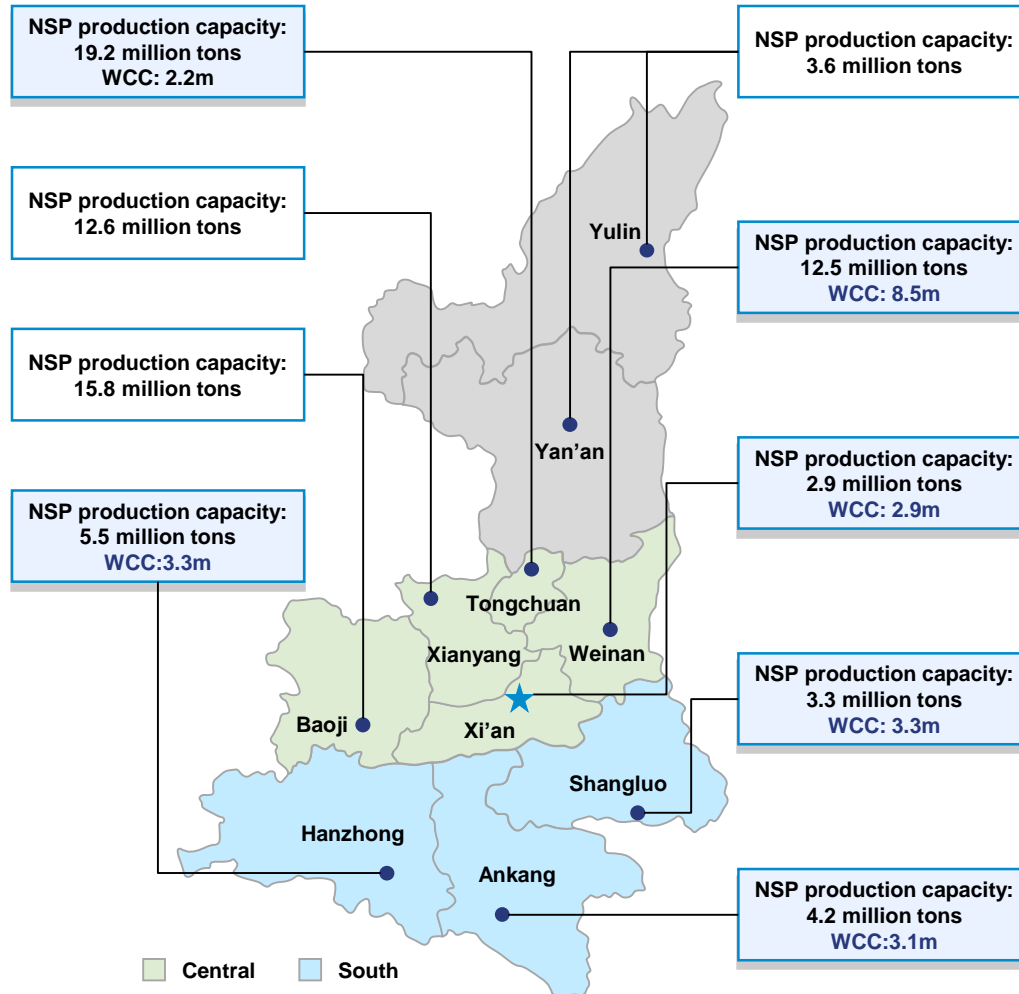
- ☑ An area dominated by the Qingling Mountains
- ☑ Market shares of 60%-100% in each region
- ☑ Limited limestone deposits have resulted in relatively little new cement capacity over the past few years
- ☑ Long transportation distances from other markets
- ☑ Results in a disciplined supply side with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

■ Central Shaanxi – Weinan & Xi'an

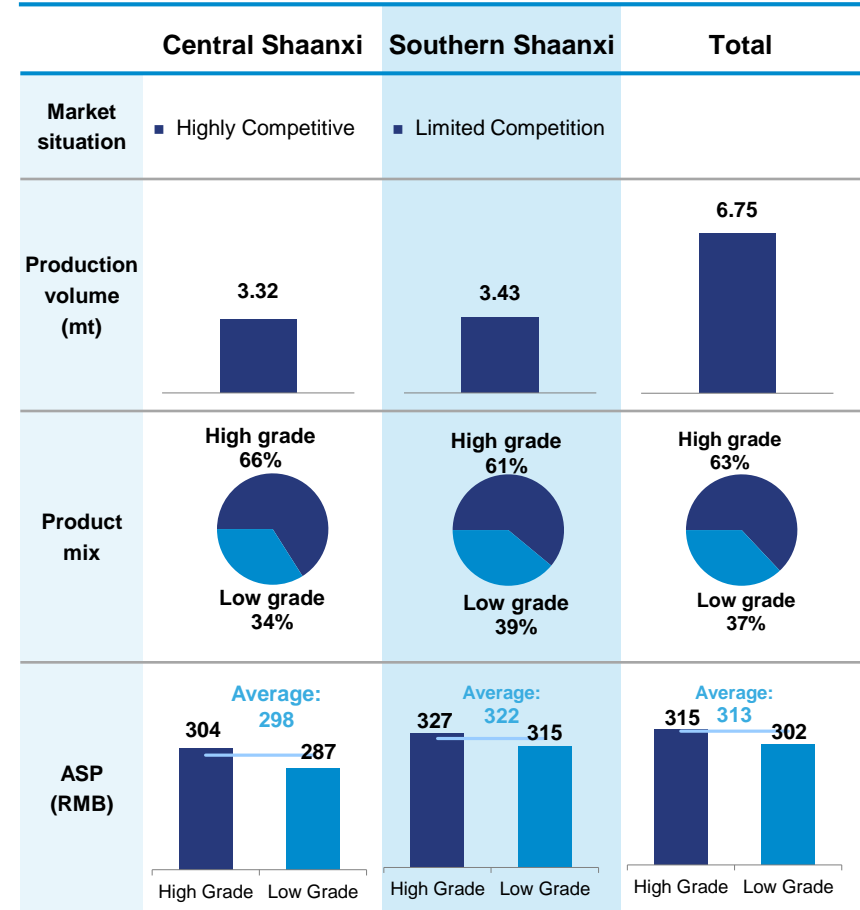
- ☑ Dominated by the Xi'an market which is 30-40% of provincial demand
- ☑ Plentiful limestone, new capacity, more competition
- ☑ Market share of 68% in Weinan Region
- ☑ Three plants in close proximity to the Xi'an market
- ☑ Positioned to benefit from Xi-Xian New Area development plans

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


Dominant Position in Our Core Markets



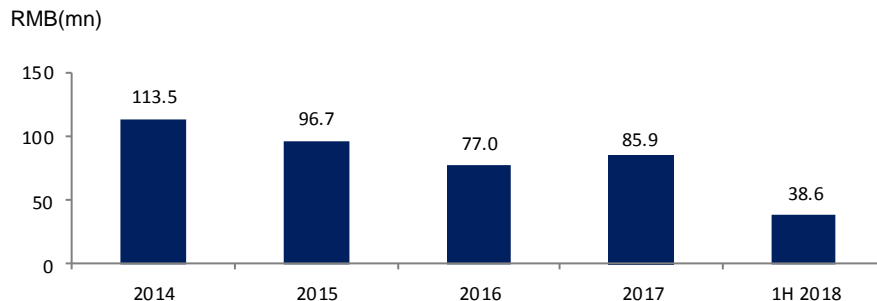
Our regional operational metrics (1H2018)



New environmental standards – upgrades and cost savings

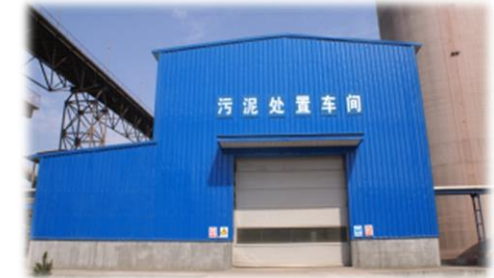
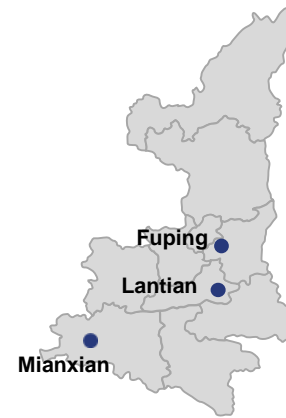
	Progress	Impact
Residual heat recovery systems	 80% of total capacity	<ul style="list-style-type: none"> Reduce 30% electricity consumption Decrease CO₂ emissions by c.20,000 tons/year/mn tons
Denitration (De-NOx) equipment	<ul style="list-style-type: none"> Installation completed at all plants in Shaanxi,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

Key infrastructure projects

Pingli to Zhenping Expressway

- The project connects 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 at the end of 2017 with total consumption over 0.9m tons. A consumption of 0.237m tons was supplied in 1H2018, while a supply of approx. 0.2m tons is expected in 2H2018.

Heyang to Tongchuan Expressway

- Starting from Bailiang Town, Heyang County on the western bank of the Yellow River at the junction of Shaanxi and Shanxi, the expressway connects Bao Mao Expressway via Heyang, Chencheng, Baishui, Tongchuan (Old Town district) and Yanchi, and ends at Guanzhuang, with a total distance of 160.41km.
- Construction commenced at the end of 2017 with total consumption of approx. 1m tons. WCC supplied 48,000 tons in 1H2018 and expects to supply approx. 0.15m tons in 2H2018.

Hanjiang-To-Weihe River Water Transfer Project

- 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, Water Delivery, Dams and the 98km Qingling Tunnel.

Inner Mongolia to Jiangxi (Menghua) Coal Transportation Railway

- Shaanxi section is located at north of Shaanxi Province, beginning from Jingbian via Yan'an and Hancheng. Construction commenced in 2016.
- Total distance of 321.5km in Shaanxi. Bridges and tunnels accounted for 73% of distance. A consumption of 1.51m tons was supplied in 2017, while a supply of 0.155m tons was supplied in 1H2018 and 0.1m tons is expected in 2H2018.

Ankang to Langao (Shanyujie) Expressway

- The project connects the northern bank of Yue River in Hanbinqu in Ankang with Shiyao-Tianshui Expressway and ends at the intersection of two provinces inside Dabashan Tunnel in Shanyujie, which connects with the Kaixian-Chengkuo Expressway that is under construction in Chongqing, with a total distance of 88.583km.
- Construction commenced at the end of 2017 with total consumption of approx. 1m tons. A consumption of 0.17m tons was supplied in 1H2018, while a supply of approx. 0.25m tons is expected in 2H2018.

Southern Shaanxi Resettlement Project

- 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.

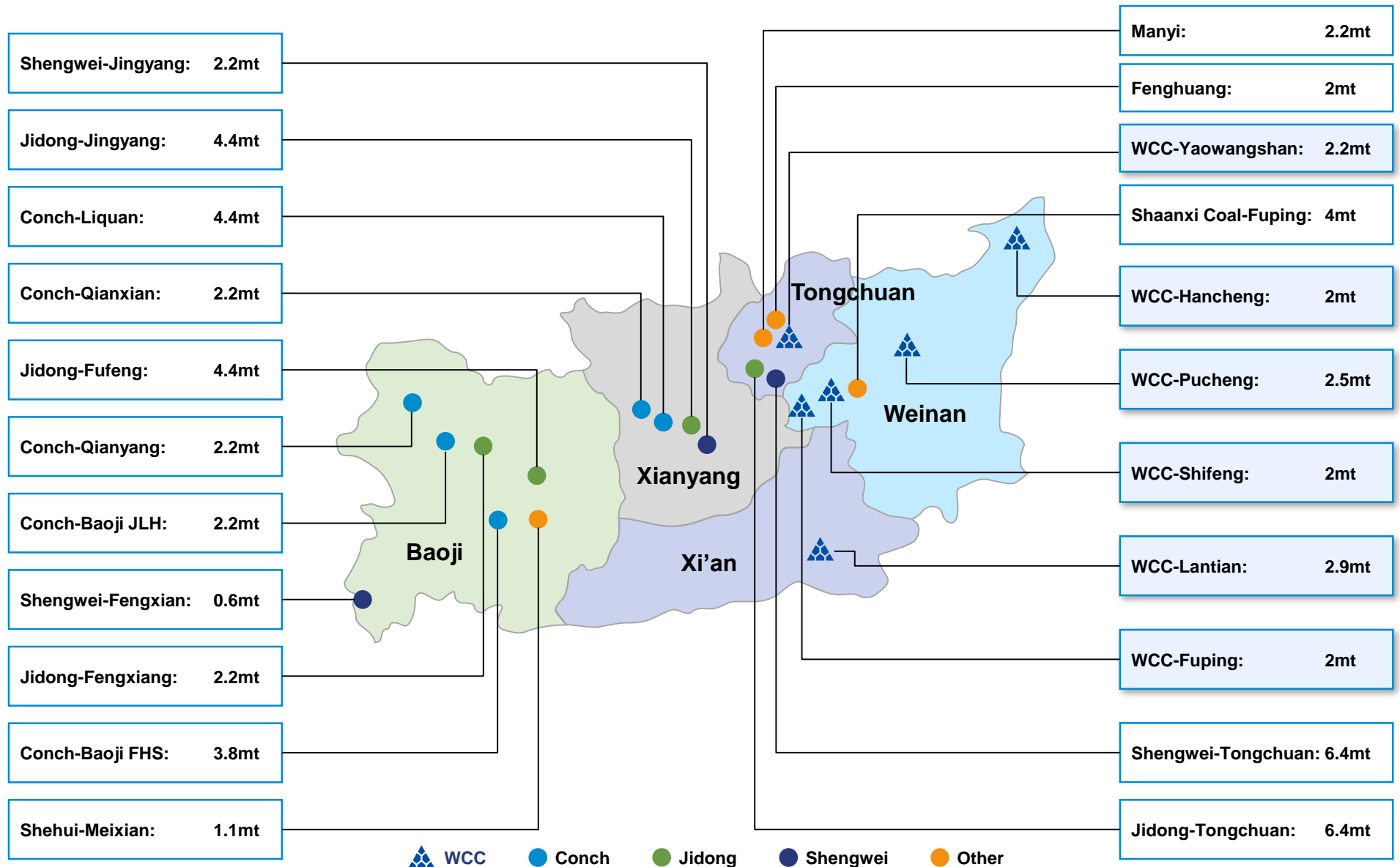
Other infrastructure projects

Project Name	Planned Construction Period	Project Name	Planned Construction Period
Railway			
Yinchuan-Xi'an Railway (Central Region)	2016-2021	Xi'an-Hancheng Intercity Railway (Central Region)	2018-2021
Expressway			
Taoba Expressway (Shannan Region)	2016-2020	Yan'an Huanglong Expressway (Central Region)	2017-2020
Taibai-Fengxian Expressway (Shannan Region)	2017-2018	Xi'an-Xianyang South Ring Expressway (Central Region)	2018-2021
Xixiang-Zhenba Expressway (Shannan Region)	2017-2020	Pucheng-Huanglong Expressway (Central Region)	2018-2021
Others			
Xunyang Hydropower Station (Shannan Region)	2017-2022	Yanchuan Yellow River Diversion Project (Central Region)	2016-2019
Xi'an Metro Line 5&6 (Central Region)	2016-2020	Ankang Airport (Shannan Region)	2018-2021
Xi'an Railway Station Reconstruction (Central Region)	2016-2018	Zhen'an Hydropower Station (Shannan Region)	2018-2021
Nangoumen Reservoir (Central Region)	2016-2020	Dongzhuang Reservoir (Central Region)	2018-2021

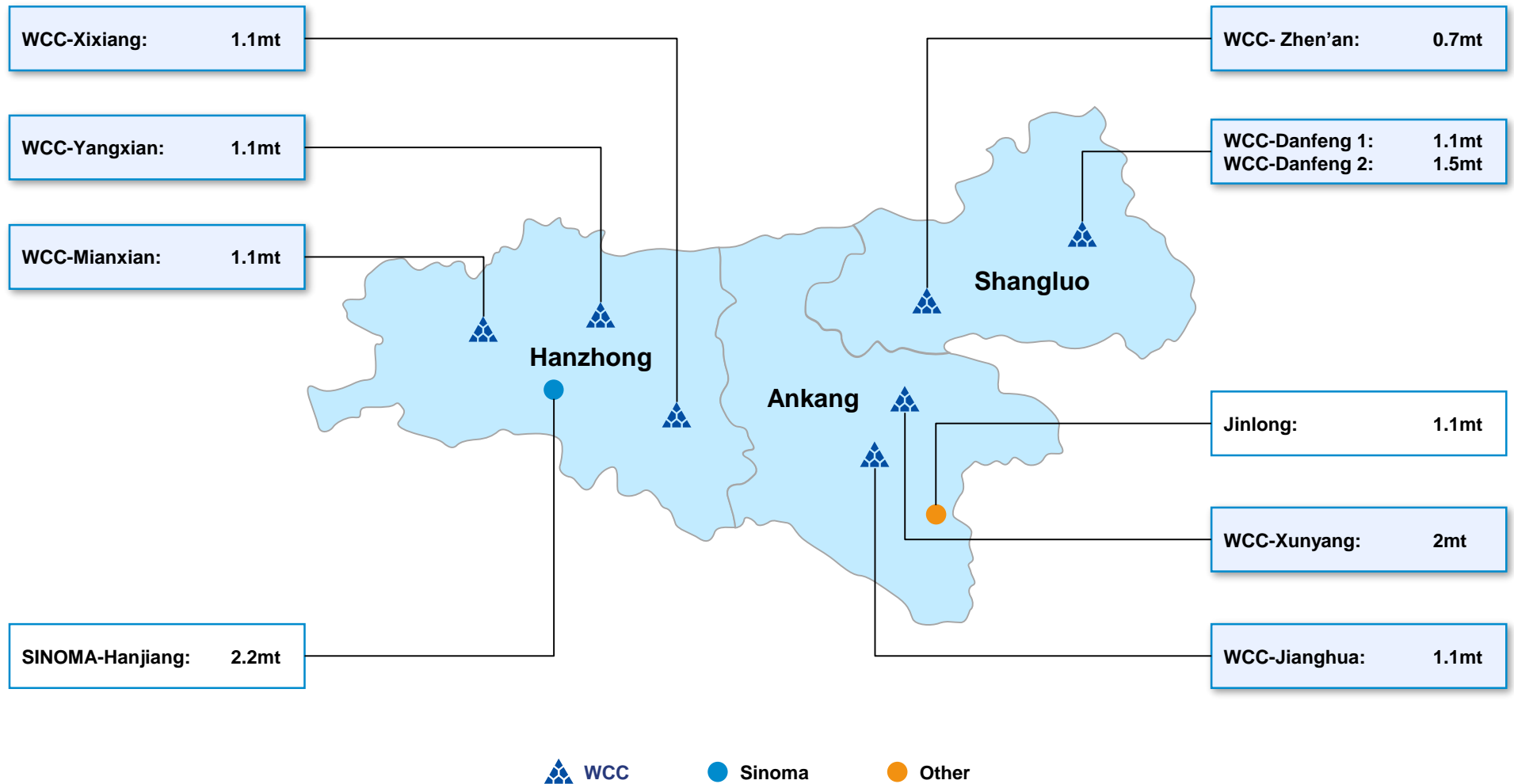
Other infrastructure projects scheduled to commence construction

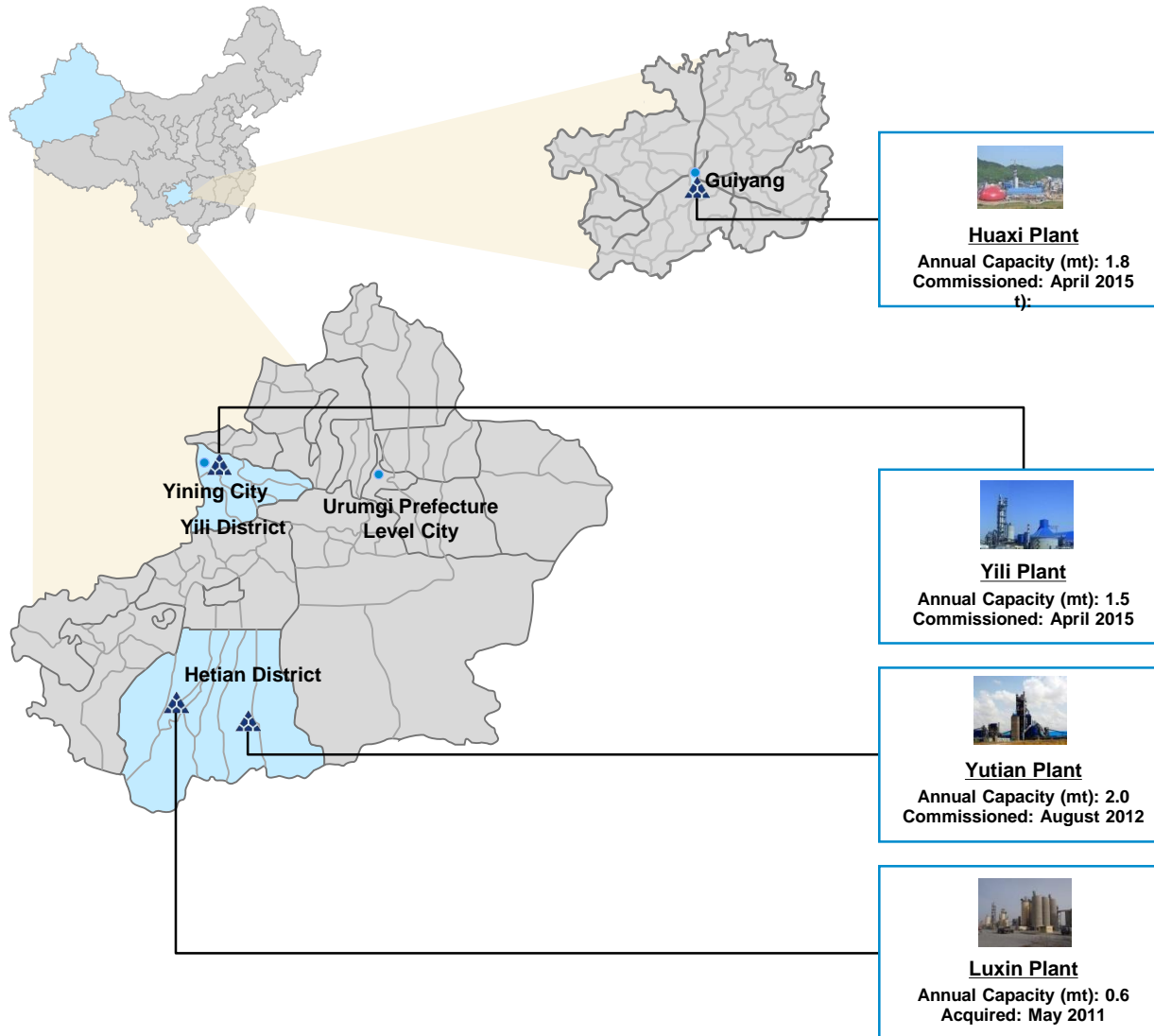
Project Name	Planned Construction Period	Project Name	Planned Construction Period
Railway		Airport	
Xi'an-Yan'an Railway (Central Region)	2018-2022	Yan'an Airport (Central Region)	2018-2021
Xi'an-Wuhan Railway (Shannan Region)	2018-2022	Xi'an Xianyang international Airport Phase III (Central Region)	2018-2020
Xi'an-Chongqing Railway (Shannan Region)	2018-2021		
Xi'an-Famen Temple Intercity Railway (Central Region)	2018-2021	Others	
Yanliang-Xianyang International Airport Intercity Railway (Central Region)	2018-2021	Xi'an Metro Line 9 (Central Region)	2018-2020
Expressway		Xi'an Metro Line 8 (Central Region)	2018-2022
Reconstruction and extension of Pucheng-Laoyukou Expressway of Beijing-Kunming line (Central Region)	2018-2021		
Shiquan-Ningshan Expressway (Shannan Region)	2018-2022		
Xunyi-Fengxiang Expressway (Central Region)	2018-2020		

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 27 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 22 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

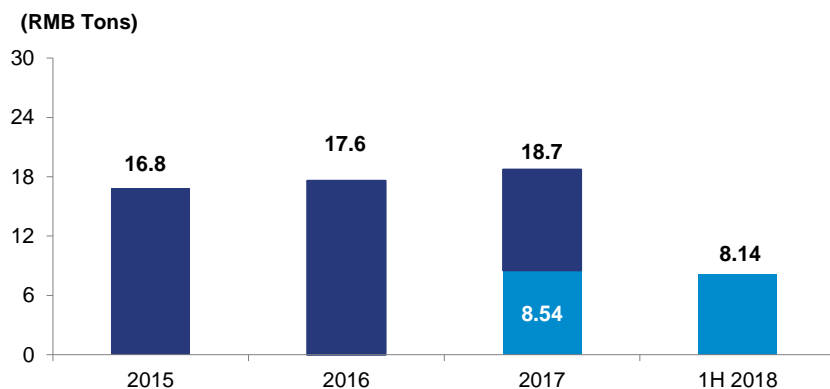


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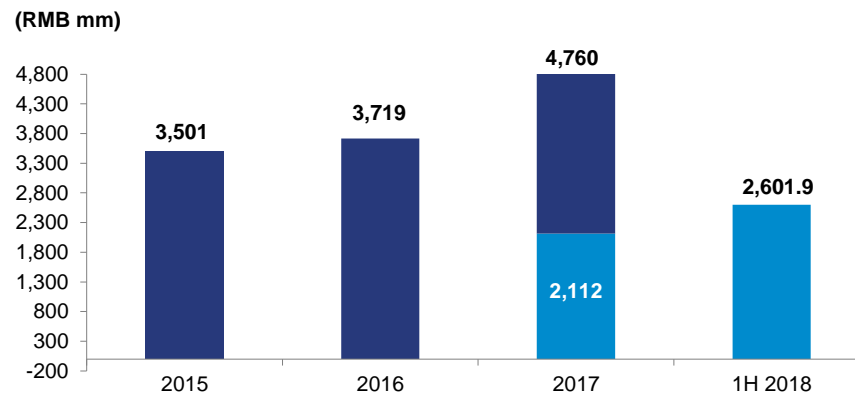
Financial Performance



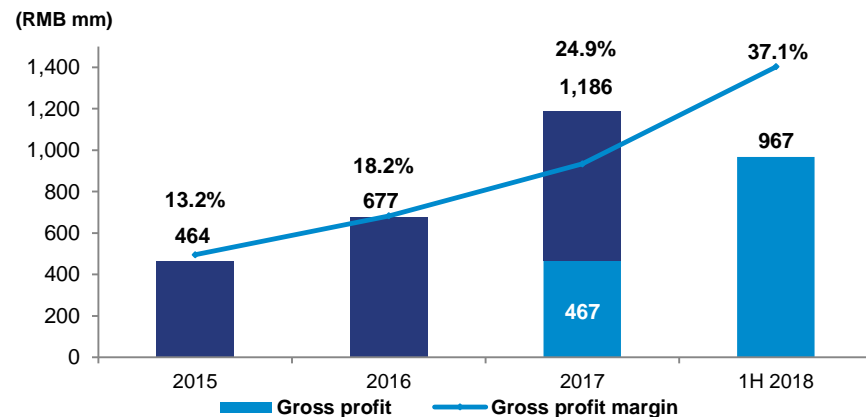
Sales volume of cement



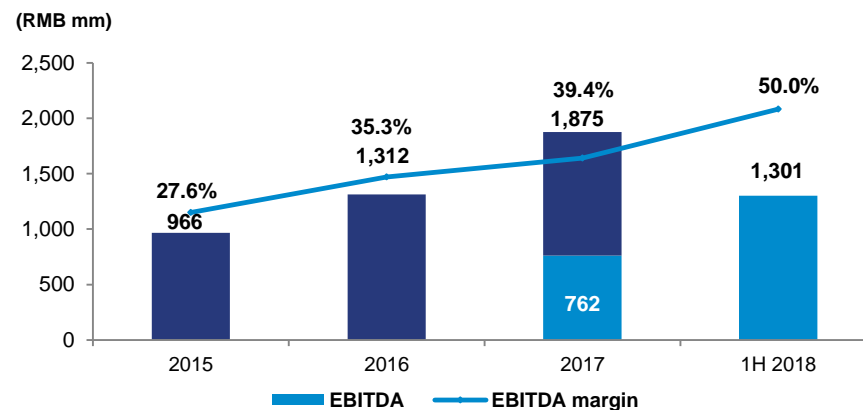
Revenue



Gross profit and gross profit margin



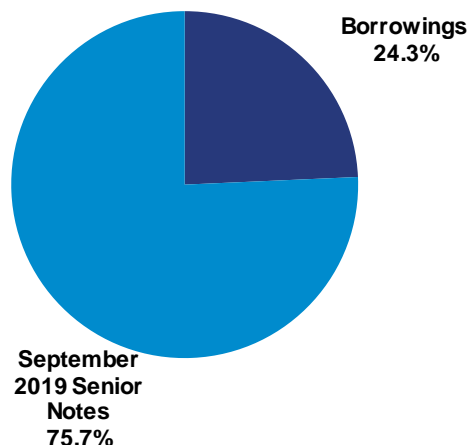
EBITDA¹ and EBITDA margin



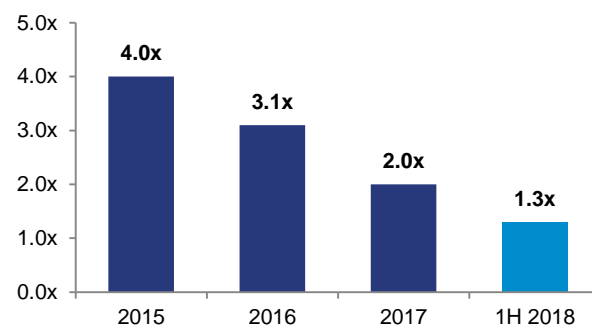
Source: Company information.

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.

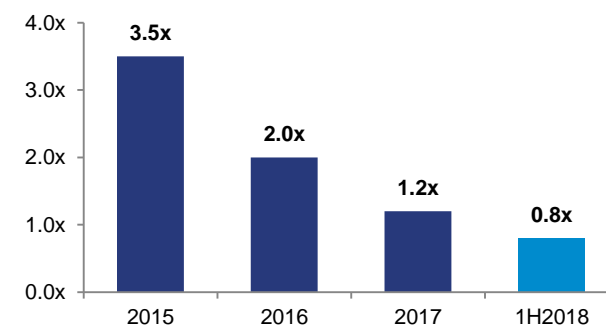
Debt profile ¹



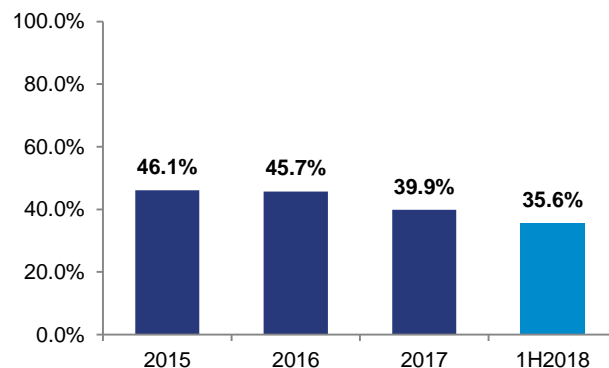
Total debt/EBITDA ^{2 & 3}



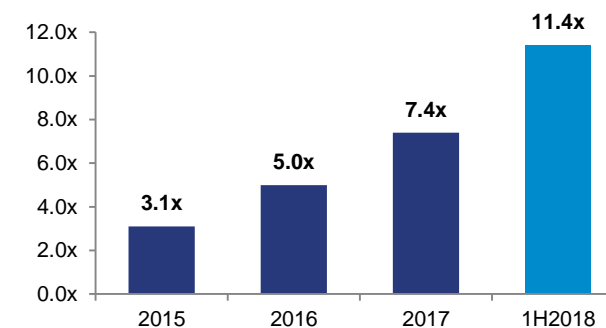
Net debt/EBITDA ^{2 & 3}



Total debt/total capitalization ⁴



Interest coverage ratio ⁵



Source: Company information

1. As of June 30, 2018

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 1H2018 value annualised.

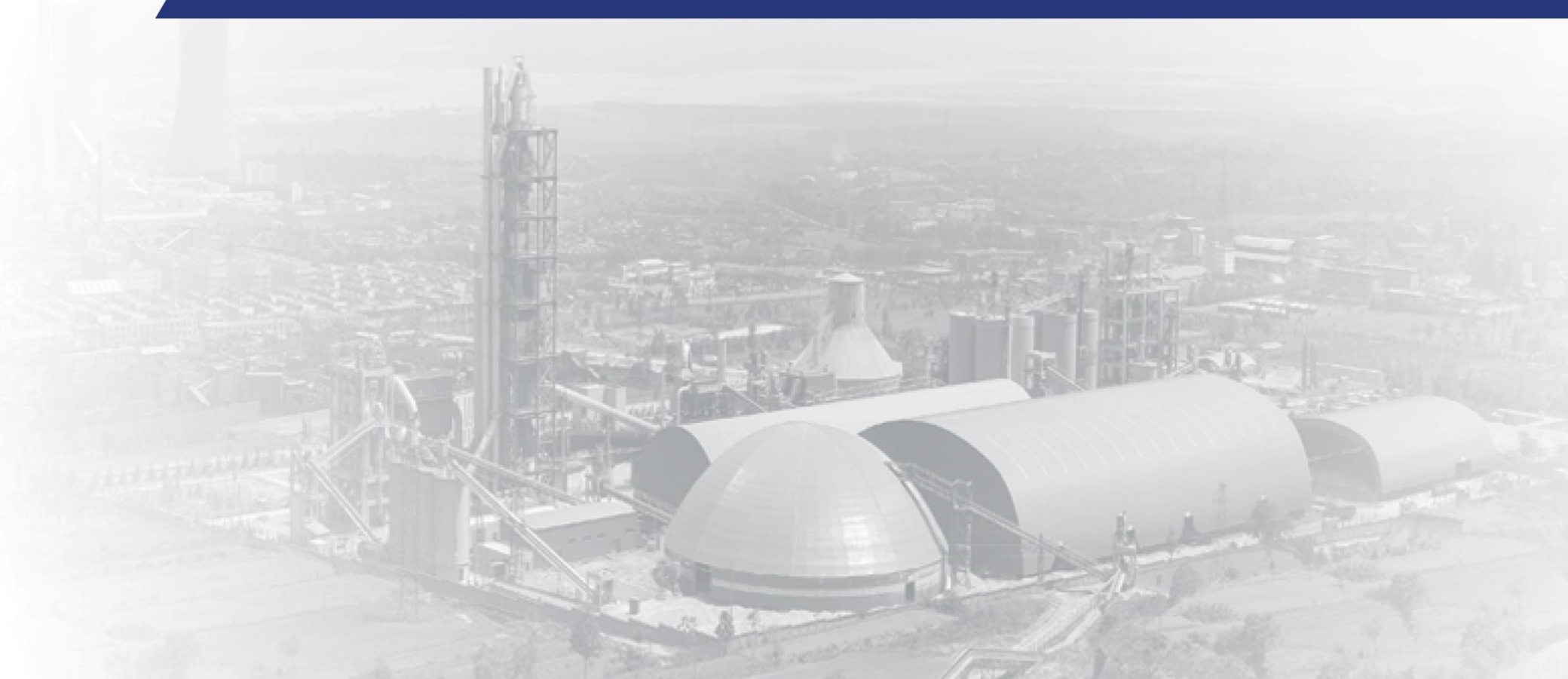
4. Total capitalization equals non-current borrowings plus total equity.

5. EBITDA/Gross interest expense. Gross interest expense is 1H2018 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	
	2015	2016	2017	2017	2018
Revenue	3,500,931	3,719,280	4,760,038	2,111,890	2,601,888
Cost of Sales	(3,037,447)	(3,042,628)	(3,574,129)	(1,644,968)	(1,635,424)
Gross Profit	463,484	676,652	1,185,909	466,922	966,464
Selling and marketing expenses	(42,953)	(42,454)	(49,401)	(23,594)	(26,093)
Administrative expenses	(270,629)	(242,249)	(266,245)	(126,863)	(137,141)
Other expenses	-	-	(9,100)	(34,100)	-
Other income	109,352	151,076	226,767	96,761	143,163
Other gains / (losses) – net	(288,623)	(183,673)	136,504	45,233	(37,341)
Impairment losses, net of reversal	(8,937)	(683)	(50,432)	(6,121)	(6,102)
Share of profit of an associate	-	9,352	16,021	7,497	12,249
Finance income	18,277	16,664	33,671	7,077	71,110
Finance cost	(236,508)	(265,467)	(249,488)	(126,862)	(112,997)
Finance costs – net	(218,231)	(248,803)	(215,817)	(119,785)	(41,887)
Profit(Loss) before income tax	(256,537)	119,398	974,206	305,950	873,312
Income tax expense	(50,820)	(104,460)	(248,010)	(80,651)	(216,843)
Profit(Loss) for the year	(307,357)	14,938	726,196	225,299	656,469

Financial Information

Summary of Consolidated Balance Sheet

Assets

RMB '000	As at 31 December			As at 30 June
	2015	2016	2017	2018
Non-current assets				
Investment in an associate	-	40,957	56,978	69,227
Property, plant and equipment	8,256,747	7,564,018	7,137,420	7,222,895
Land use rights	498,429	486,675	471,487	465,006
Mining rights	281,842	272,714	245,611	238,836
Other intangible assets	195,315	192,973	191,122	196,273
Loans receivables	-	-	406,851	796,345
Deferred income tax assets	54,405	45,931	36,521	34,040
Amount due from non-controlling shareholder of a subsidiary	53,260	63,225	23,218	23,218
Prepayments for construction in progress	-	-	106,796	7,055
	9,339,998	8,666,493	8,911,049	9,052,895
Current assets				
Inventories	575,656	508,893	436,160	508,827
Trade and other receivables and prepayments	685,493	660,545	670,136	627,086
Loans receivables	-	-	437,273	437,843
Debt instruments at fair value through other comprehensive income	-	-	-	188,397
Restricted bank deposits	73,397	86,978	77,013	185,877
Bank balances and cash	454,823	1,258,668	1,375,353	1,229,605
Short-term investment	253,128	-	-	-
	2,042,497	2,515,084	2,995,935	3,177,635
Total assets	11,382,495	11,181,577	11,671,939	12,230,530

Liabilities and Equity

RMB '000	As at 31 December			As at 30 June
	2015	2016	2017	2018
Non-current liabilities				
Borrowings	3,000	2,000	160,000	-
Senior Notes	2,563,482	2,747,221	2,596,470	2,633,883
Asset retirement obligation	20,961	22,066	23,417	24,110
Deferred income tax liabilities	54,731	39,078	71,296	59,216
Deferred income	66,389	58,136	49,742	44,770
	2,708,563	2,868,501	2,900,925	2,761,979
Current liabilities				
Trade and other payables	1,410,505	1,076,940	1,056,431	1,062,387
Contract liabilities	-	-	-	220,760
Current income tax liabilities	22,067	58,965	102,291	188,797
Medium-term Notes	799,060	-	-	-
Short-term Notes	-	799,214	399,586	-
Borrowings	538,400	464,600	584,000	845,571
	2,770,032	2,399,719	2,142,308	2,317,515
Total liabilities	5,478,595	5,268,220	5,043,233	5,079,494
Equity				
Total equity attributable to shareholders	5,856,420	5,862,630	6,578,674	7,085,168
Minority interest	47,480	50,727	50,032	65,868
Total equity	5,903,900	5,913,357	6,628,706	7,151,036
Total equity and liabilities	11,382,495	11,181,577	11,671,939	12,230,530

Financial Information

Summary Consolidated Cash Flow Statements

RMB '000	For the year ended 31 December			For the period ended 30 June	
	2015	2016	2017	2017	2018
Net cash generated from operating activities	474,070	1,315,842	1,771,998	538,305	1,019,409
Net cash used in investing activities	(771,736)	(172,157)	(1,255,827)	(32,242)	(726,584)
Net cash generated from / (used in) financing activities	254,885	(342,042)	(396,331)	(239,626)	(438,846)
Net increase / (decrease) in cash and cash equivalents	(42,781)	801,643	119,840	266,437	(146,021)
Cash and cash equivalent at period end	454,823	1,258,668	1,375,353	1,524,851	1,229,605



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