



**中国西部水泥有限公司**  
WEST CHINA CEMENT LIMITED

# 2018 Annual Results

March 2019



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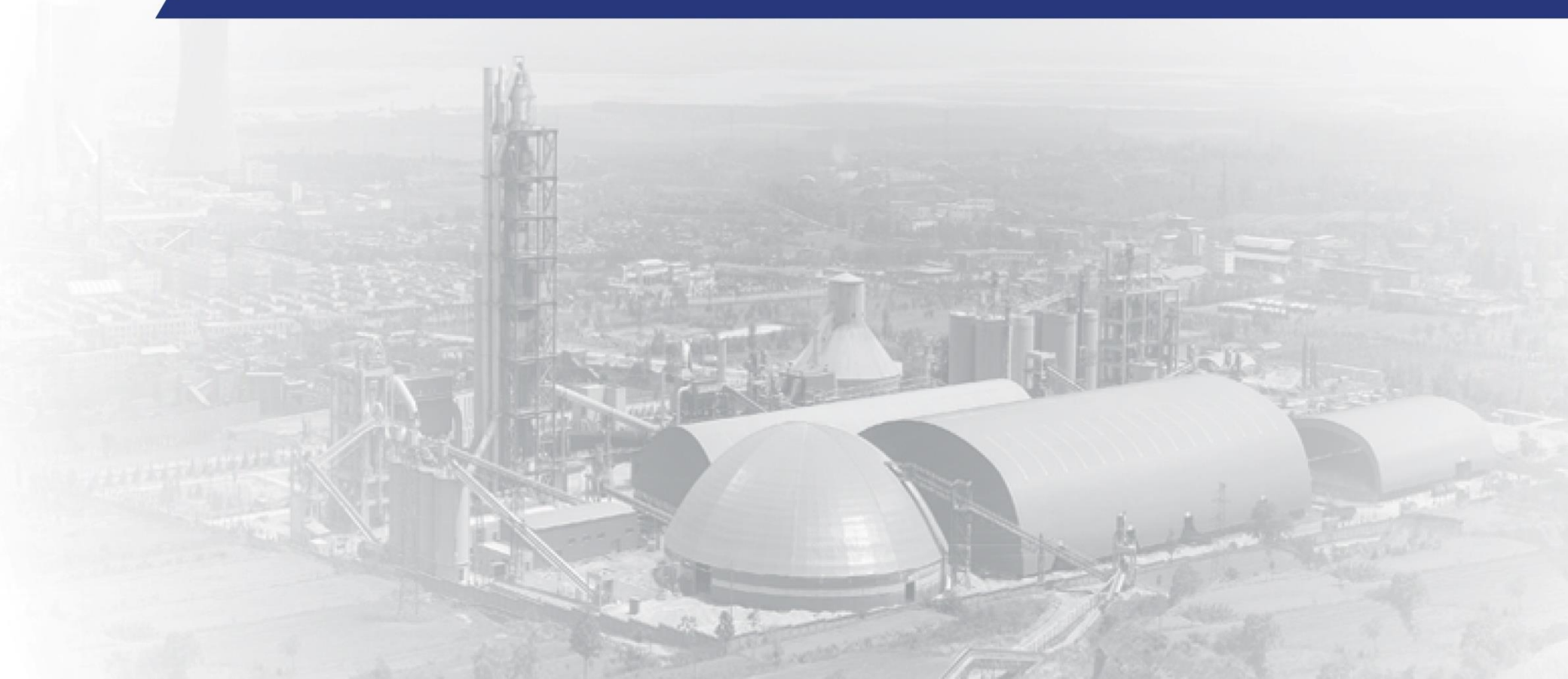
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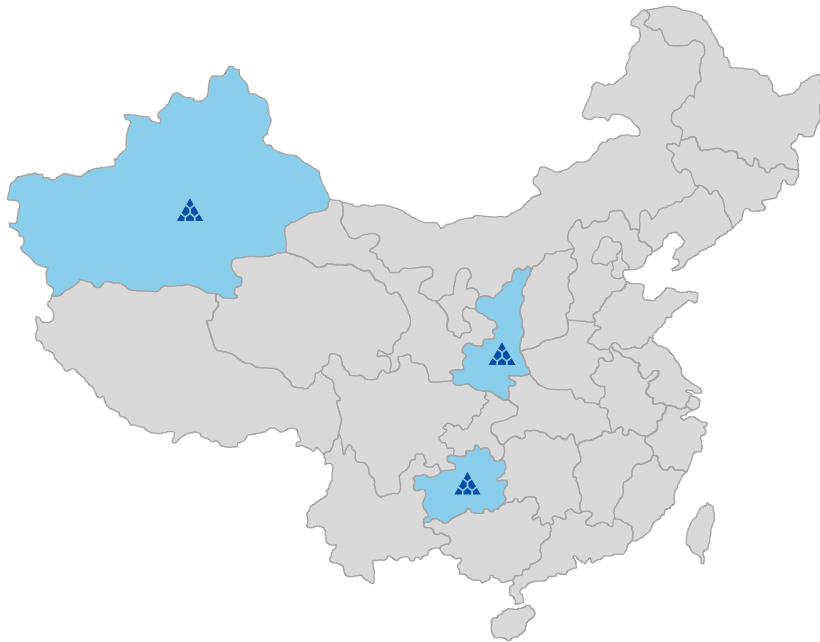


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## Company Overview



## 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

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

- 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

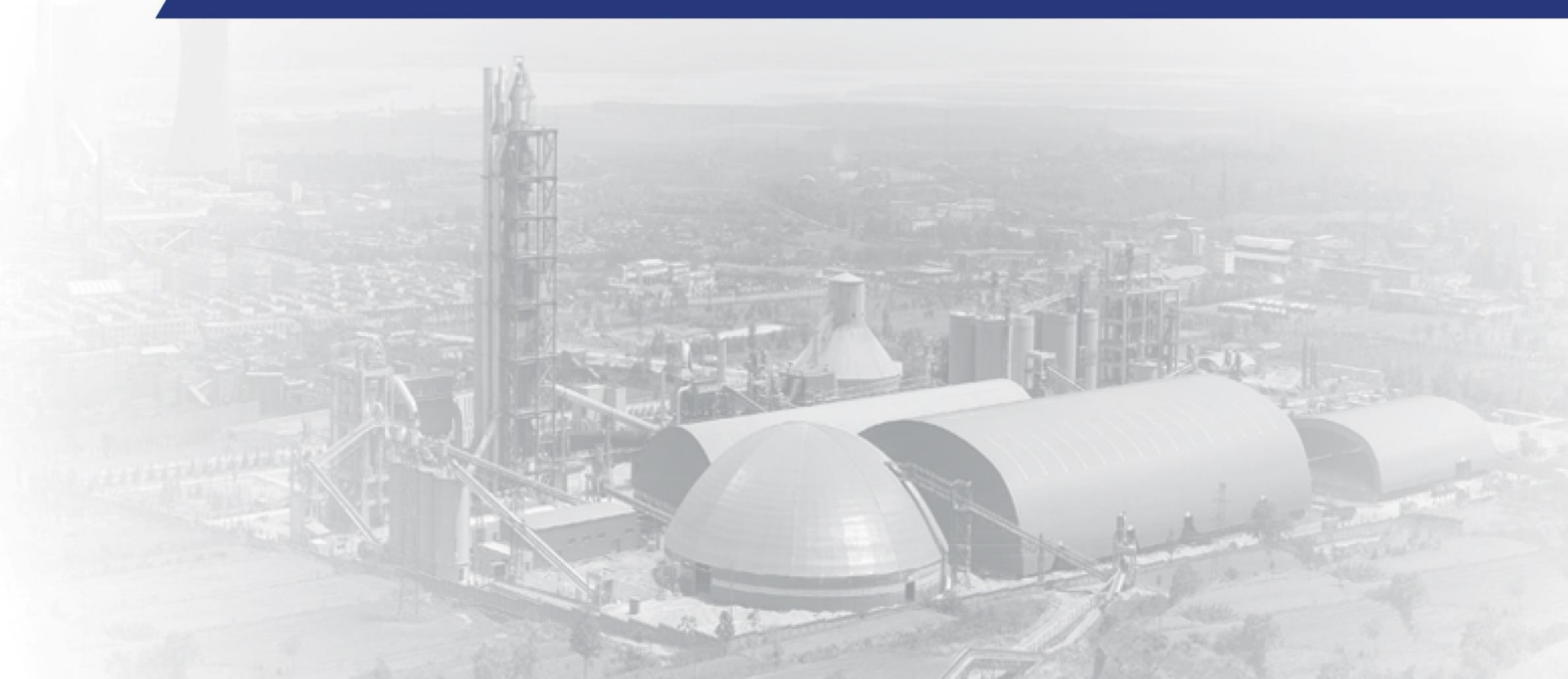
- A key strategic cement asset in North West China





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## 2018 Annual Results



# 2018 Annual Results Highlights

## ■ Operational

- Period-end installed capacity of 29.2mt (31 Dec 2017: 29.2mt)
- Cement sales volume of 18.1mt (31 Dec 2017: 18.7mt). Including clinker sales 18.2mt (31 Dec 2017: 19.1mt).
- Cement ASP's of RMB314/t (31 Dec 2017: RMB248/t)

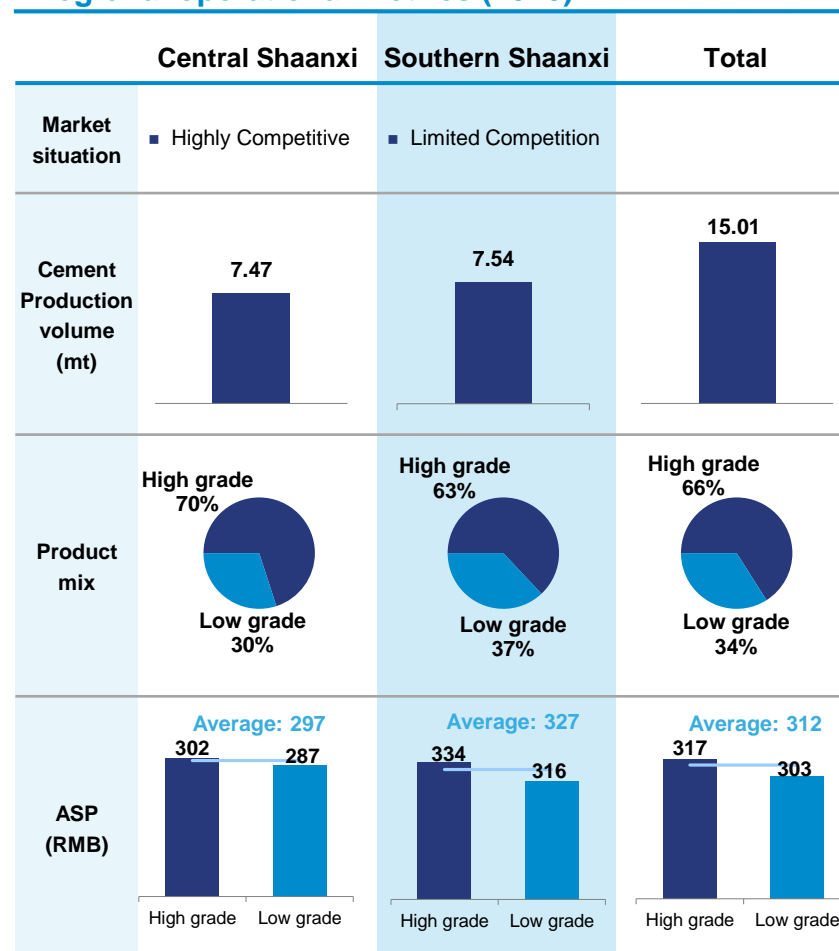
## ■ Financial

- Gross Profit increase to RMB1,985.8m (31 Dec 2017: RMB1,185.9m)
- EBITDA increase to RMB2,637.0m (31 Dec 2017: RMB1,875.3m)
- Profit Attributable to Shareholders RMB1,159.4m (31 Dec 2017: RMB710.8m)
- Net Gearing 26.0% (31 Dec 2017: 34.5%)
- Cash & cash equivalents of RMB1,075.1m (31 Dec 2017: RMB1,452.4m)

## ■ Further Developments

- The Group early redeemed USD80 million 5-year senior note in November and December 2018
- Four aggregates production lines with capacities of 7 million tons in total have been fully commissioned during 2018

## Regional operational metrics (2018)



RMB Million (unless otherwise specified)	Ended 31 Dec 2018	Ended 31 Dec 2017	%
Cement Sales Volume	18.1	18.7	(3.2%)
Revenue	5,911.7	4,760.0	24.2%
Gross Profit	1,985.8	1,185.9	67.5%
EBITDA	2,637.0	1,875.3	40.6%
Profit/(Loss) Attributable to Shareholders	1,159.4	710.8	63.1%
Basic EPS (cents)	21.3	13.1	62.6%
Dividend (cents)	2.6	2.6	-
Gross Profit Margin	33.6%	24.9%	8.7 p.pt
EBITDA Margin	44.6%	39.4%	5.2 p.pt

	As at 31 Dec 2018	As at 31 Dec 2017	
Total Assets	12,392.1	11,671.9	6.2%
Net Debt <sup>(1)</sup>	1,976.5	2,287.7	(13.6%)
Net Gearing <sup>(2)</sup>	26.0%	34.5%	(8.5 p.pt)
Net Debt / EBITDA	0.8	1.2	(33.3%)
EBITDA / Fixed Charge <sup>(3)</sup>	11.4	7.4	54.1%
Net Assets Per Share(cents)	140	122	14.8%

	Ended 31 Dec 2018	Ended 31 Dec 2017
ASP/t (RMB)	314	248
GP/t (RMB)	110	63
Trade receivable Turnover Days <sup>(4)</sup>	10	14
Inventory Turnover Days <sup>(5)</sup>	42	48
Trade payable Turnover Days <sup>(6)</sup>	59	58

1. Net debt equal to total borrowings, 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

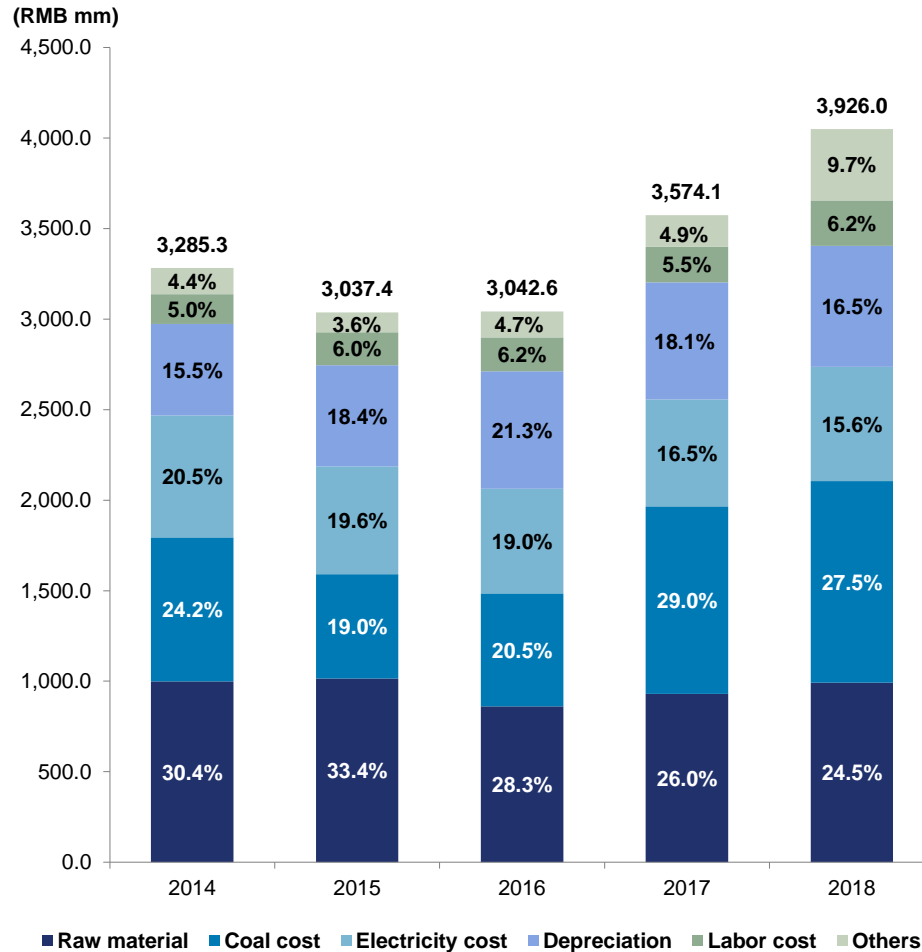
3. Fixed charge means gross interest expenses.

4. 365 day / (Turnover / Average trade receivable)

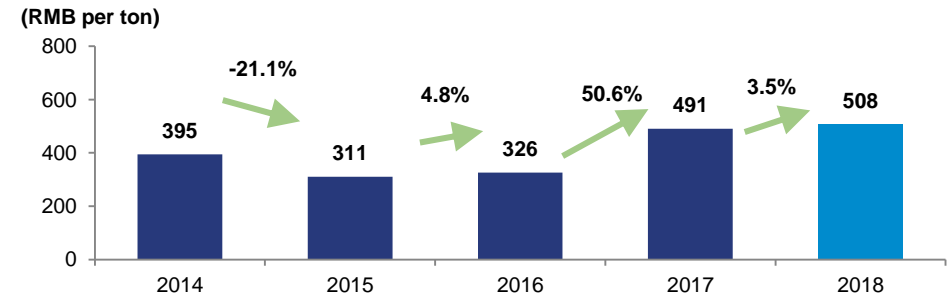
5. 365 day / (Production cost / Average inventory)

6. 365 day / (Production cost / Average trade payable)

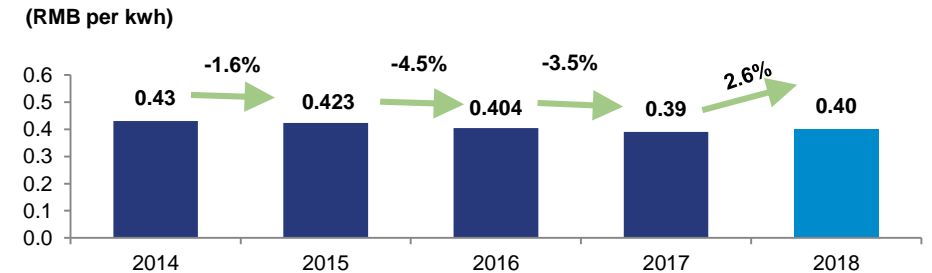
## Production Cost



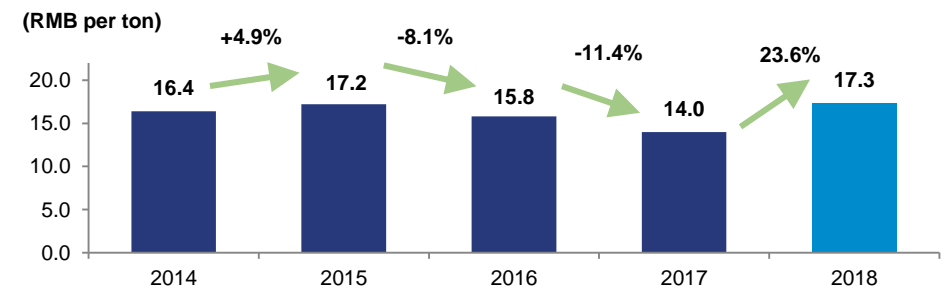
## Average Coal Cost



## Average Electricity Cost



## Average Limestone Cost

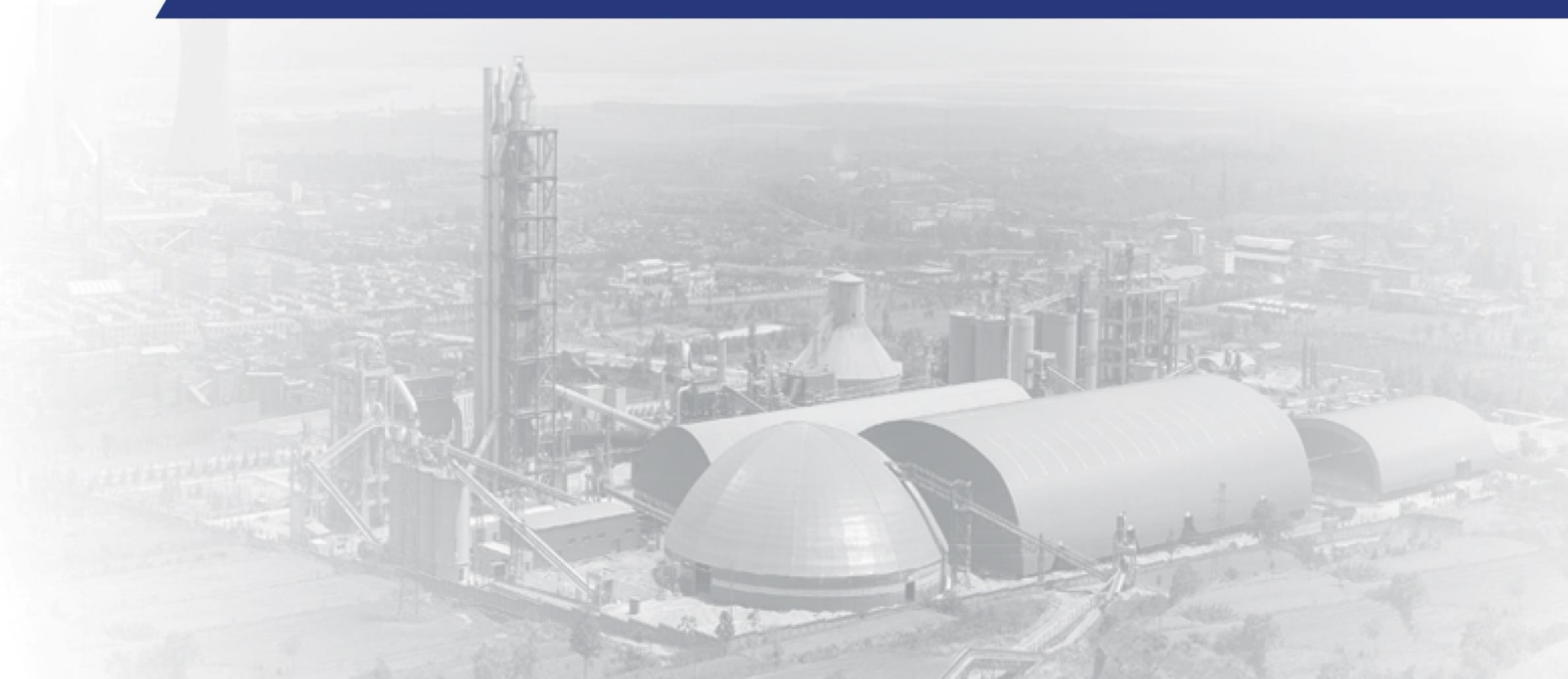


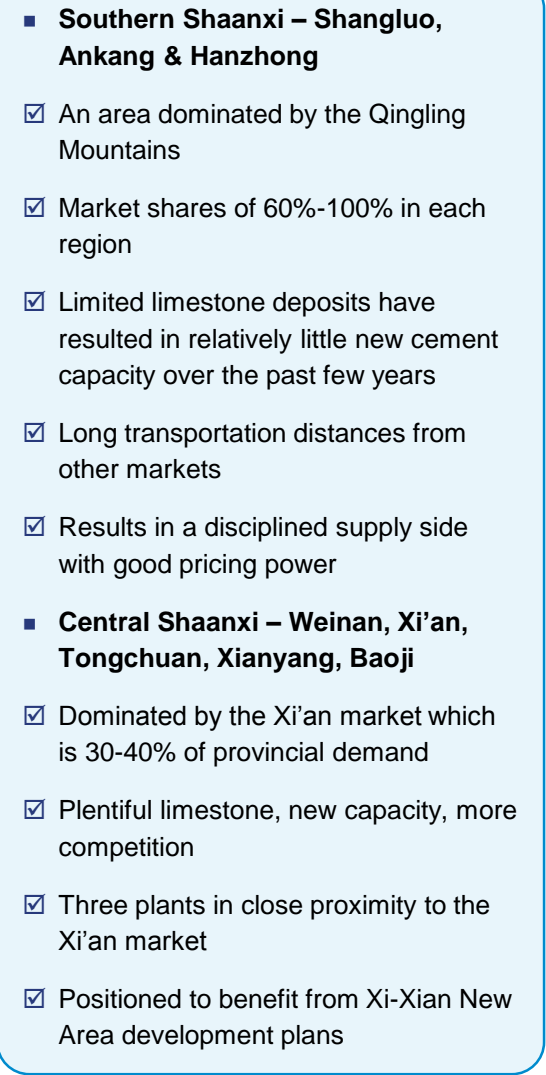




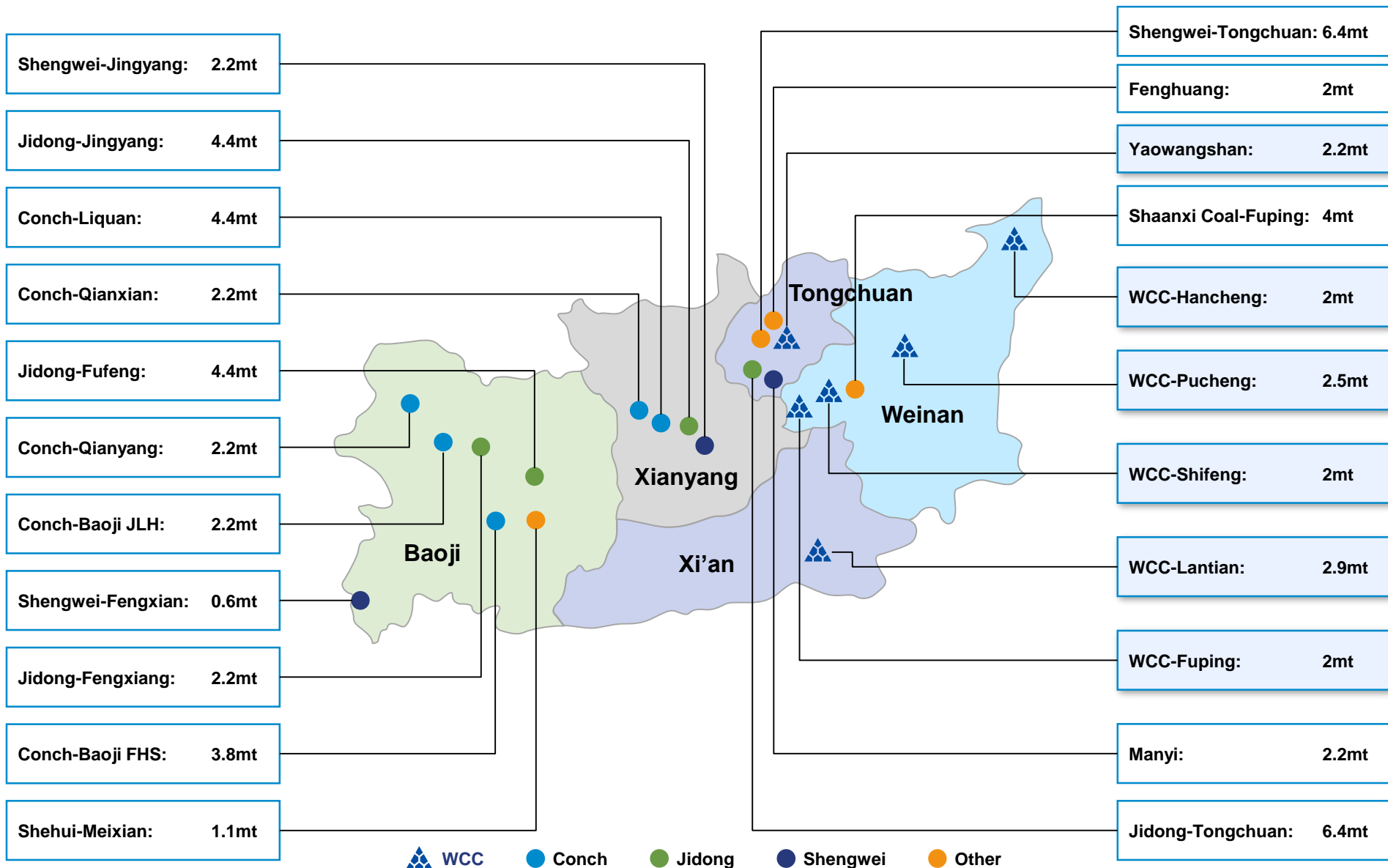
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## Operations & Markets



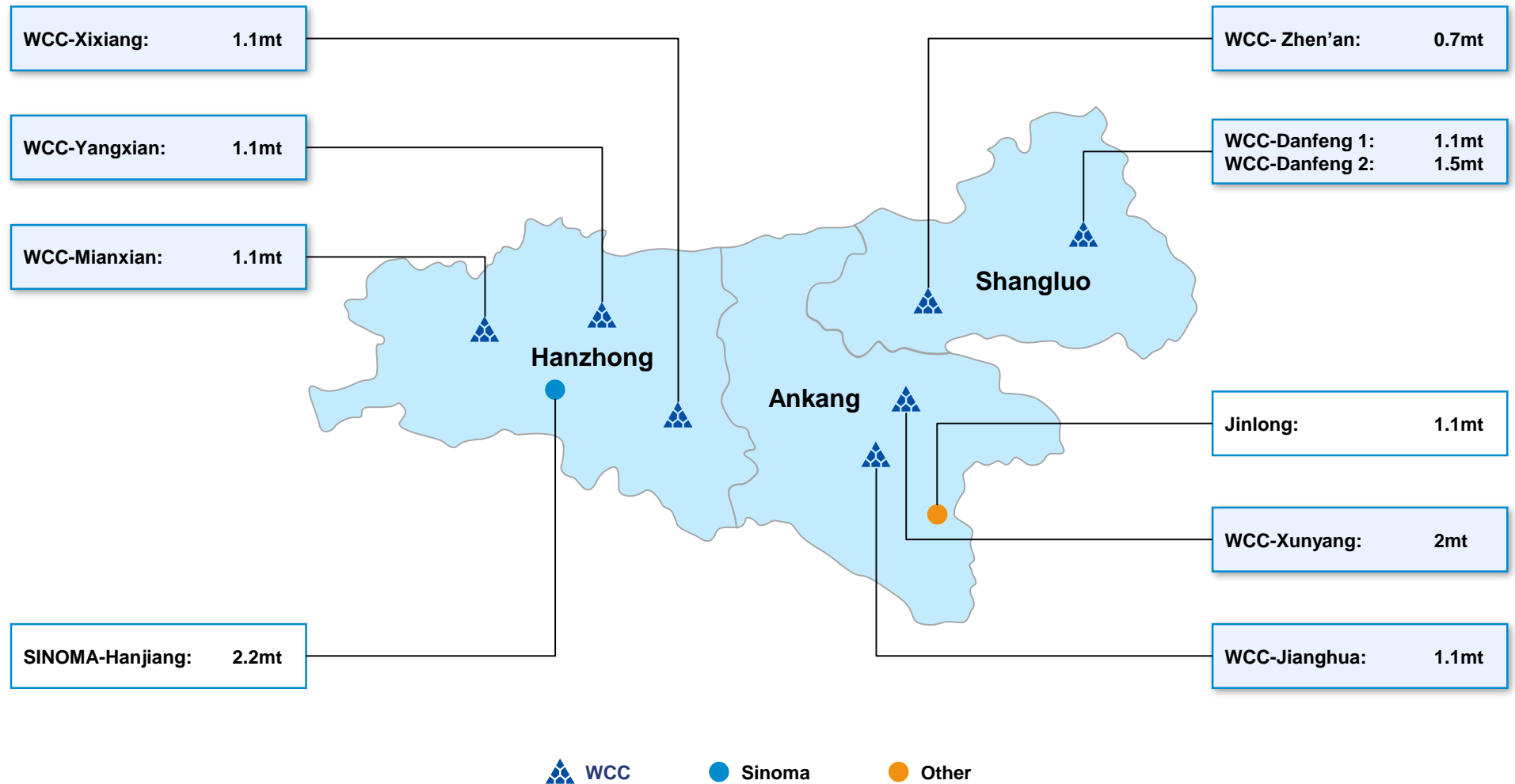


## Central Shaanxi – Competitive Landscape




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

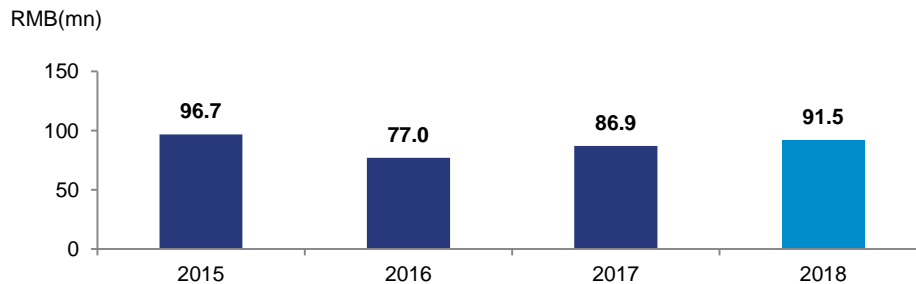
# Southern Shaanxi – Competitive Landscape



## New environmental standards – upgrades and cost savings

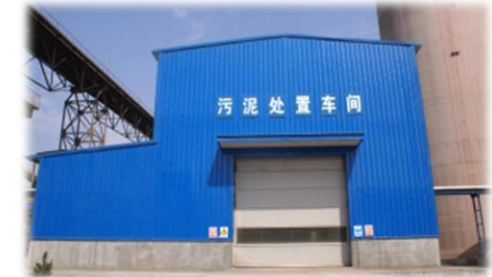
	Progress	Impact
<b>Residual heat recovery systems</b>	 <b>80% of total capacity</b>	<ul style="list-style-type: none"> <li>Reduce 30% electricity consumption</li> <li>Decrease CO<sub>2</sub> emissions by c.20,000 tons/year/mn tons</li> </ul>
<b>Denitration (De-NOx) equipment</b>	<ul style="list-style-type: none"> <li>Installation completed at all plants in Shaanxi, Xinjiang and Guizhou.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce nitrous oxide emissions by c.60% per ton of clinker produced</li> </ul>
<b>NSP technology</b>	<ul style="list-style-type: none"> <li>All plants</li> </ul>	<ul style="list-style-type: none"> <li>Requires less energy to produce cement</li> <li>More environmentally friendly</li> </ul>

### Residual Heat Recovery - Electricity cost saving



Source: Company Information.

## Waste treatment investment



### 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.
- **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

### Xixiang to Zhenba Expressway

- Xixiang to Zhenba Expressway starts from the constructed flyover at Wuzhishan of Shiyen-Tianshui Expressway and ends at Xiaoduba Village in northern Zhenba County. Its interchangeable flyover connects China National Highway 210 and realizes connection with Zhenba County. Total distance of the expressway is 49.55km.
- Construction commenced in 2018 with total consumption of approx. 700,000 tons. WCC supplied 180,000 tons in 2018 and expects to supply approx. 400,000 tons in 2019.

### 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 more than 140,000 tons in 2018 and expects to supply more than 300,000 tons in 2019.

### Hanjiang to Weihe River Water Transfer Project

- “Hanjiang-To-Weihe River Water Transfer” is a project to transfer water from southern Shaanxi to the northern part of the province. The project consists 5 major sections including Hydro-Junctions, Pump Stations, Water Delivery, Dams and the 98km Qingling Tunnel.
- Construction commenced in 2017 with total consumption of approx. 900,000 tons. WCC supplied 120,000 tons in 2018 and expects to supply approx. 200,000 tons in 2019.

### Xixian Expressway – Southern Section

- Starting from Guziyu Village in Huyi District, the expressway is connected to the flyover of the constructed Xi'an Outer Circle Expressway – Northern Section at the eastern hub of Hu County. It passes through Huyi District, Chang'an District and Lantian County in Xi'an City, and ends at the eastern Lantian flyover of Shanghai-Xi'an Expressway in Lantian County.
- Total distance of the project is 70.07km. Construction commenced in 2018 with total consumption of approx. 1m tons. WCC supplied 30,000 tons in 2018 and expects to supply approx. 200,000 tons in 2019.

### Ankang to Langao (Shanyujie) Expressway

- The project connects the northern bank of Yue River in Hanbinqin in Ankang with Shiyen-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. WCC supplied 250,000 tons in 2018 and expects to supply approx. 300,000 tons in 2019.

### Southern Shaanxi Resettlement Project

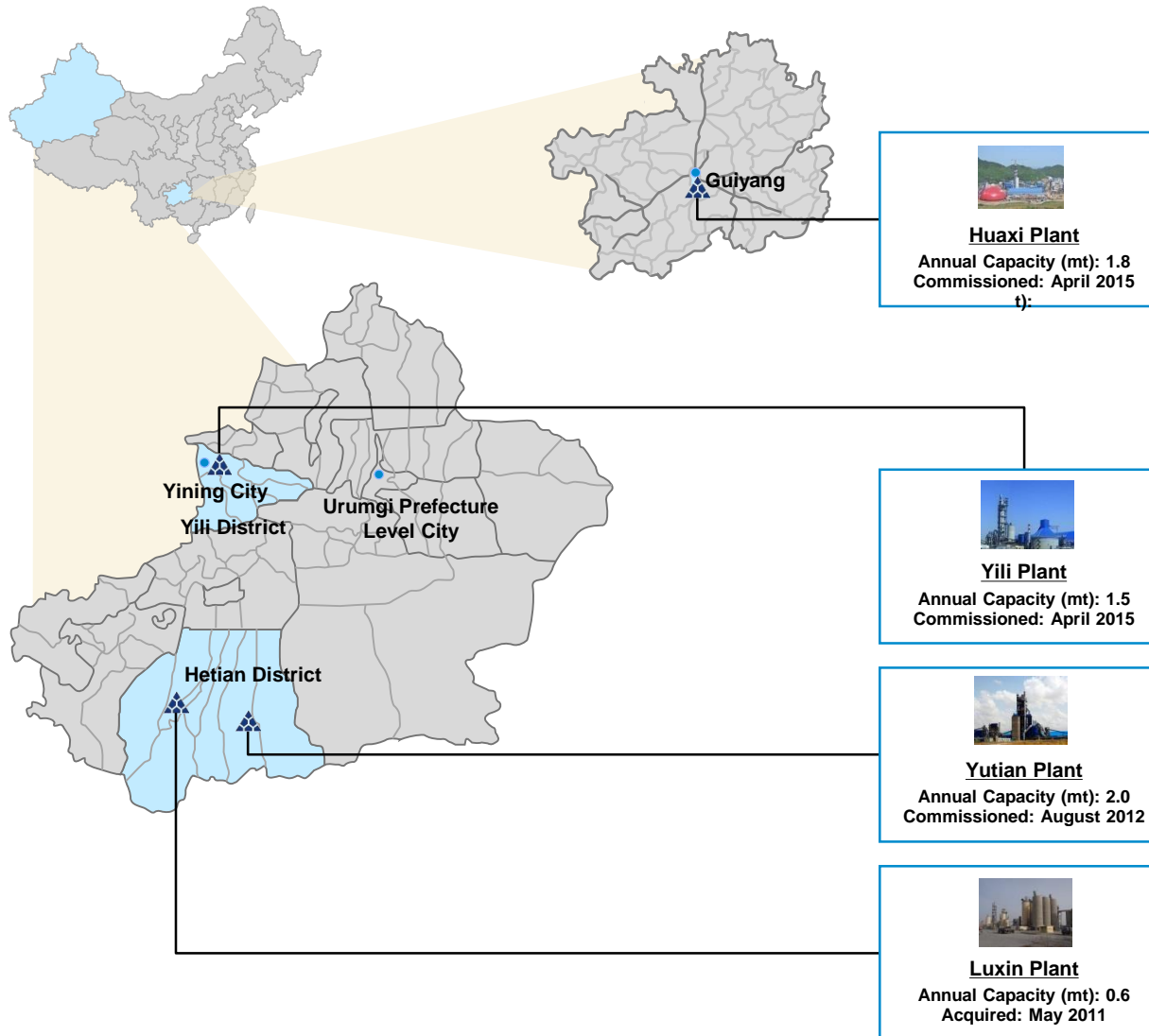
- Major population resettlement project in Southern Shaanxi from 2011 until 2020.
- WCC continues to supply between 300,000 and 400,000 tons per year to this project.

## Other infrastructure projects

Planned		Planned	
Project Name	Construction Period	Project Name	Construction Period
<b>Railway</b>			
Yinchuan-Xi'an Railway (Central Region)	2016-2021	Inner Mongolia-Jiangxi (Menghua) Coal Transportation Railway (Central Region)	2014-2020
Xi'an-Hancheng Intercity Railway (Central Region)	2018-2021		
<b>Expressway</b>			
Yan'an-Huanglong Expressway (Central Region)	2017-2020	Pucheng-Huanglong Expressway (Central Region)	2018-2021
Pingli-Zhenping Expressway (Shannan Region)	2017-2020	Shiquan-Ningshan Expressway (Shannan Region)	2018-2022
<b>Others</b>			
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

Planned		Planned	
Project Name	Construction Period	Project Name	Construction Period
<b>Railway</b>		<b>Airport</b>	
Xi'an-Yan'an Railway (Central Region)	2019-2023	Xi'an Xianyang international Airport Phase III (Central Region)	2019-2021
Xi'an-Wuhan Railway (Shannan Region)	2019-2023	<b>Others</b>	
Xi'an-Chongqing Railway (Shannan Region)	2019-2023	Xi'an Metro Line 9 (Central Region)	2019-2021
Xi'an-Famen Temple Intercity Railway (Central Region)	2019-2022	Xi'an Metro Line 8 (Central Region)	2019-2023
Yanliang-Xianyang International Airport Intercity Railway (Central Region)	2019-2022		
<b>Expressway</b>			
Reconstruction and Extension of Beijing-Kunming line - Pucheng-Laoyukou section (Central Region)	2019-2022		
Hancheng-Huanglong Expressway (Central Region)	2019-2022		



## ■ 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



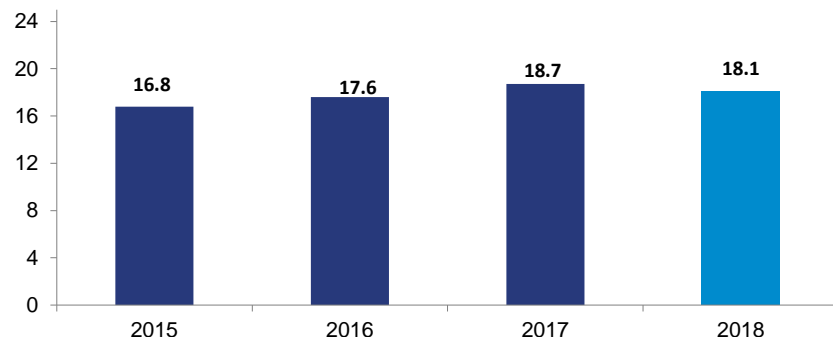
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## Financial Performance



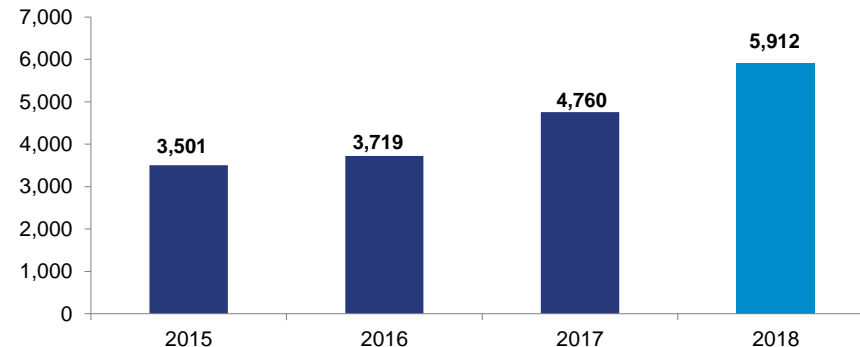
## Sales volume of cement

(RMB per ton)



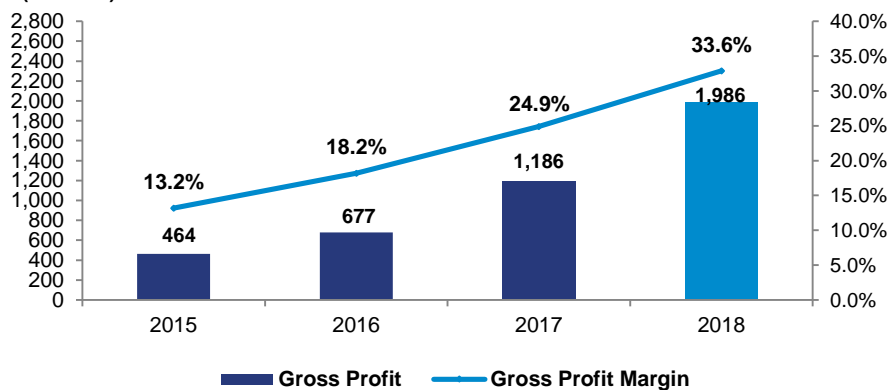
## Revenue

(RMB mn)



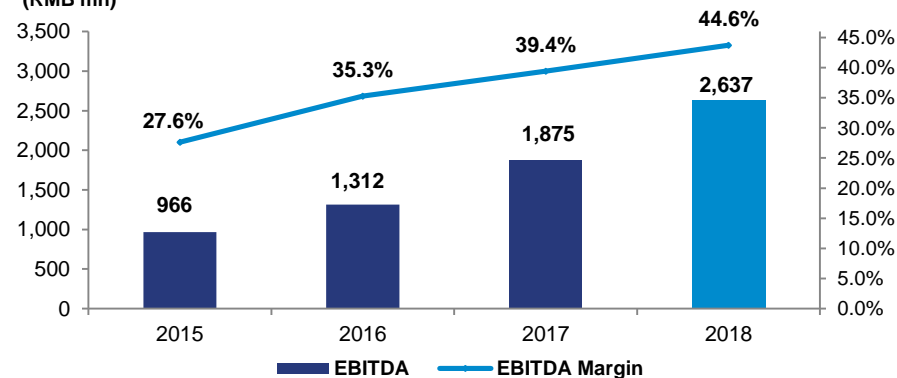
## Gross profit and gross profit margin

(RMB mn)



## EBITDA<sup>1&2</sup> and EBITDA margin

(RMB mn)

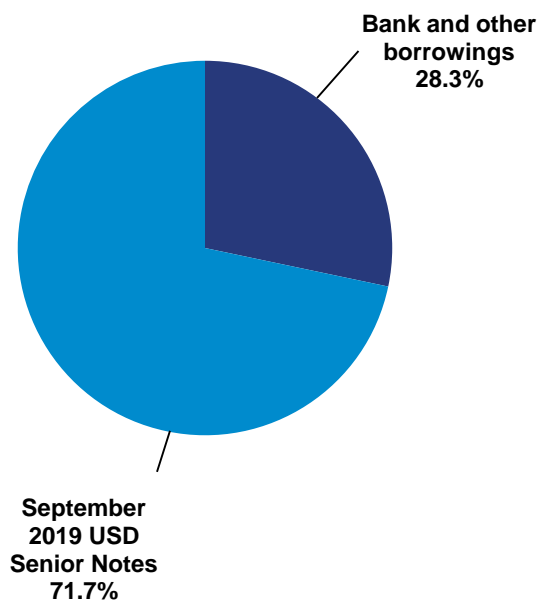


Source: Company information.

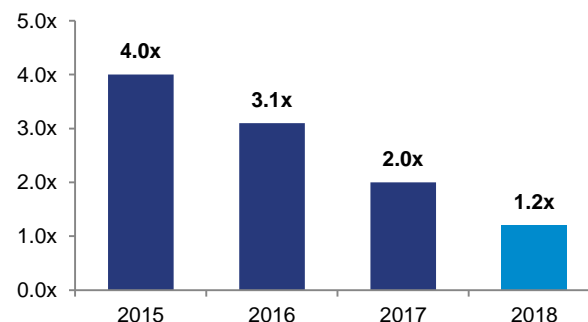
1. EBITDA is defined as profit and total comprehensive income minus (x) net foreign exchange (losses) gains and (y) interest income, and plus (i) finance costs, (ii) share-based payments; (iii) impairment loss and write-off of construction in progress, (iv). income tax expense; and (v) total depreciation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



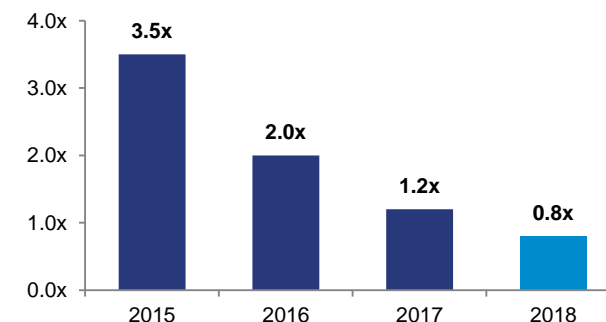
## Debt profile <sup>1</sup>



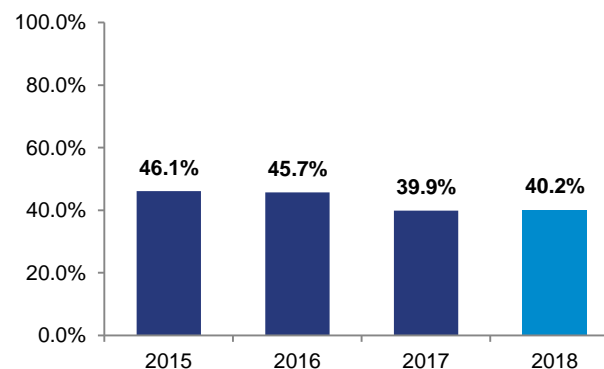
## Total debt/EBITDA <sup>2</sup>



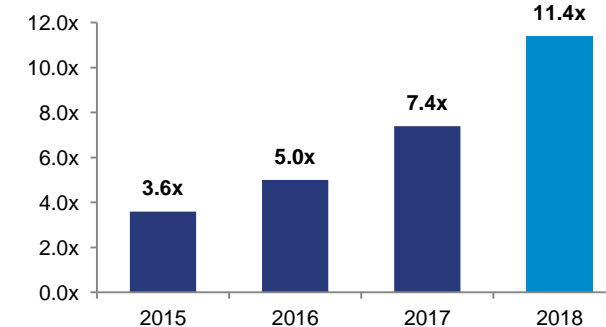
## Net debt/EBITDA <sup>2</sup>



## Total debt/total capitalization <sup>3</sup>



## Interest coverage ratio <sup>4</sup>



Source: Company information

1. As of December 31, 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 and write-off of construction in progress, (iv). income tax expense; and (v) total depreciation and amortization expenses.

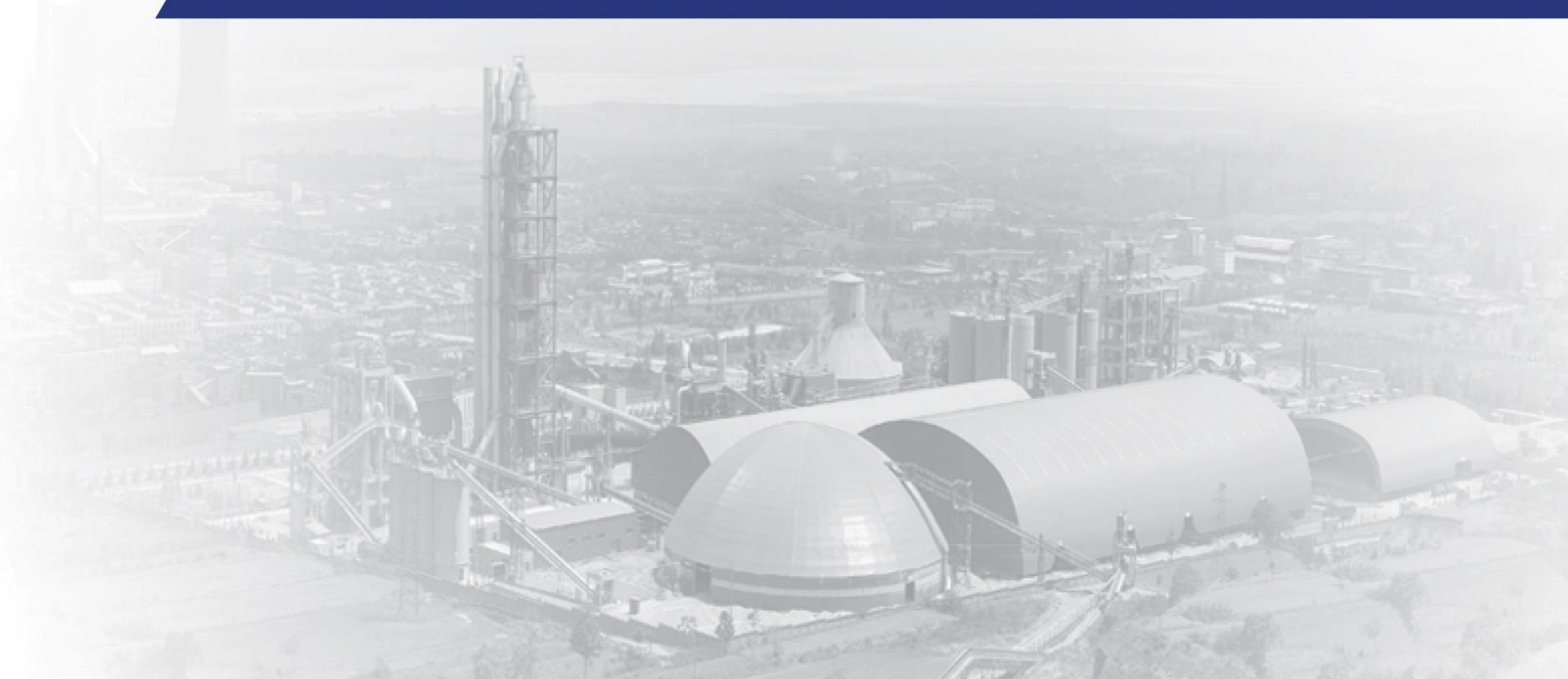
3. Total capitalization equals non-current borrowings plus total equity.

4. EBITDA/Gross interest expense.



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## Appendices



# Financial Information

## Summary of Consolidated Income Statement

For the year ended 31 December

RMB '000	2015	2016	2017	2018
Revenue	3,500,931	3,719,280	4,760,038	5,911,744
Cost of Sales	(3,037,447)	(3,042,628)	(3,574,129)	(3,925,988)
<b>Gross Profit</b>	<b>463,484</b>	<b>676,652</b>	<b>1,185,909</b>	<b>1,985,756</b>
Selling and marketing expenses	(42,953)	(42,454)	(49,401)	(54,136)
Administrative expenses	(270,629)	(242,249)	(266,245)	(336,745)
Other expenses	-	-	(9,100)	-
Other income	109,352	151,076	226,767	343,986
Other gains / (losses) – net	(297,560)	(184,356)	86,072	(242,215)
Share of profit of associates	-	9,532	16,021	23,683
Interest income	18,277	16,664	33,671	140,578
Finance cost	(236,508)	(265,467)	(249,488)	(228,796)
Finance costs – net	(218,231)	(248,803)	(215,817)	(88,218)
<b>Profit/(Loss) before income tax</b>	<b>(256,537)</b>	<b>119,398</b>	<b>974,206</b>	<b>1,632,111</b>
Income tax expense	(50,820)	(104,460)	(248,010)	(451,648)
<b>Profit/(Loss) for the year</b>	<b>(307,357)</b>	<b>14,938</b>	<b>726,196</b>	<b>1,180,463</b>

# Financial Information

## Summary of Consolidated Balance Sheet

### Assets

RMB '000	As at 31 December			
	2015	2016	2017	2018
<b>Non-current assets</b>				
Investment in an associate	-	40,957	56,978	80,661
Property, plant and equipment	8,256,747	7,564,018	7,137,420	7,180,198
Land use rights	498,429	486,675	471,487	459,275
Mining rights	281,842	272,714	245,611	326,926
Other intangible assets	195,315	192,973	191,122	199,561
Loans receivables	-	-	406,851	837,203
Deferred income tax assets	54,405	45,931	36,521	39,110
Amount due from non-controlling shareholder of a subsidiary	53,260	63,225	23,218	15,218
Prepayments for constructions in progress	-	-	106,796	101,002
	9,339,998	8,666,493	8,676,004	9,239,154
<b>Current assets</b>				
Inventories	575,656	508,893	436,160	491,116
Trade and other receivables and prepayments	685,493	660,545	670,136	731,256
Loans receivable	-	-	437,273	855,453
Restricted bank deposits	73,397	86,978	77,013	189,032
Bank balances and cash	454,823	1,258,668	1,375,353	886,046
Short-term investments	253,128	-	-	-
	2,042,497	2,515,084	2,995,935	3,152,903
<b>Total assets</b>	<b>11,382,495</b>	<b>11,181,577</b>	<b>11,671,939</b>	<b>12,392,057</b>

### Liabilities and Equity

RMB '000	As at 31 December			
	2015	2016	2017	2018
<b>Non-current liabilities</b>				
Borrowings	3,000	2,000	160,000	-
Senior Notes	2,563,482	2,747,221	2,596,470	-
Asset retirement obligation	20,961	22,066	23,417	45,935
Deferred income tax liabilities	54,731	39,078	71,296	80,279
Deferred income	66,389	48,591	49,742	45,542
	2,708,563	2,858,956	2,900,925	171,756
<b>Current liabilities</b>				
Trade and other payables	1,410,505	1,086,485	1,056,431	1,383,034
Current income tax liabilities	22,067	58,965	102,291	186,738
MT Notes	799,060	-	-	-
ST Notes	-	799,214	399,586	-
Borrowings	538,400	464,600	584,000	863,571
Senior Notes	-	-	-	2,188,003
	2,770,032	2,409,264	2,142,308	4,621,346
<b>Total liabilities</b>	<b>5,478,595</b>	<b>5,268,220</b>	<b>5,043,233</b>	<b>4,793,102</b>
<b>Equity</b>				
Total Equity attributable to shareholders	5,856,420	5,862,630	6,578,674	7,525,265
Minority interest	47,480	50,727	50,032	73,690
<b>Total equity</b>	<b>5,903,900</b>	<b>5,913,357</b>	<b>6,628,706</b>	<b>7,598,955</b>
<b>Total equity and liabilities</b>	<b>11,382,495</b>	<b>11,181,577</b>	<b>11,671,939</b>	<b>12,392,057</b>

# Financial Information

## Summary Consolidated Cash Flow Statements

RMB '000	For the year ended 31 December			
	2015	2016	2017	2018
Net cash generated from operating activities	474,070	1,313,442	1,771,998	2,497,959
Net cash used in investing activities	(771,736)	(169,757)	(1,255,827)	(1,681,324)
Net cash generated from / (used in) financing activities	254,885	(342,042)	(396,331)	(1,307,073)
Net increase / (decrease) in cash and cash equivalents	(42,781)	801,643	119,840	(490,438)
<b>Cash and cash equivalent at period end</b>	<b>454,823</b>	<b>1,258,668</b>	<b>1,375,353</b>	<b>886,046</b>



<b>Mr. Zhang Jimin,</b> <b>Chairman &amp; Executive Director</b>	<ul style="list-style-type: none"> <li>■ Over 27 years Industry Experience</li> <li>■ Chairman of the Shaanxi Cement Association and Vice Chairman of the China Cement Association</li> <li>■ Received professional training course in economic management from Peking University</li> </ul>
<b>Dr. Ma Weiping,</b> <b>CEO &amp; Executive Director</b>	<ul style="list-style-type: none"> <li>■ Over 22 years of management and technical experience in the building materials industry</li> <li>■ Has held senior management positions at Holcim, Lafarge and Italcementi in the US and China</li> <li>■ Ph.D in Material Science and Engineering from Pennsylvania State University and MBA from Michigan State University</li> </ul>
<b>Mr. Ma Zhaoyang,</b> <b>Non-executive Director</b>	<ul style="list-style-type: none"> <li>■ Professor of Management, Northwestern Polytechnic University; extensive academic expertise and experience in strategic planning</li> </ul>
<b>Ms Liu Yan,</b> <b>Non-executive Director</b>	<ul style="list-style-type: none"> <li>■ Head of Finance Department of Anhui Conch Group, responsible for financial management, internal audit and internal risk control.</li> <li>■ Graduate of Tongling University, majoring in Planning &amp; Statistics</li> <li>■ Anhui Conch board representative.</li> </ul>
<b>Mr Qin Hongji,</b> <b>Non-executive Director</b>	<ul style="list-style-type: none"> <li>■ Regional Head of Anhui Conch in Shaangan; General Manager of Pingliang and Linxia Conch Cement Companies.</li> <li>■ Graduate of Wuhan University of Technology, majoring in Silicate Technology</li> <li>■ Anhui Conch board representative</li> </ul>
<b>Independent Non-executive Directors</b>	<ul style="list-style-type: none"> <li>■ <b>Mr Lee Kong Wai, Conway</b></li> <li>■ <b>Mr Wong Kun Kau</b></li> <li>■ <b>Mr Tam King Ching, Kenny</b></li> </ul>



**中国西部水泥有限公司**  
WEST CHINA CEMENT LIMITED

## Contact Us

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