



SUNNSY

山水集团

SUNNSY GROUP

China Shanshui Cement Group Limited

Annual Results Presentation

April 2010



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Agenda

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Review of 2009 Annual Results

II

Future Outlook

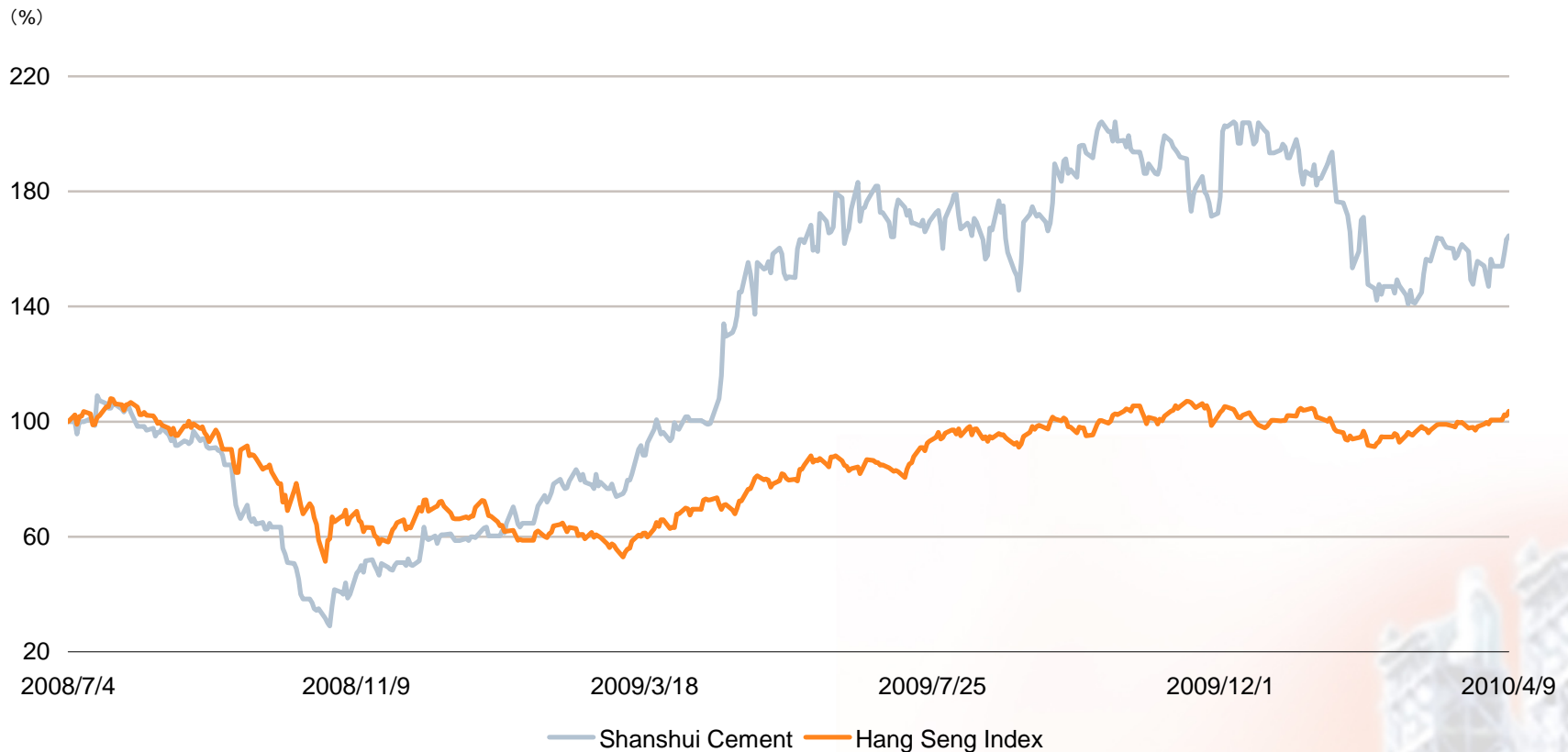
III

Q & A

Review of 2009 Annual Results

Outstanding Performance of Share Price Provides the Most Steady Return

Outperforming Share Price



Source: Factset as of 4/9/2010

Financial Results Highlight

	2009	2008	YoY Growth
Sales Revenue	8,727.6	7,500.8	16.4%
Cement (RMB MM)	6,608.2	5,906.8	11.9%
Clinker (RMB MM)	1,578.9	1,169.2	35.0%
Others (RMB MM)	540.5	424.7	27.3%
Shandong Region (RMB MM)	7,511.2	6,599.5	13.8%
Liaoning Region (RMB MM)	1,216.4	901.3	35.0%
Gross Profit (RMB MM)	1,780.5	1,586.40	12.2%
Operating Profit (RMB MM)	1,250.9	1,061.0	17.9%
Net Profit (RMB MM)	714.0	549.2	30.0%
Net Profit Attributable to the Equity Shareholders of the Company (RMB MM)	701.6	539.4	30.1%
Basic Earnings per Share (RMB)	0.25	0.23	8.7%
Gross Margin (%)	20.4%	21.2%	
Net Margin (%)	8.0%	7.2%	

Operating Results Highlight

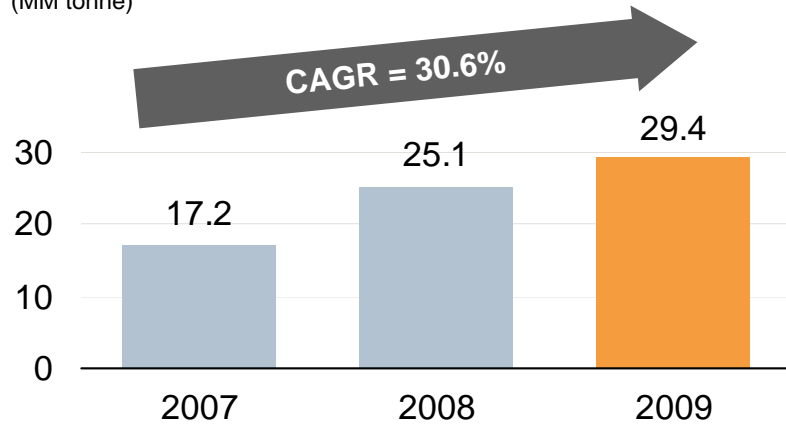
	2009	2008	YoY Growth
Capacity (MM tonne)			
Cement	48.3	35.8	35.0%
Clinker	25.2	20.0	26.0%
Sales Volume (MM tonne)			
Cement	29.4	25.1	17.0%
- High Grade Cement ⁽¹⁾	14.8	10.0	49.0%
- Low Grade Cement	14.5	15.1	-4.6%
Clinker	8.4	5.5	54.1%
Unit Selling Price (RMB/tonne)			
Cement	224.9	235.2	-4.4%
Clinker	187.5	213.9	-12.3%
Shandong Region	221.5	233.0	-4.9%
Liaoning Region	245.8	249.5	-1.5%

Note: (1) High grade cement refers to products with compressive strength equal to or higher than 42.5 megapascals (MPa)

Continued Increase in Sales Volume ...

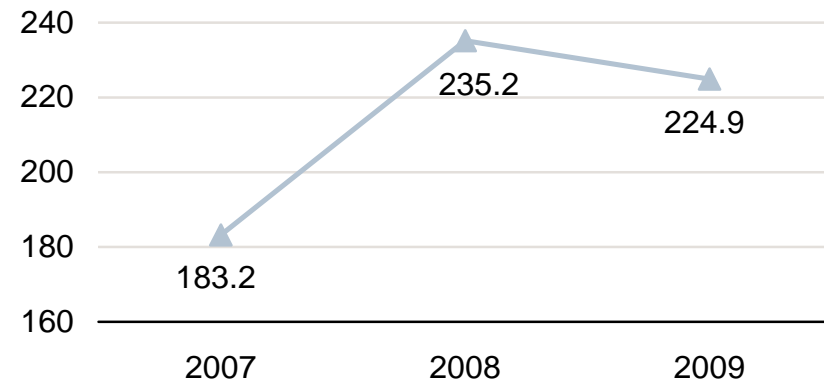
Cement Sales Volume

(MM tonne)



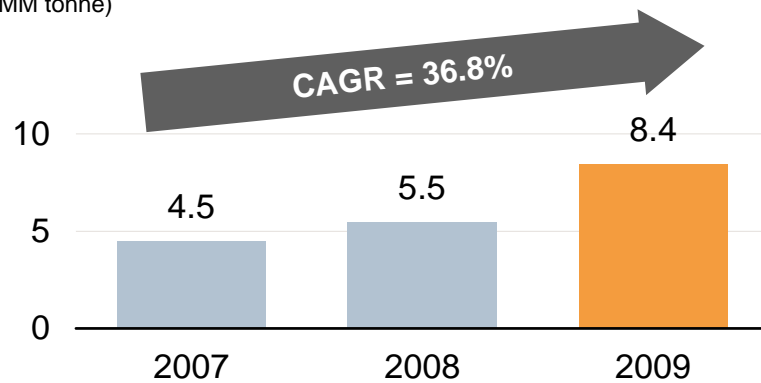
Cement Price

(RMB / tonne)



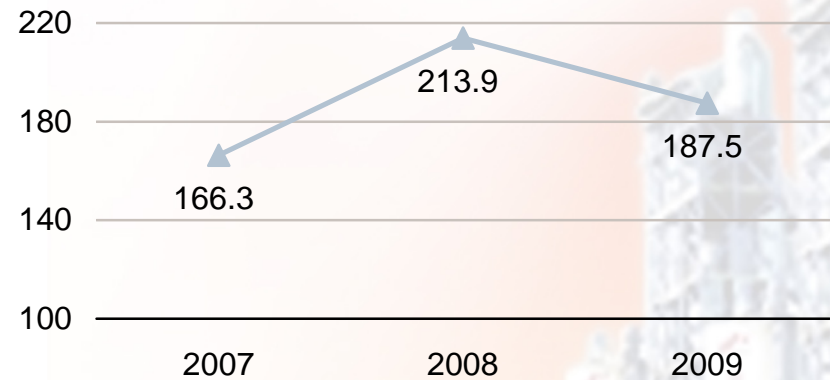
Clinker Sales Volume

(MM tonne)



Clinker Price

(RMB/tonne)



...Effective Cost Control...

	2007		2008		2009	
	RMB MM	% Revenue	RMB MM	% Revenue	RMB MM	% Revenue
Total cost of sales	3,372.9	81.4%	5,914.3	78.9%	6,947.2	79.6%
Raw materials	1,165.9	28.1%	1,759.8	23.5%	2,085.2	23.9%
Coal	923.1	22.3%	2,165.4	28.9%	2,190.2	25.1%
Power	729.2	17.6%	1,042.2	13.9%	1,124.8	12.9%
Depreciation and amortization	242.2	5.8%	460.3	6.1%	562.3	6.4%
Others	312.6	7.5%	486.6	6.5%	984.8	11.3%

- During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 79.6%, representing an increase over 2008 level, which was mainly attributable to higher maintenance costs incurred in the early overhaul in 4th quarter of certain of the Company's production lines where production was suspended due to lower demand for cement as a result of the extreme weather.
- The average unit purchase price of coal decreased by 16.2% from RMB680.1/tonne in 2008 to RMB569.9/ tonne in 2009.
- The significant reduction in coal consumption per unit of output as a result of the inauguration of the new dry process clinker production lines in Liaoning Province, helped the proportion of coal expenses to sales revenue record a significant decrease to 25.1%, down by 3.8 percentage points from 2008 level.
- In 2009, output of residual heat power generation was 715 million KWH, and the power cost savings were approximately RMB0.37/KWH, reducing the clinker cost by approximately RMB268.02 million

...And Excellent Operating Efficiency...

	2007			2008			2009		
	RMB MM	% Revenue	RMB per tonne ⁽¹⁾	RMB MM	% Revenue	RMB per tonne ⁽¹⁾	RMB MM	% Revenue	RMB per tonne ⁽¹⁾
Operating and finance expenses	629.8	15.2%	29.0	1,076.5	14.4%	35.2	975.3	11.2%	25.8
Sales and marketing	156.8	3.8%	7.2	175.2	2.3%	5.7	196.5	2.3%	5.2
Administrative	262.9	6.3%	12.1	553.3	7.4%	18.1	469.1	5.4%	12.4
Finance costs	210.1	5.1%	9.7	348.0	4.6%	11.4	309.6	3.5%	8.2

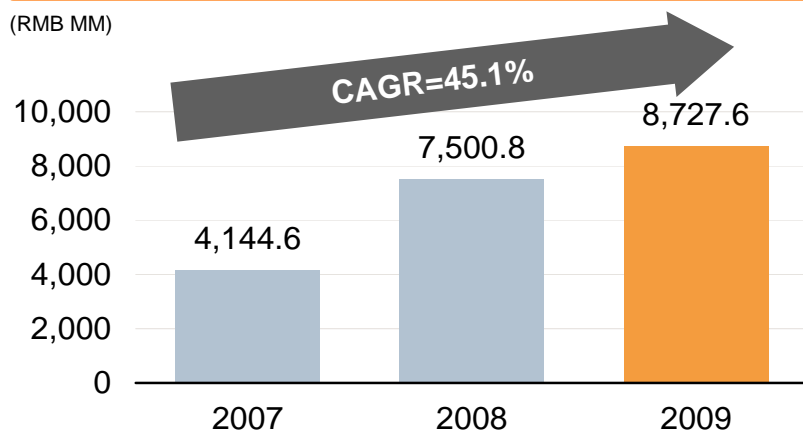
Notes: (1) Per tonne calculation is calculated based on the total clinker and cement volume sold

- During the Reporting Period, all expenses of the Group were controlled effectively. The proportion of sales and marketing expenses to sales revenue declined compared to 2008, as a result of the beneficial effect of the increase in sales volumes.
- The proportion of administrative expenses to sales revenue declined compared to the previous year, mainly due to the beneficial effect of systematically consolidating the businesses acquired and the efficient cost control conducted by the Group.
- The proportion of finance costs to sales revenue declined, primarily due to lower interest rates on its debt.

...Led to Robust Financial Performance...

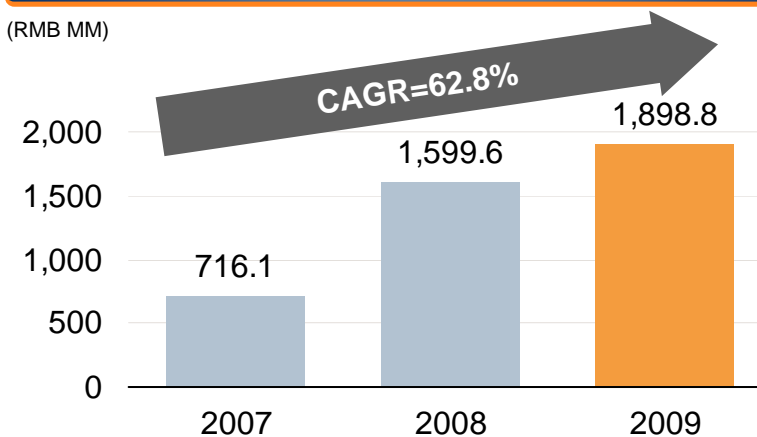
Sales Revenue

(RMB MM)



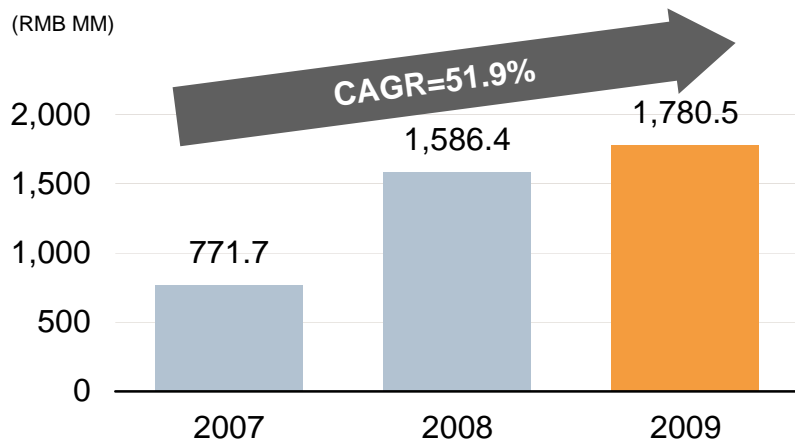
EBITDA⁽¹⁾

(RMB MM)



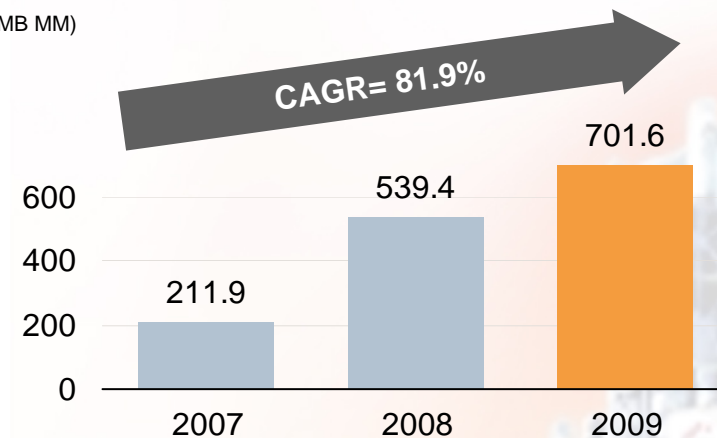
Gross Profit

(RMB MM)



Net Profit attributable to Equity Shareholders

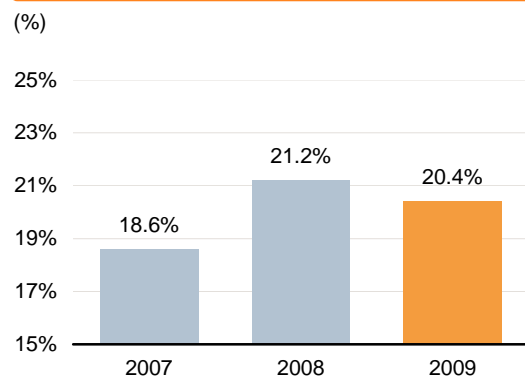
(RMB MM)



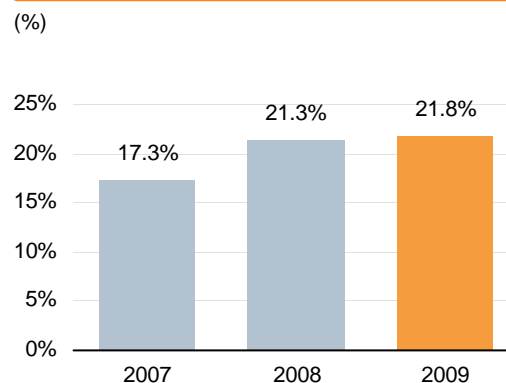
Notes: (1) EBITDA = Profit from operations + Depreciation + Amortisation of lease prepayments + Amortisation of intangible assets + Amortisation of other long-term assets

...Improved Profitability...

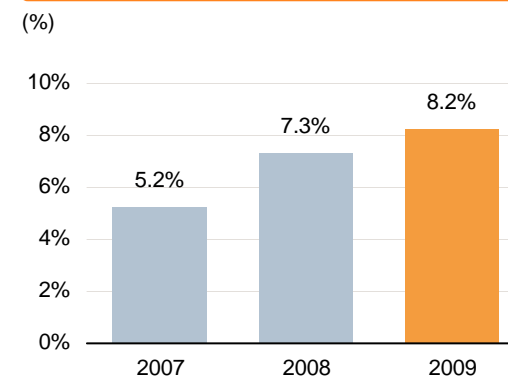
Gross Margin



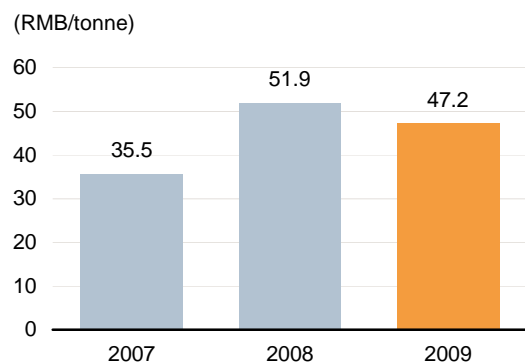
EBITDA Margin



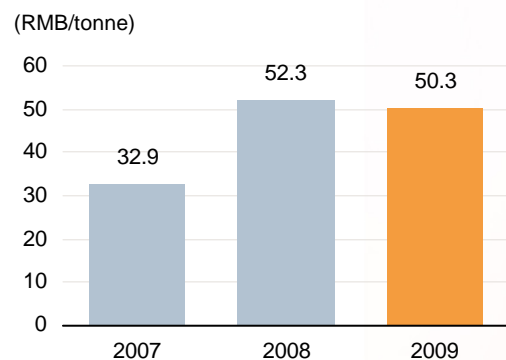
Net Margin⁽¹⁾



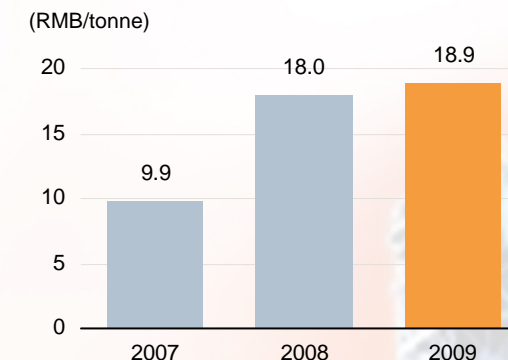
Gross Profit per tonne⁽²⁾



EBITDA per tonne⁽²⁾



Net Profit per tonne⁽²⁾

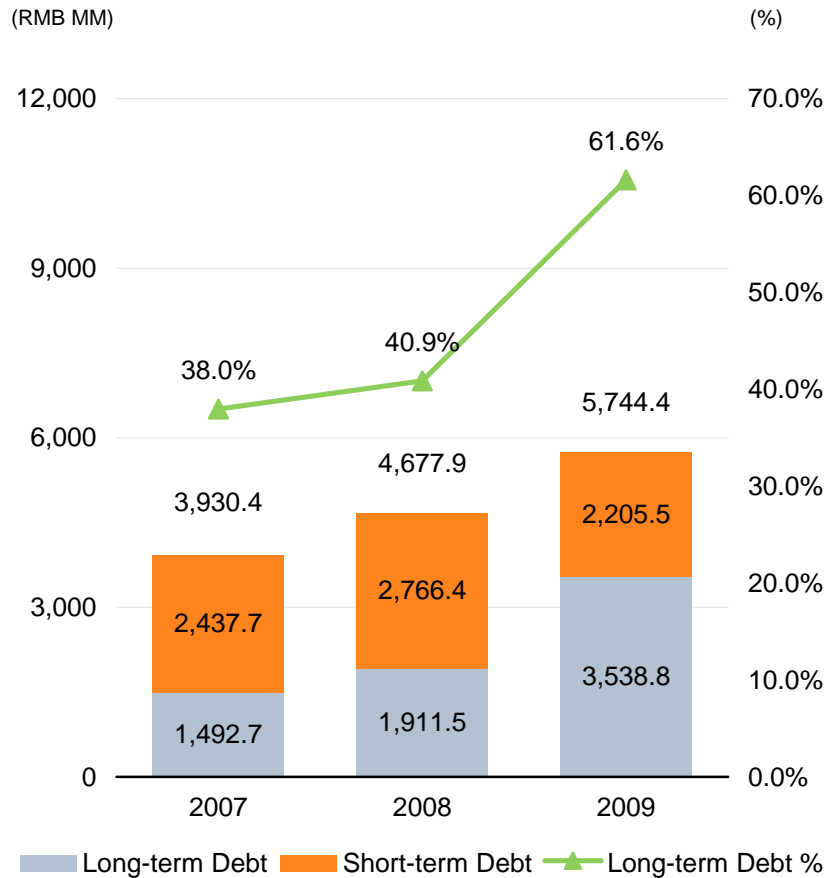


Notes: (1) Includes minority interest

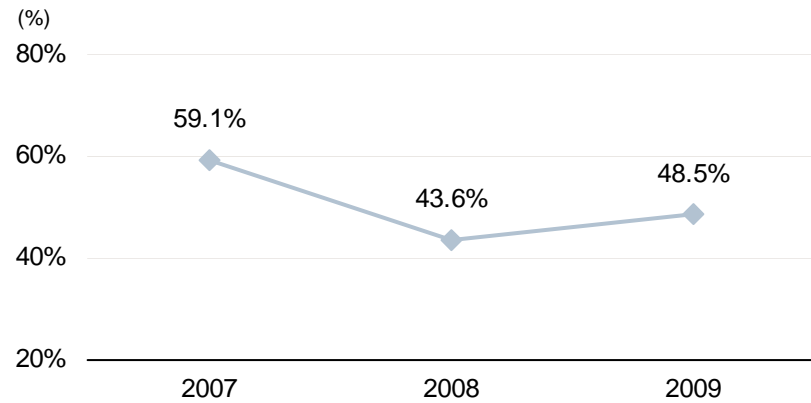
(2) Unit data calculated using the sum of cement and clinker sales volumes

...Healthy Capital Structure And Strong Cash Flow

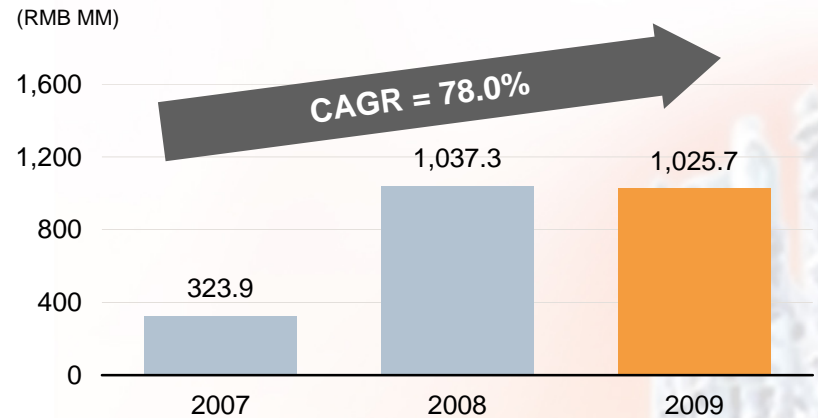
Debt Structure⁽¹⁾⁽²⁾



Net Gearing Ratio⁽³⁾



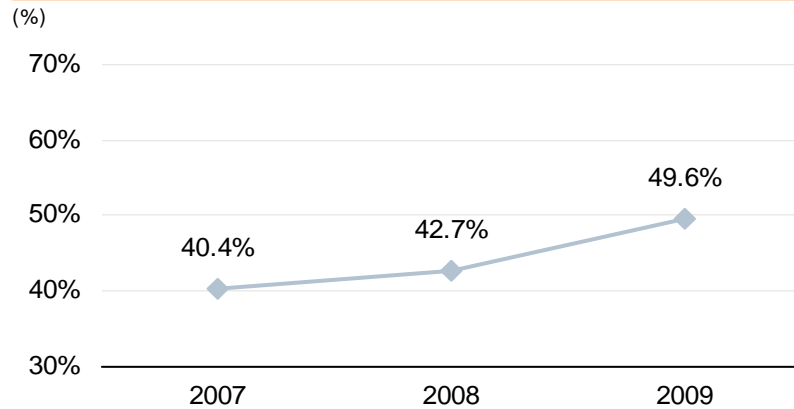
Operating Cash Flow



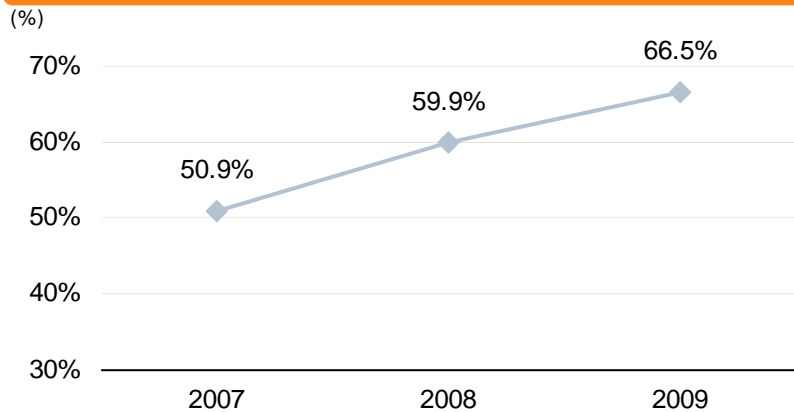
Notes: (1) Short-term Debt = Short-term and current portion of long-term interest-bearing borrowings
 (2) Long-term Debt = Long-term interest-bearing borrowings, less current portion
 (3) Net Gearing Ratio = Net Debt / (Net Debt + Equity attributable to Equity shareholders of the Company)

...Effective Financial Management And Credit Control

Quick Ratio⁽¹⁾



Current Ratio⁽²⁾



Working Capital Days⁽³⁾



- Notes:
- (1) Quick Ratio = (Total Current Assets - Inventories) / Total Current Liabilities
 - (2) Current Ratio = Total Current Assets / Total Current Liabilities
 - (3) Inventory days = Average inventories / Cost of sales * 365;
 Days of sales outstanding = Average trade and bill receivables / Revenue * 365;
 Days of purchase outstanding = Average trade and bill payables / Cost of sales * 365

2009 Dividend

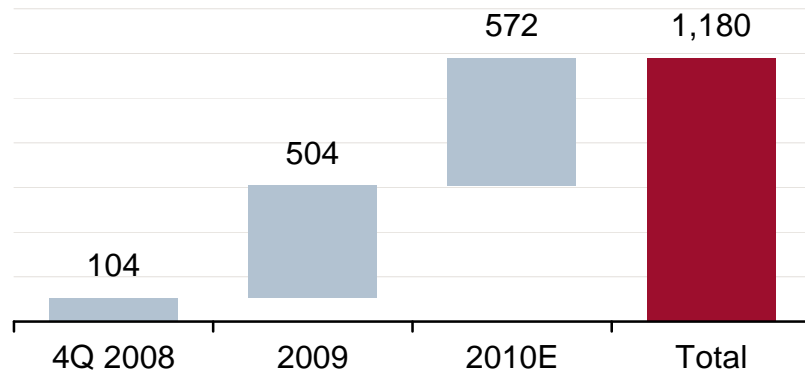
- We propose to distribute final dividend of HKD0.097 per share totaling HKD 273 million for 2009
- Major considerations:
 - Company's dividend policy
 - Sufficient cash after considering factors including cash return to shareholders, Company's debt financing, operating cash flow and capital expenditure

Future Outlook

China's Leading Economic Recovery Ensures Demand for Cement

RMB4 Tn Stimulus Package Will Continue in 2010⁽¹⁾

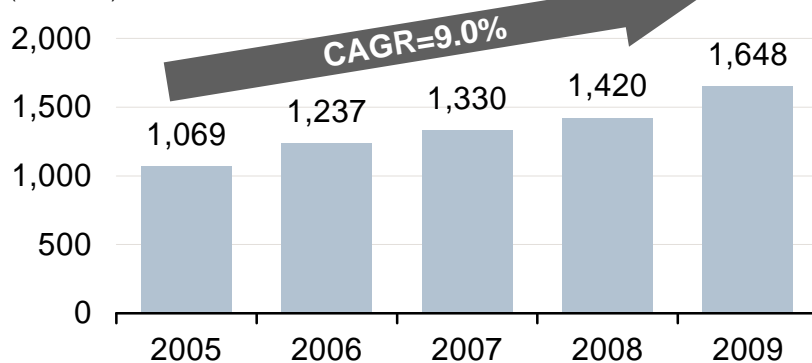
(RMB Bn)



As part of the RMB4 Tn stimulus package, the Central Government will contribute RMB1.2 Tn of new investment over the next 2 years

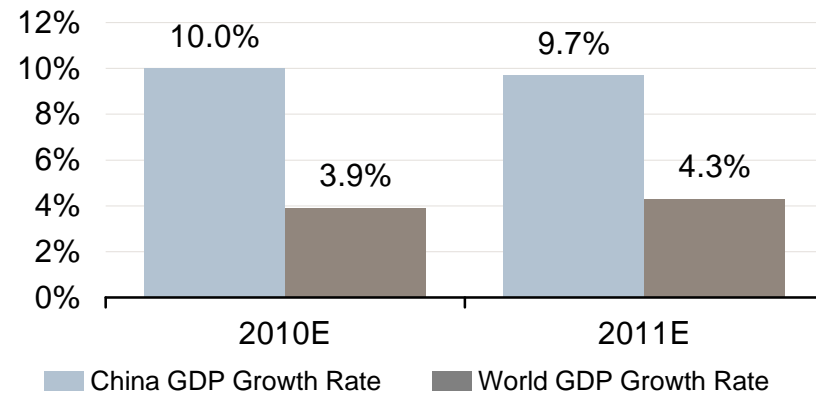
Total Cement Production in China

(MM tonne)



Notes: (1) Government press release
(2) IMF

China Leads the Global Economic Recovery⁽²⁾



Shandong and Liaoning Investment Plan

Shandong 2010 Investment Plan

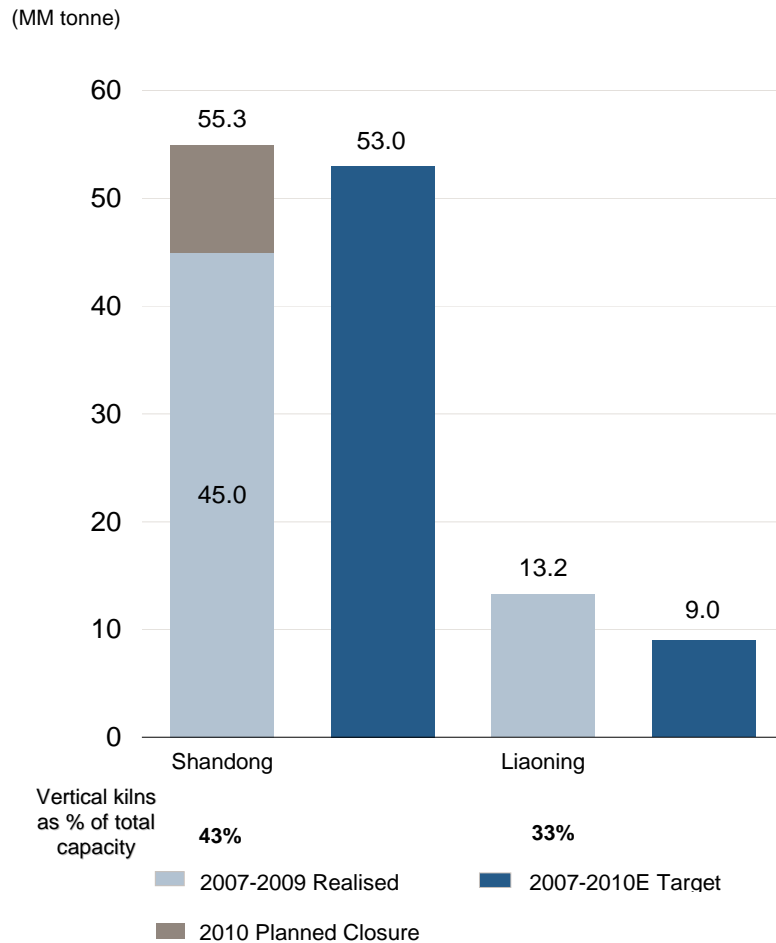
- Construction of 3,000 km of roads, investment of RMB 36.1Bn
- Port construction, investment of RMB 9Bn

Liaoning 2010 Investment Plan

- Liaoning will invest RMB 475Bn in fixed asset in 2010
- Transportation infrastructure and facilities: construction of over 3,000 km of highways, and the launching of the Binhai Road Deep Connection Project – investment of RMB 33.2Bn
- Construction of urban infrastructure and facilities – investment of RMB 65Bn

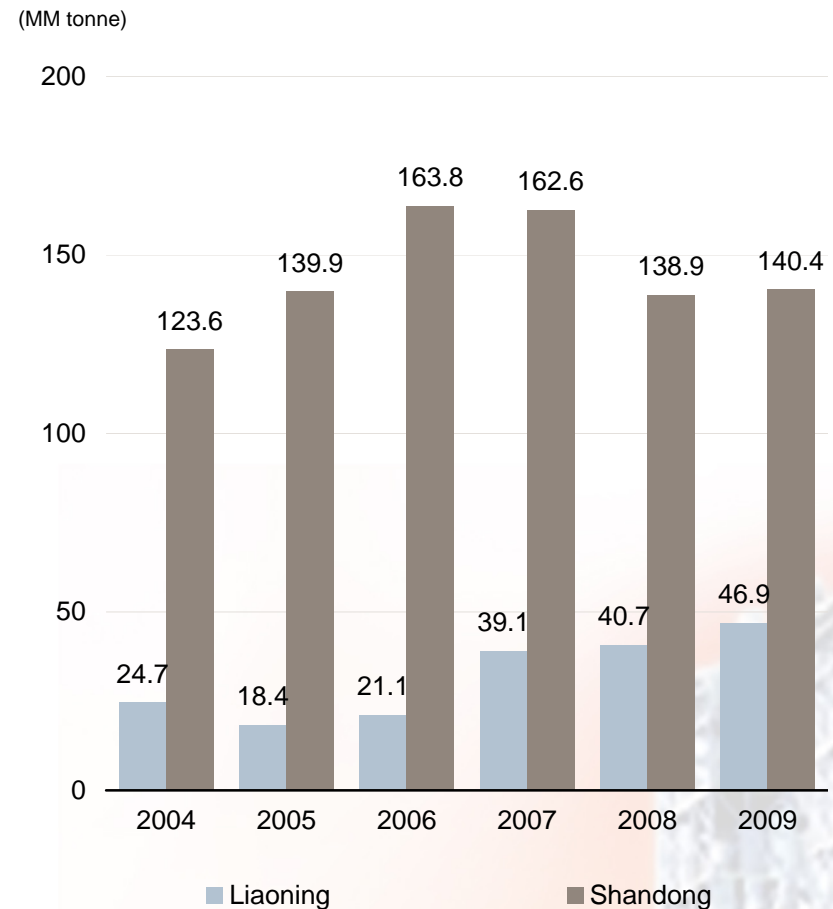
Capacity Closures Will Constrain Supply

Vertical Kiln Closures Well Underway



Source NDRC, DigitalCement

Shandong & Liaoning Cement Production Under Effective Control

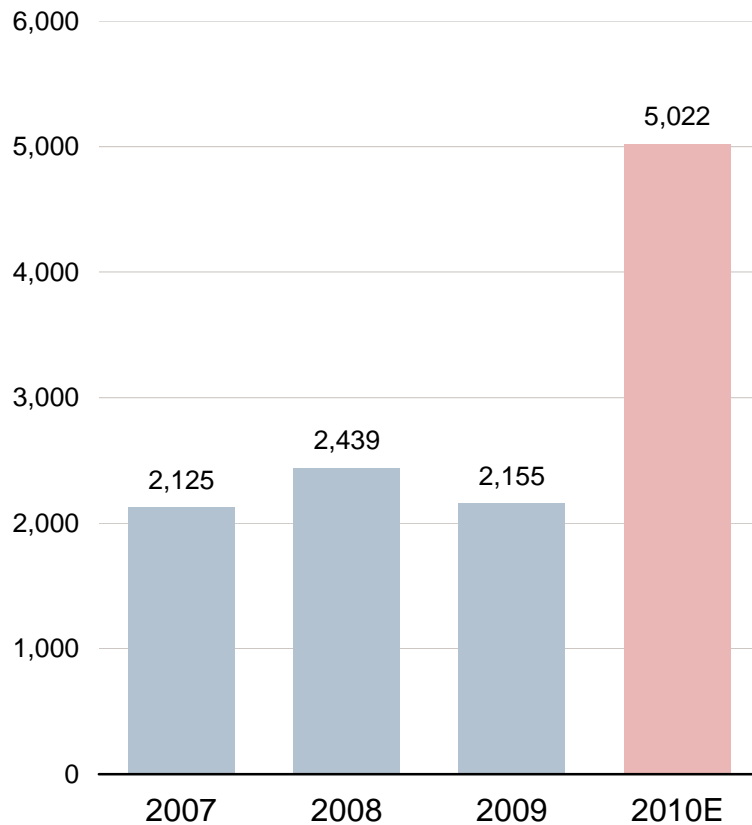


Source China Building Materials Industry Association, Shandong Bureau of Statistics, Liaoning Bureau of Statistics

Capital Expenditure Plan

Capital Expenditure⁽¹⁾

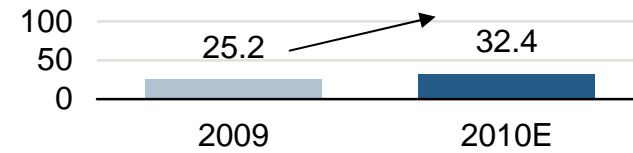
(RMB MM)



2010 Expansion Plans

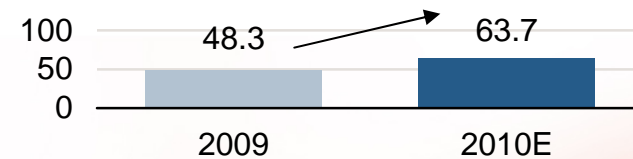
Clinker Capacity⁽²⁾

(MM tonne)



Cement Capacity⁽²⁾

(MM tonne)



Residual Heat Power Capacity⁽²⁾

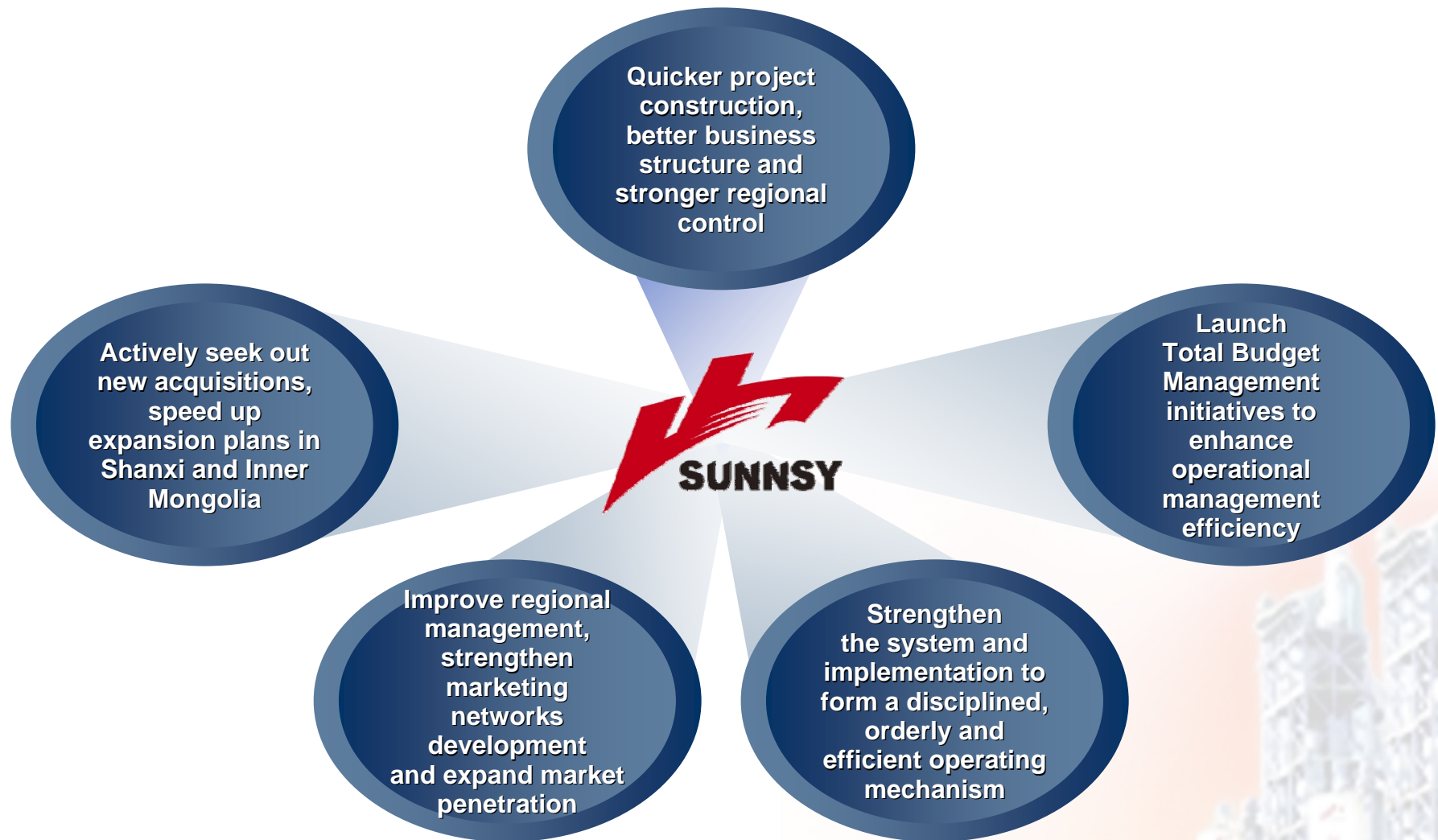
(MW)



Notes: (1) Capex = Purchase of property, plant and equipment + Purchase of land use rights + Purchase of intangible assets + Purchase of other fixed assets + Acquisition of subsidiaries (The 2010 figure does not include the acquisition of subsidiaries)

(2) Year end capacity

Strategies for 2010



Thank you

Q&A