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山水集团

SUNNSY GROUP

China Shanshui Cement Group Limited

Interim Results Presentation

August 2011



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Agenda

I

Review of 2011 Interim Results

II

Future Outlook

III

Q & A

2011 Interim Results Review

Financial Results Highlight

	1H 2011	1H 2010	YoY Growth
Sales Revenue	7,832.2	4,723.7	65.8%
Cement (RMB MM)	6,460.8	3,406.4	89.7%
Clinker (RMB MM)	956.5	1,038.7	-7.9%
Others (RMB MM)	415.0	278.6	48.9%
Shandong Region (RMB MM)	6,253.0	3,993.1	56.6%
Liaoning Region (RMB MM)	1,551.4	730.5	112.4%
Shanxi Region (RMB MM)	27.8	-	-
Gross Profit (RMB MM)	2,469.5	967.0	155.4%
EBITDA (RMB MM)	2,410.3	1,079.3	123.3%
Net Profit (RMB MM)	1,275.0	411.3	210.0%
Net Profit Attributable to the Equity Shareholders of the Company (RMB MM)	1,237.0	403.7	206.5%
Basic Earnings per Share (RMB)	0.44	0.14	214.3%
Gross Margin (%)	31.5%	20.5%	
Net Margin (%)	16.3%	8.7%	

Operating Results Highlight

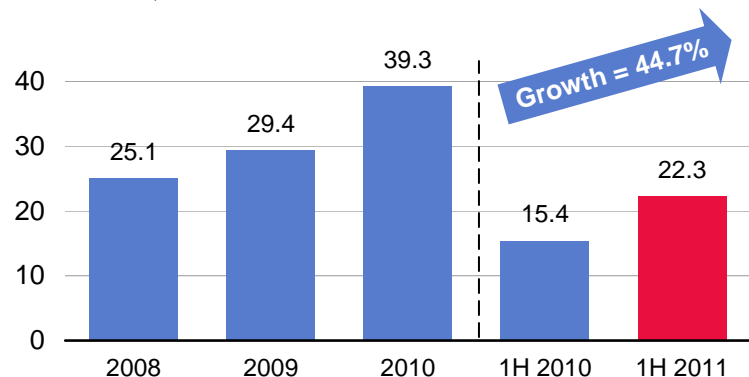
	1H 2011	1H 2010	YoY Growth
Capacity (MM tonne)			
Cement	69.9	56.4	24.0%
Clinker	32.4	27.8	16.5%
Sales Volume (MM tonne)			
Cement and Clinker	25.9	21.0	23.5%
Cement	22.3	15.4	44.7%
- High Grade Cement ⁽¹⁾	13.3	7.9	67.7%
- Low Grade Cement	9.0	7.5	20.5%
Clinker	3.6	5.6	-35.5%
Unit Selling Price (RMB / tonne)			
Cement	290	221	31.1%
Clinker	267	187	42.8%
Shandong Region	300	221	36.1%
Northeast Region	257	223	15.1%
Shanxi Region	298	-	-

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

Booming Demand, Continued Increase in Cement Sales Volume, Price Rise ...

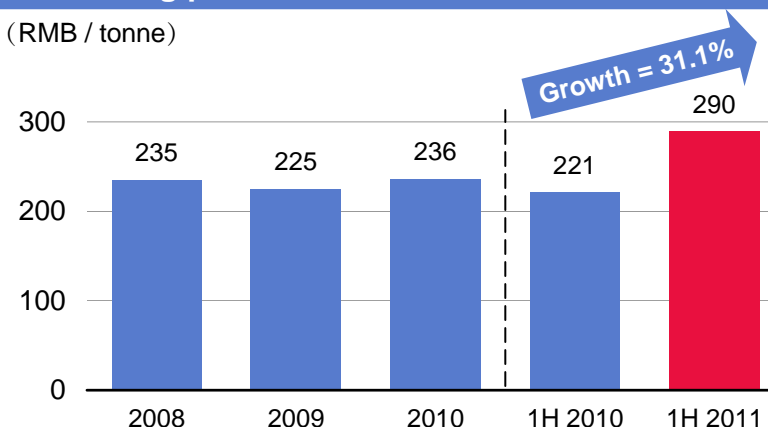
Cement sales volume

(Million tonne)



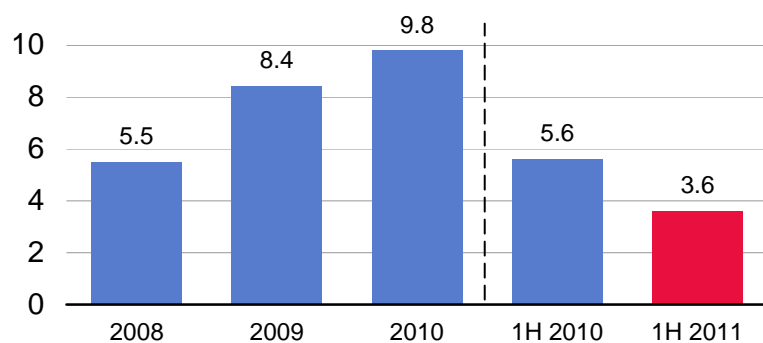
Unit selling price of cement

(RMB / tonne)



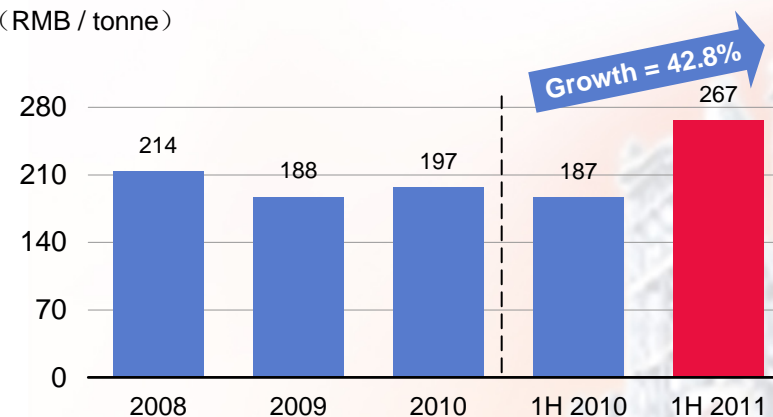
Clinker sales volume

(Million tonne)



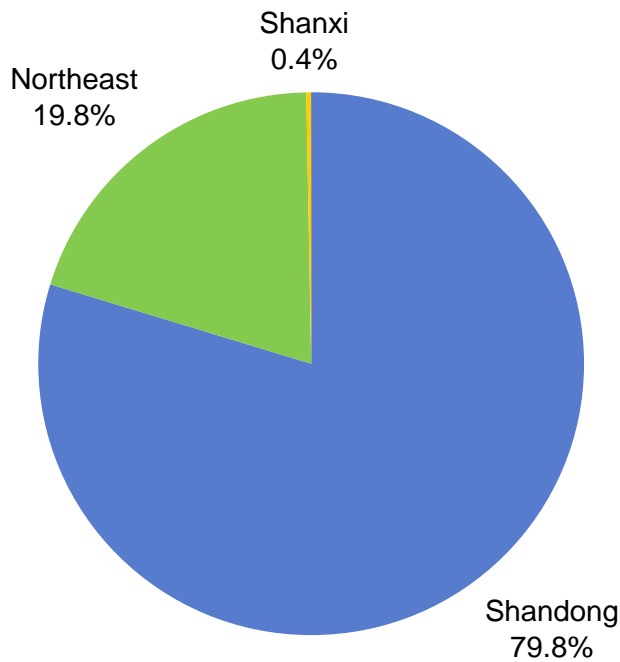
Unit selling price of clinker

(RMB / tonne)



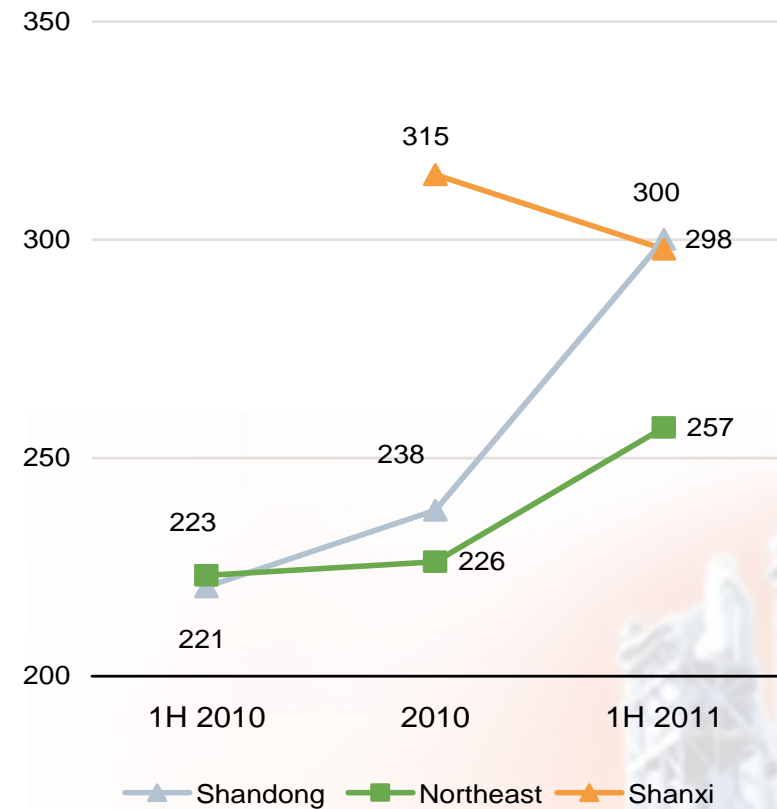
In the past off-seasons, the good performance of cement price...

Sales breakdown by area – 1H 2011



Unit selling price of cement – by Area

(RMB / tonne)



...Effective Cost Control...

	1H 2011		1H 2010	
	RMB MM	% Revenue	RMB MM	% Revenue
Total cost of sales	5,362.7	68.5%	3,756.7	79.6%
Raw materials	1,488.5	19.0%	849.5	18.0%
Coal	1,886.1	24.1%	1,425.9	30.2%
Power	808.8	10.3%	645.8	13.7%
Depreciation and amortisation	384.7	4.9%	324.2	6.9%
Others	794.6	10.2%	511.3	10.8%

- During the Reporting Period, benefited from substantial growth in sales revenue and normative procurement of raw materials, the proportion of the Group's total cost of sales to revenue was 68.5%, representing a year-on-year decrease of 11.1 percentage points
- Of which, the proportion of raw materials to revenue was 19.0%, an increase of 1.0 percentage points compared with same period last year
- The proportion of coal costs to revenue was 24.1%, representing a year-on-year decrease of 6.1 percentage points. The Group's average unit purchase price of coal in the first half of 2011 increased by 8.2% to RMB 731.9 / tonne
- As for cost reduction, output of residual heat power generation increased by 21.9% to 516 million KWH in the first half of 2011, thus reducing the cost of clinker by approximately RMB 192.75 million

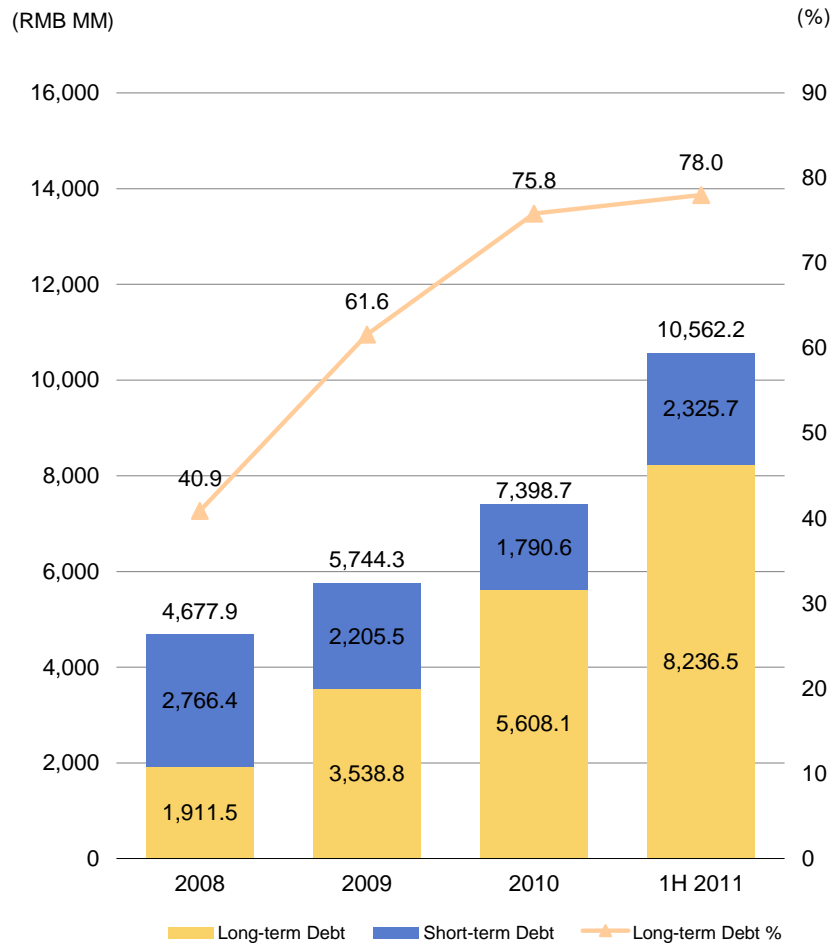
...And Excellent Operating Efficiency...

	1H 2011		1H 2010	
	RMB MM	% Revenue	RMB MM	% Revenue
Operating and finance expenses	731.7	9.4%	491.6	10.4%
Sales and marketing	121.6	1.6%	86.7	1.8%
Administrative	375.9	4.8%	234.3	5.0%
Finance costs	234.2	3.0%	170.7	3.6%

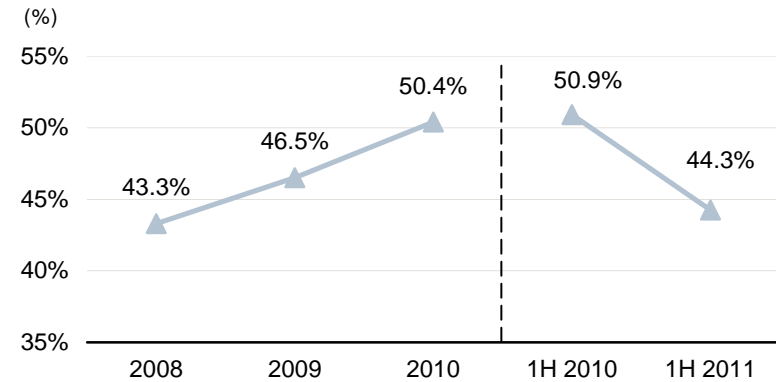
- During the Reporting Period, all expenses of the Group were controlled effectively. The proportion of sales and marketing expenses to sales revenue declined compared with the corresponding period of 2010, as a result of the substantial increase in overall sales volumes
- The proportion of administrative expenses to sales revenue declined by 0.2 percentage points as compared with the previous year, as a result of further implementation of budget management initiatives by the Group. The proportion of the Group's finance costs to sales revenue declined accordingly

...Healthy Capital Structure And Strong Cash Flow

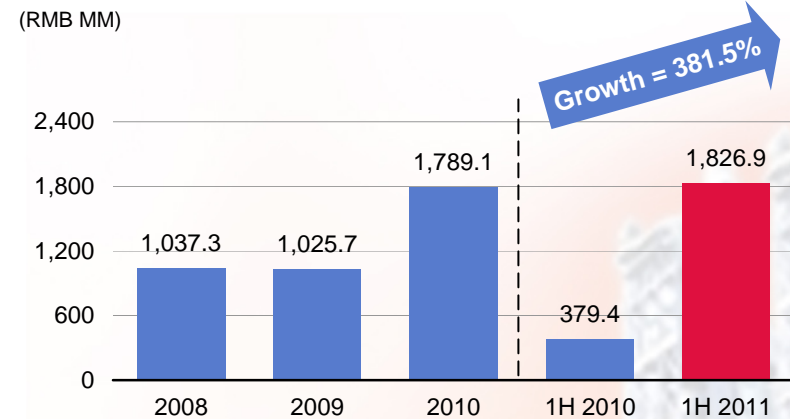
Debt Structure ⁽¹⁾⁽²⁾



Leverage ratio ⁽³⁾



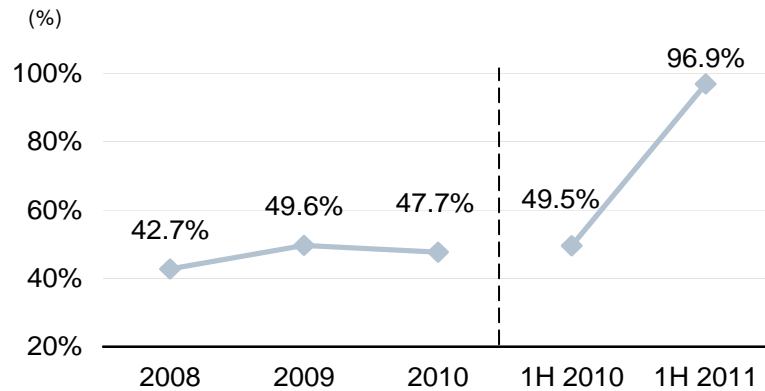
Operating Cash Flow



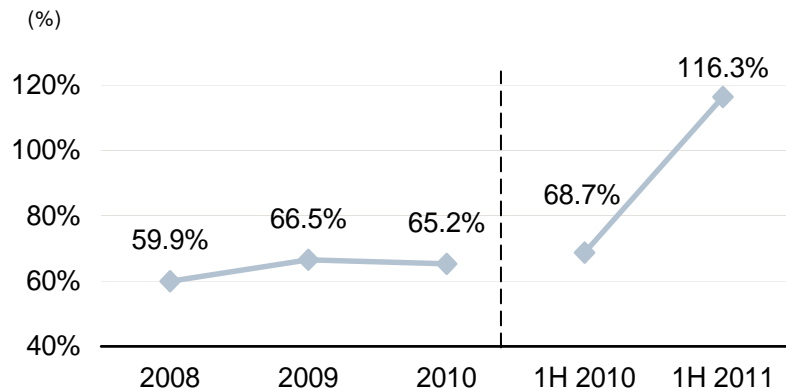
Notes: (1) Short-term Debt = Short-term and current portion of long-term interest-bearing borrowings + current portion of shareholders loan
 (2) Long-term Debt = Long-term interest-bearing borrowings, less current portion + convertible bond + corporate bond + shareholders loan, less current portion
 (3) Net Gearing Ratio = Net Debt / (Net Debt + Equity attributable to Equity shareholders of the Company + minority interest), Net Debt = Total debt – cash and cash equivalent

...Effective Financial Management And Credit Control

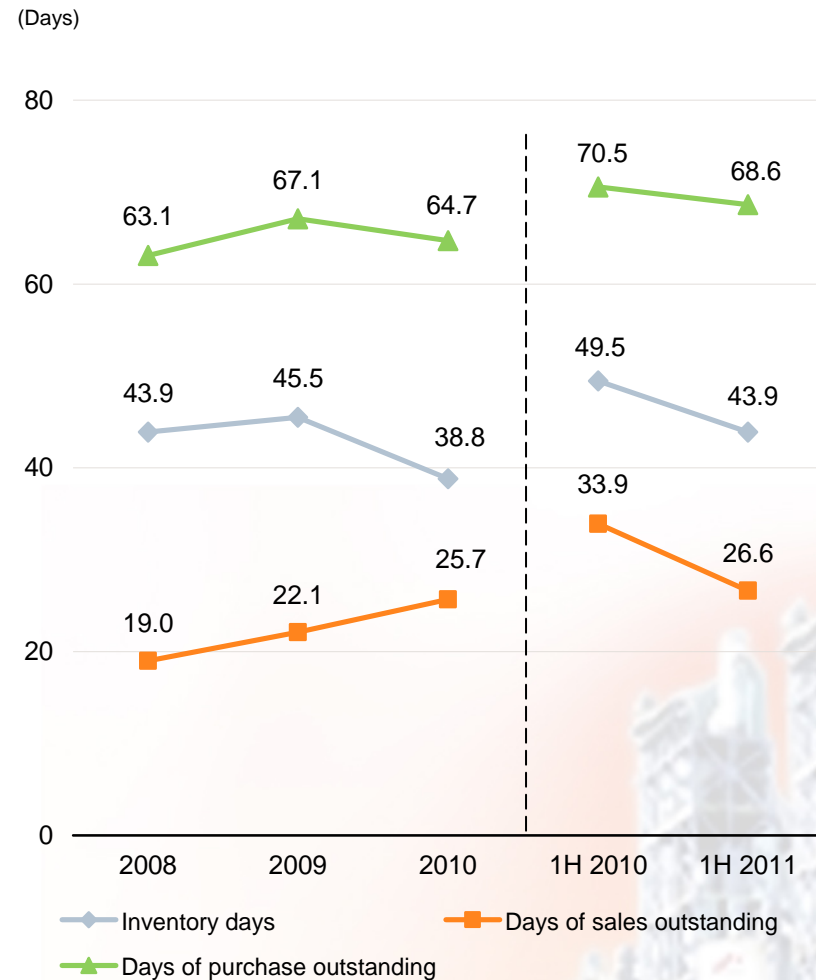
Quick Ratio ⁽¹⁾



Current Ratio ⁽²⁾



Working Capital Days ⁽³⁾

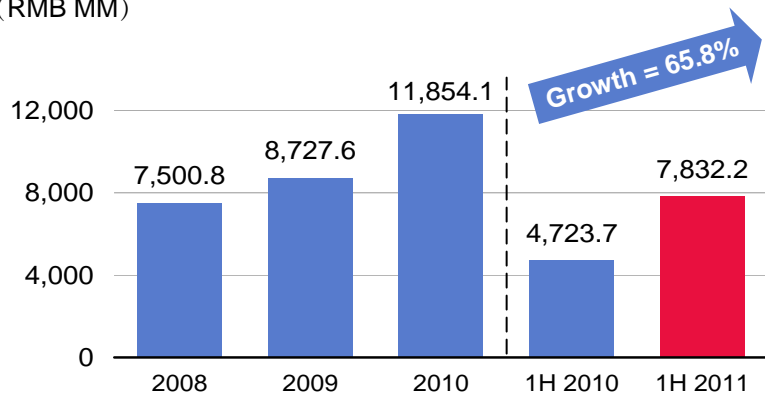


- Notes:
- (1) Quick Ratio = (Total Current Assets - Inventories) / Total Current Liabilities
 - (2) Current Ratio = Total Current Assets / Total Current Liabilities
 - (3) Inventory days = Average inventories / Cost of sales * 365 or 365 / 2;
 Days of sales outstanding = Average trade and bill receivables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

...Led to Robust Financial Performance...

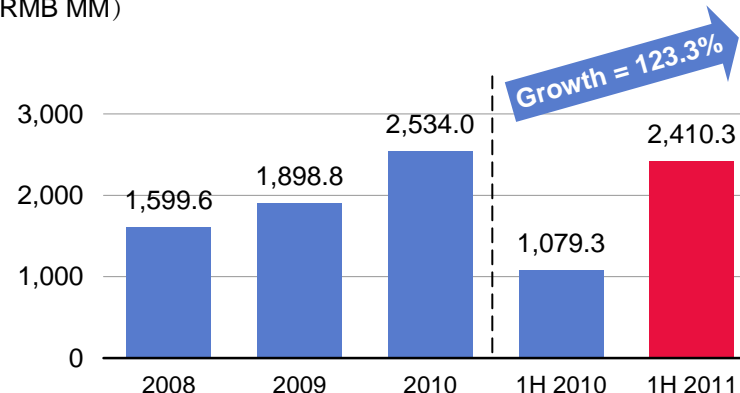
Revenue

(RMB MM)



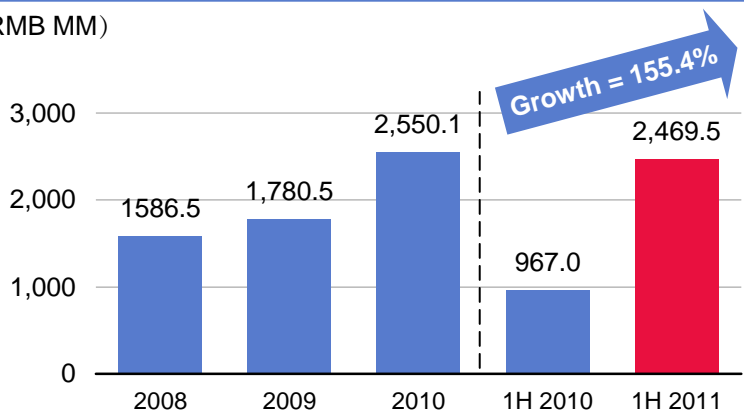
EBITDA ⁽¹⁾

(RMB MM)



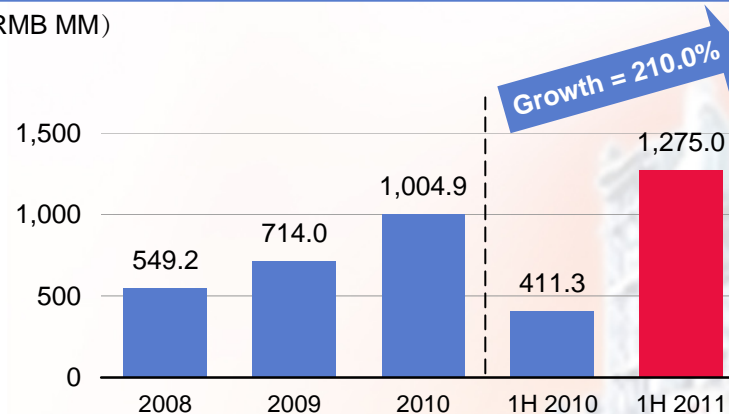
Gross profit

(RMB MM)



Net profit ⁽²⁾

(RMB MM)

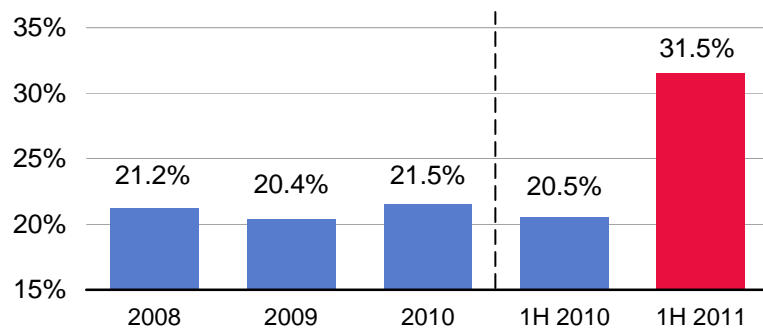


Note: (1) EBITDA = Operating profit + Fixed assets depreciation + amortization – interest income
 (2) contain minority shareholders' equity

...Improved Profitability...

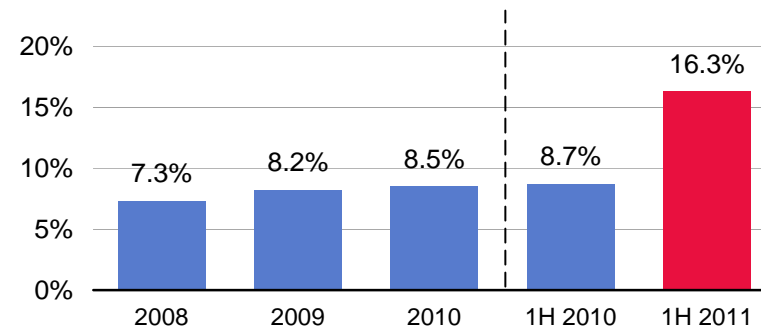
Gross profit margin

(%)



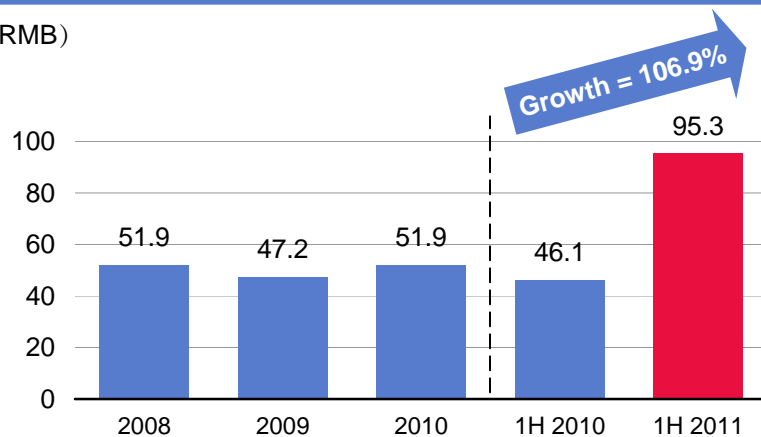
Net profit margin ⁽¹⁾

(%)



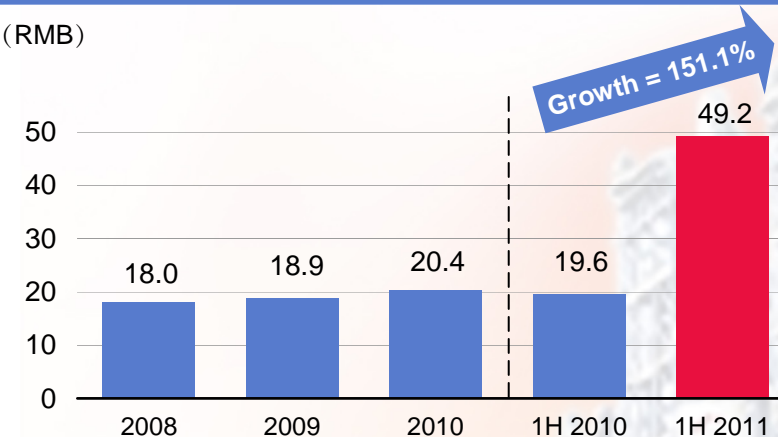
Gross profit per tonne ⁽²⁾

(RMB)



Net profit per tonne ⁽²⁾

(RMB)



Note: (1) contain minority shareholders' equity
 (2) unit data is based on the combined sales volume of cement and clinker

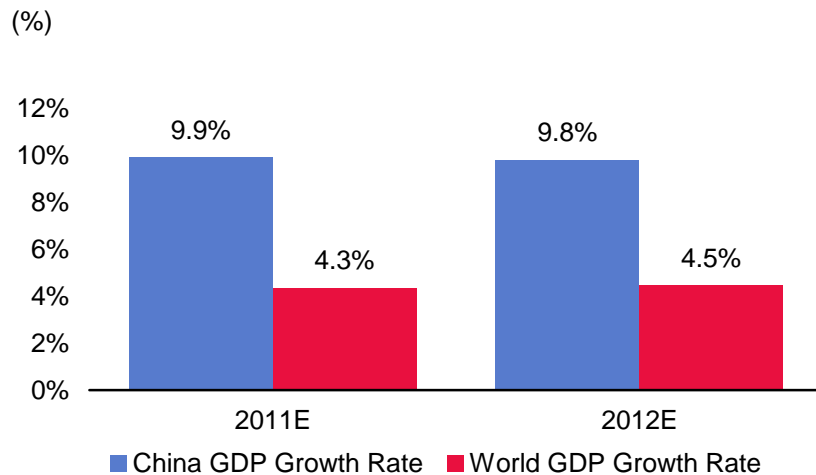
Recent Development

	Onshore Corporate Bond	Offshore High Yield Bond	Offshore High Yield Bond
Issue Date	2011/3/25	2011/5/18	2011/7/15
Currency	RMB	USD	RMB
Size	900 million	400 million	1.5 billion
Coupon Rate	5.78%	8.50%	6.50%
Tenor	3 years	5 years	3 years
Use of Proceeds	(1) Refinance existing loans	(1) Refinance existing indebtedness	(1) Refinance existing indebtedness
	(2) Replenish working capital	(2) Expand production capacity	(2) General corporate purposes
		(3) General corporate purposes	

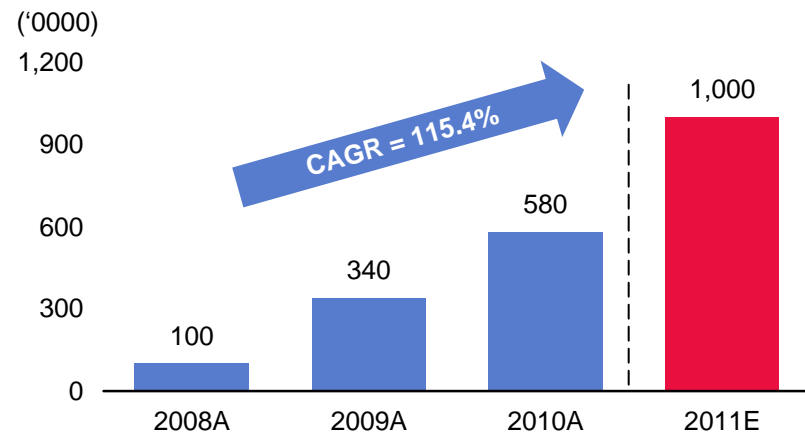
Future Outlook

China's Continued Economy Growth Ensures Demand for Cement

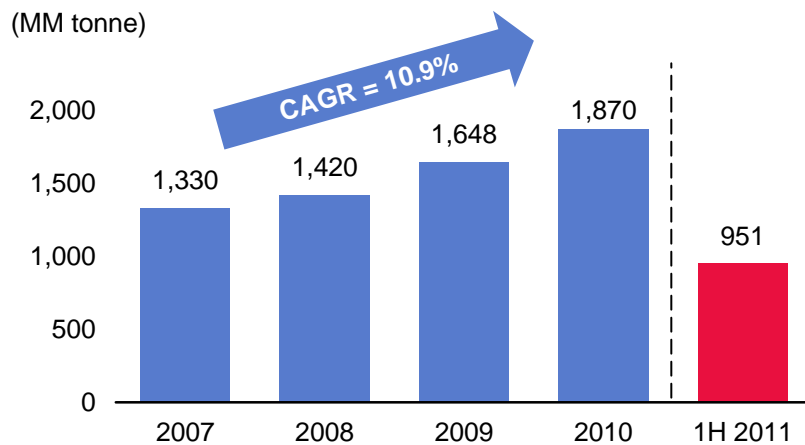
China's Economy Still Robust (1)



China's Affordable Homes Construction Surged (2)



Total Cement Production in China



Shandong and Liaoning Investment Plan

Shandong 2011 Investment Plan

- In the "Twelfth Five-Year", 700,000 new affordable homes will be built, 1.5 times as many as in the "Eleventh Five-Year"
- Urban rail transportation systems in Jinan, Qingdao and Yantai under construction or commencing construction in near future

Liaoning 2011 Investment Plan

- RMB41.2 Bn investment in transportation and infrastructure projects, including RMB13.8 Bn in highway construction and maintenance, RMB6 Bn in regular road construction, RMB20.8 Bn in port and lastly RMB0.6 Bn for airport
- RMB26 Bn investment in railway construction in 2011

Shanxi 2011 Investment Plan

- RMB67.7 Bn investment in Shanxi province power grid during the "Twelfth Five-Year"
- RMB260 Bn investment in transportation infrastructure

Note: (1) IMF, World Economic Outlook, April 2011

(2) Peking University Real Estate Research Institute, Ministry of Housing and Urban-rural Development

Well Positioned to Benefit from Favorable Market Dynamics

Increasing Demand

1. Key relevant themes of China's "12th Five-Year Plan"

Affordable housing for RMB 1.4 trillion

To strengthen rural infrastructure construction

Total planned railroad fixed asset investment ("FAI") in 2011: RMB 745.5bn

Water-conservation projects for RMB 4 trillion

2. Increasing Government Investment into Infrastructure

In 2010, the existing projects planned investment increased 23.1%

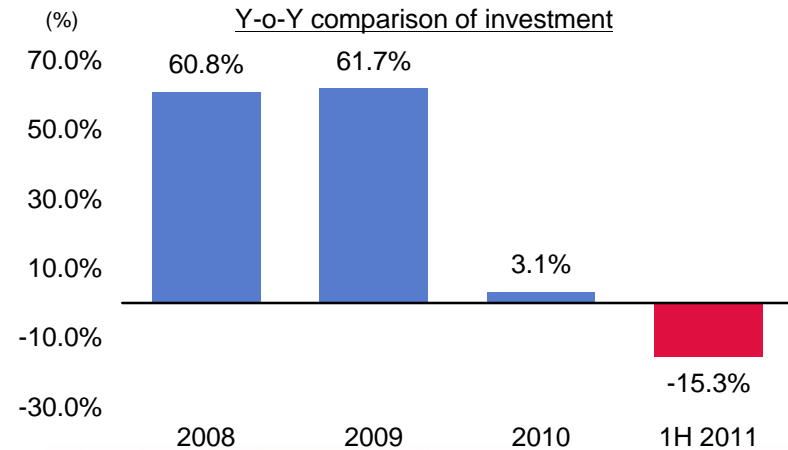
In 2010, new projects planned investment increased 25.6%

3. Shandong as pilot provinces for "Bring Building Materials to rural area"

Source: China Building Material Website, China Cement Association Report, Digital Cement

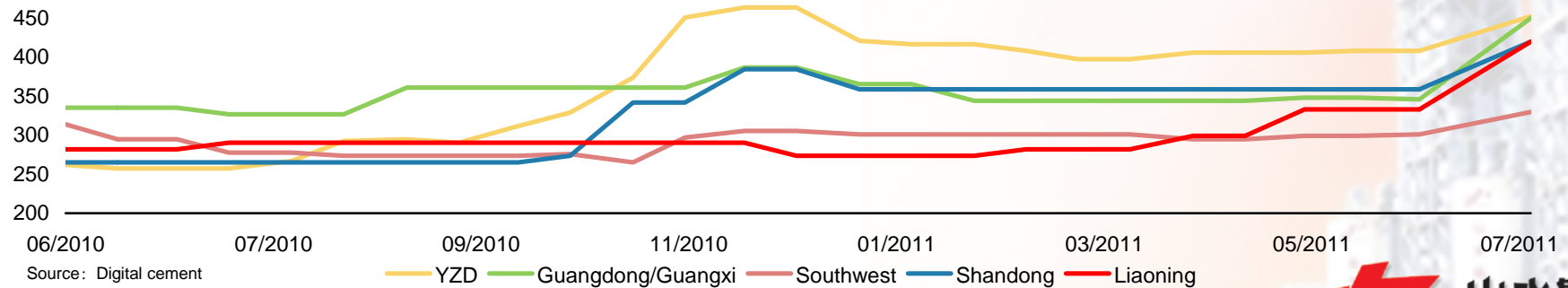
Decreasing Supply

Decreased Investment in China Cement Industry



The Cement Price Increasing

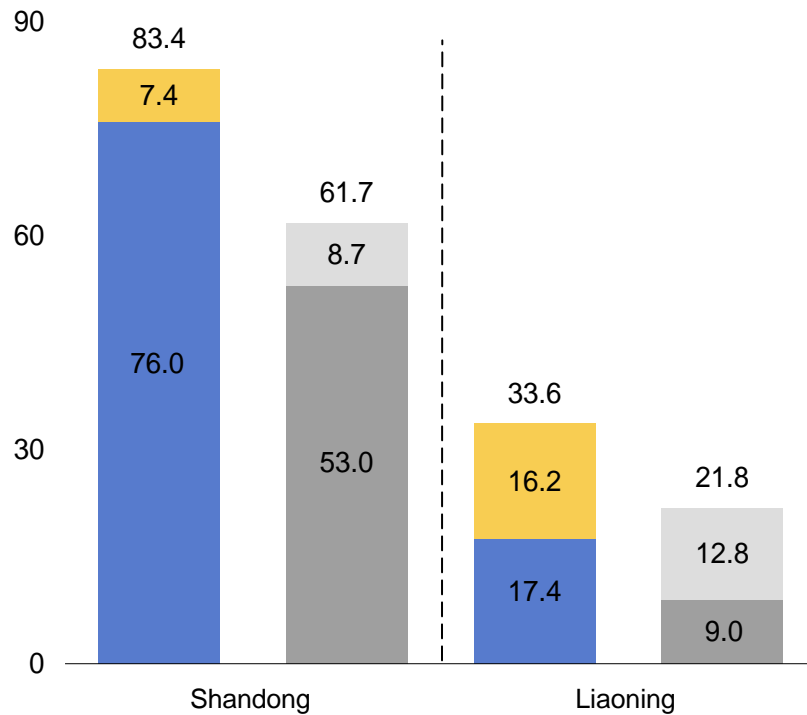
(RMB / tonne)



Capacity Closures Will Constrain Supply

Vertical Kiln Closures Well Underway

(MM tonne)



Vertical kilns as % of total capacity

~30%

~20%

2007-2010 Realized

2007-2010 Target Closure

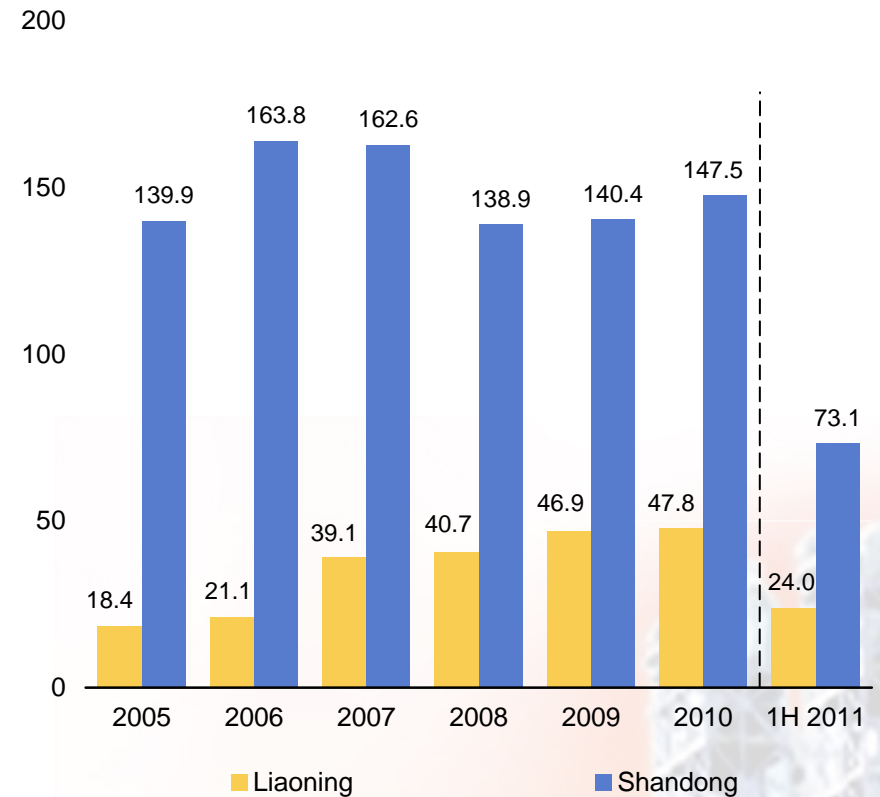
2011 YTD Realized

2011 Target Closure

Source NDRC, DigitalCement

Shandong & Liaoning Cement Production Under Effective Control

(MM tonne)

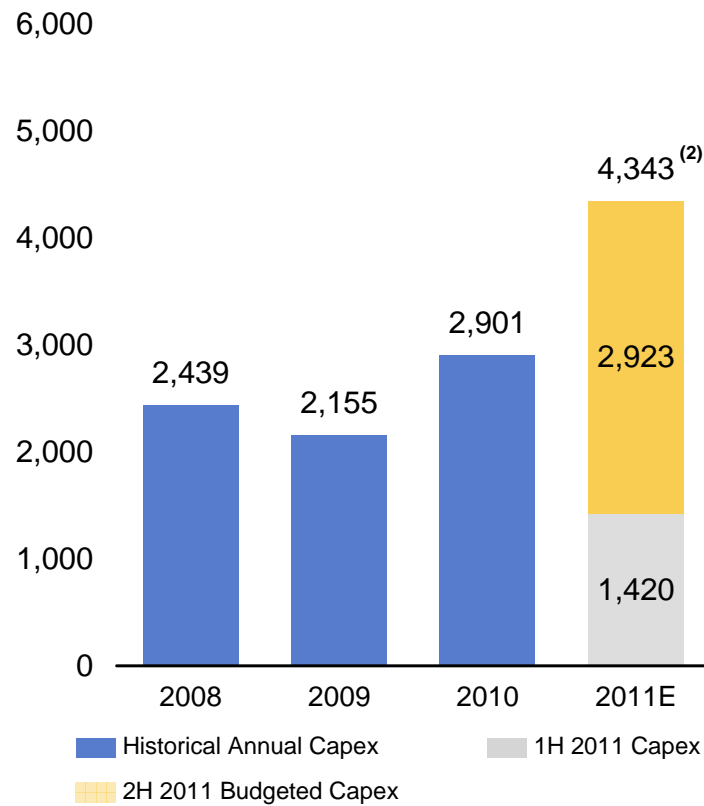


Source China Building Materials Industry Association, Shandong Bureau of Statistics, Liaoning Bureau of Statistics

Capex Plan

Capital Expenditure ⁽¹⁾

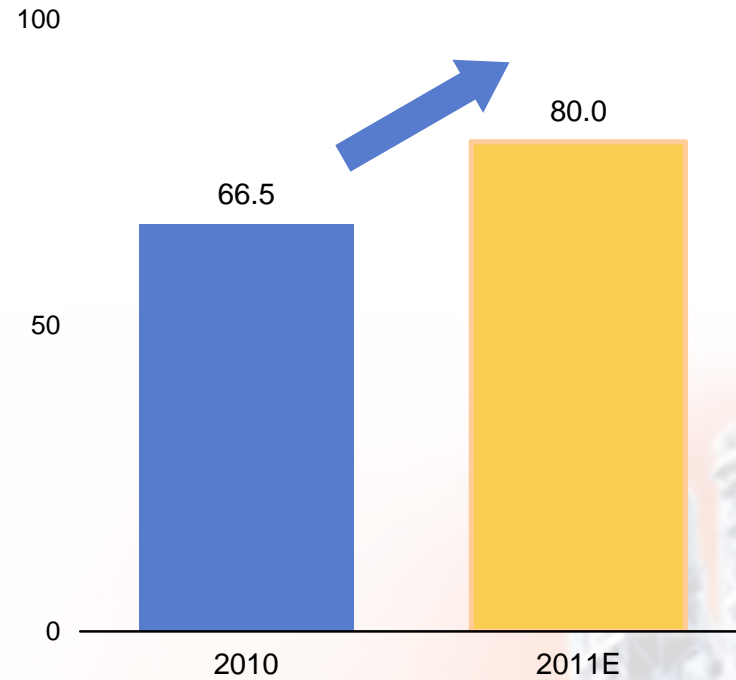
(RMB MM)



2011 Expansion Plans

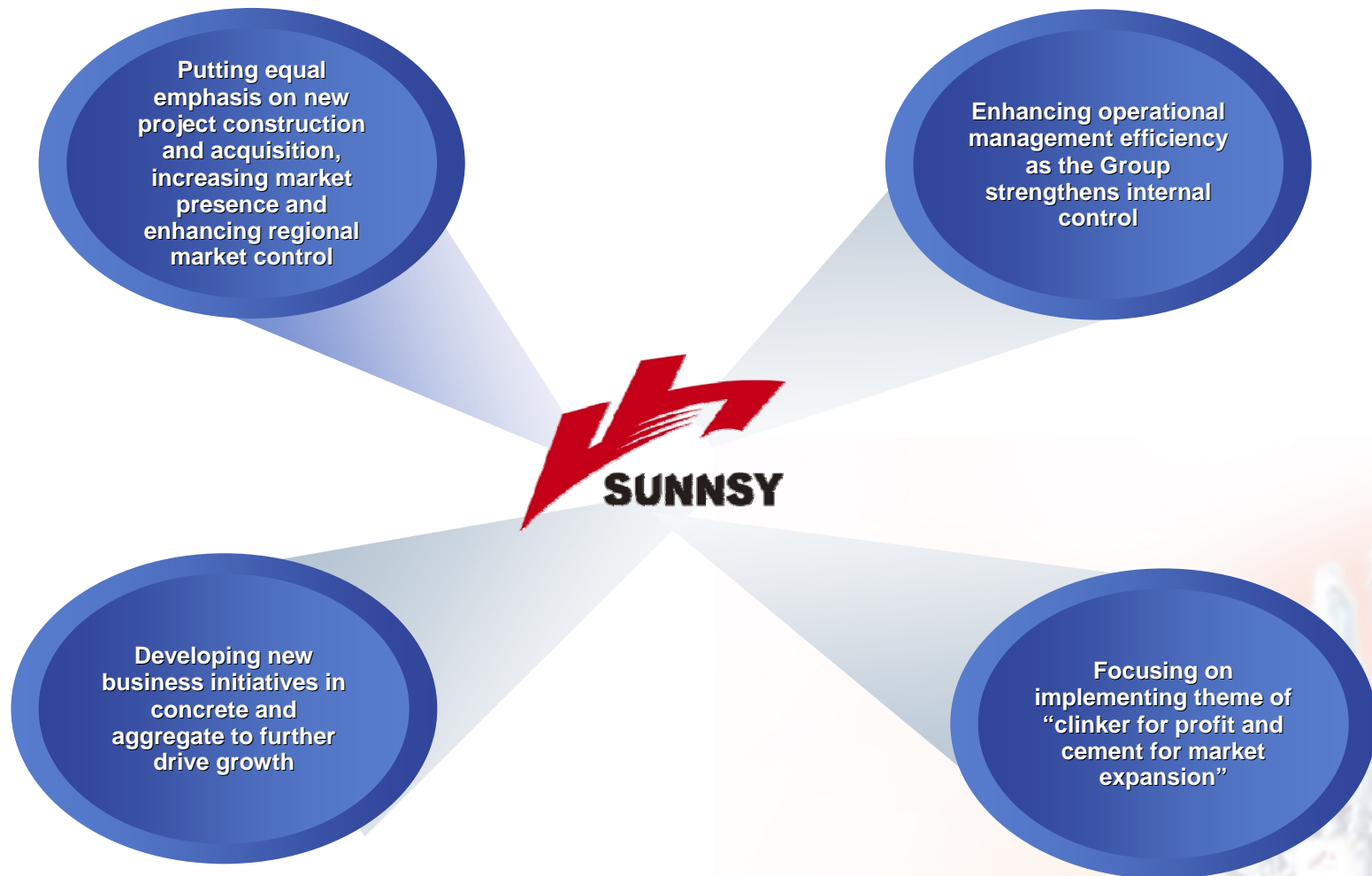
Cement Capacity ⁽³⁾

(MM tonne)



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 and associates
 (2) According to 2010 annual report
 (3) Year end capacity, according to 1H 2011 Interim Report

Strategies for 2H 2011



Thank You

Q&A