

# 2014 Interim Results Presentation

August 2014



China Conch Venture Holdings Limited  
中國海螺創業控股有限公司

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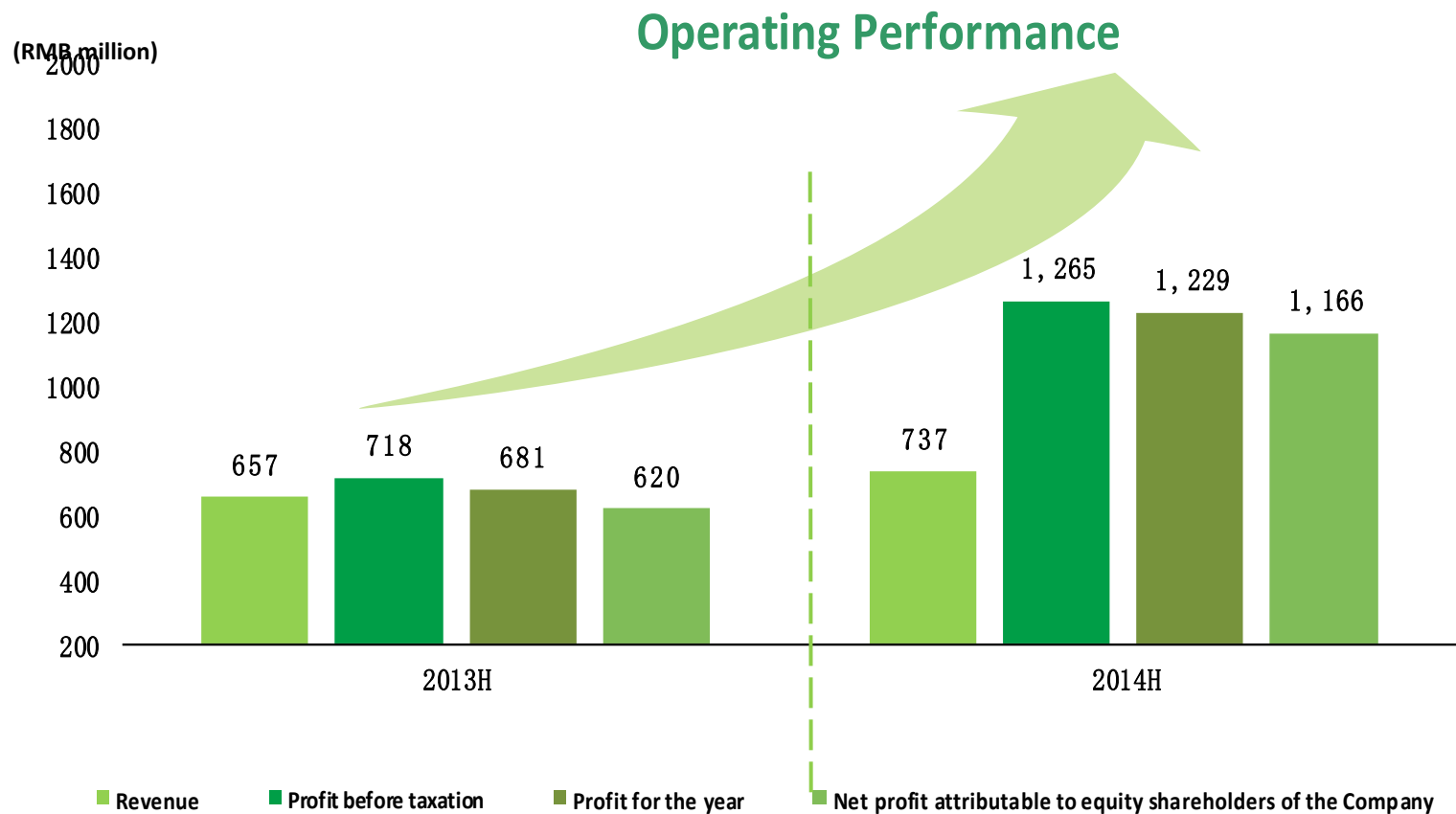
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# 1H2014 Operating Performance



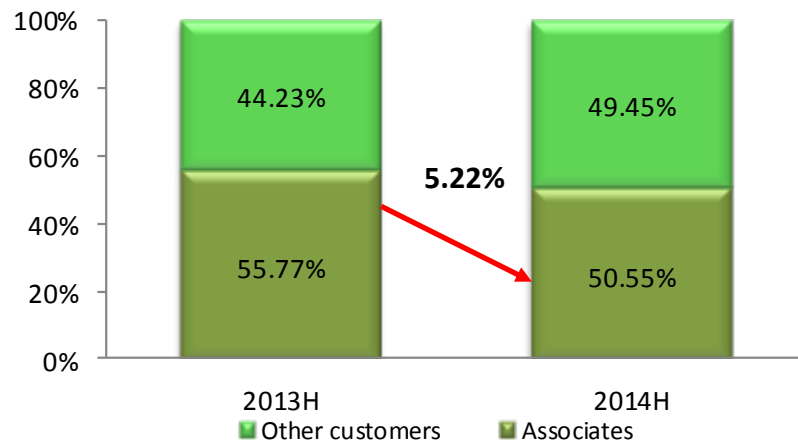
# Financial Information Summary



# Financial Information Summary

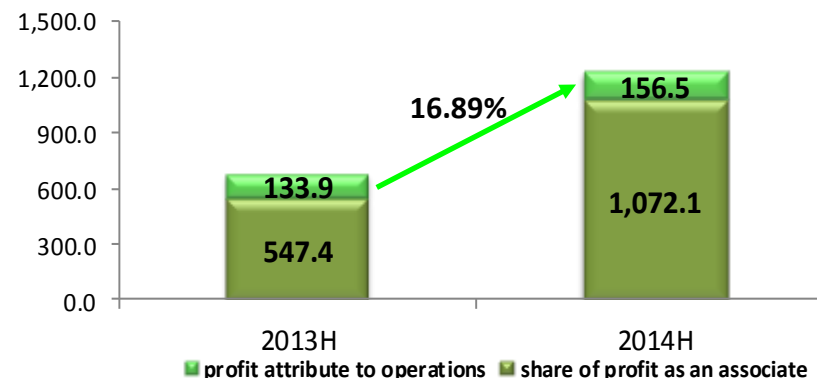
- Turnover of the Company for the first half of 2014 amounted to **RMB737 million**, representing an increase of **12.26%** as compared with the corresponding period of the previous year. Revenue from associates was **RMB373 million**, accounting for **50.55%** of the Company's total revenue and representing a decrease of **5.22 percentage points** over the same period last year.
- Profit for the first half of 2014 was **RMB1, 229 million**, representing an increase of **80.34%** over the same period last year. Among which, profit attributable to the Company's primary business was **RMB156 million**, representing an increase of **16.89%** YoY; share of profit of an associate was **RMB1, 072 million**, representing a YoY increase of **95.86%**.

## Percentage of turnover

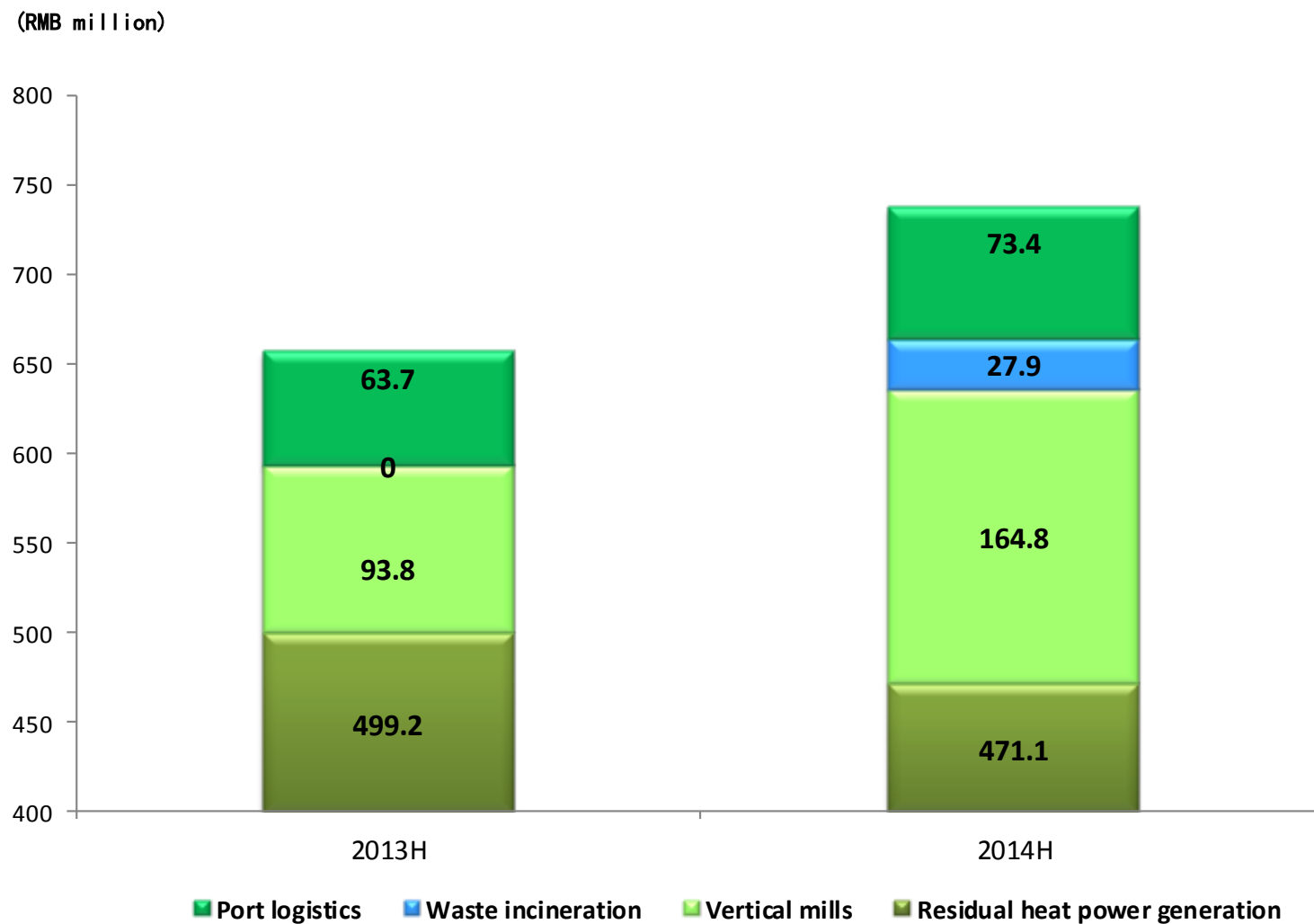


## Net profit

(RMB million)

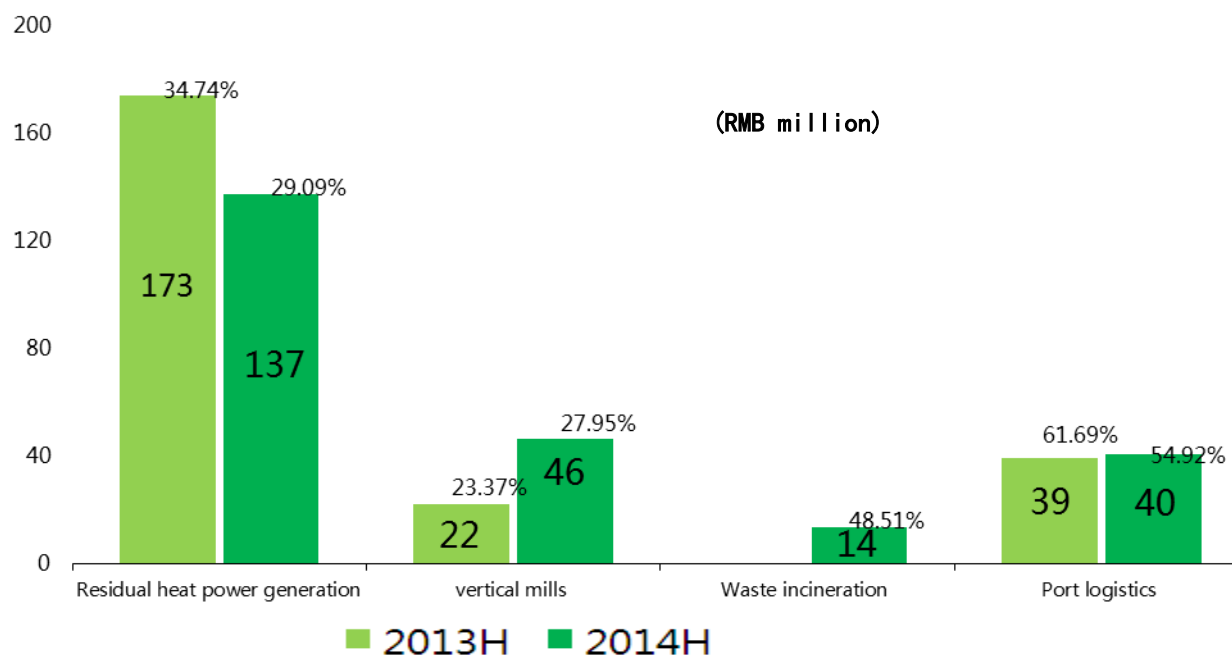


# Revenue by Segments



# Gross Profit and Gross Profit Margin

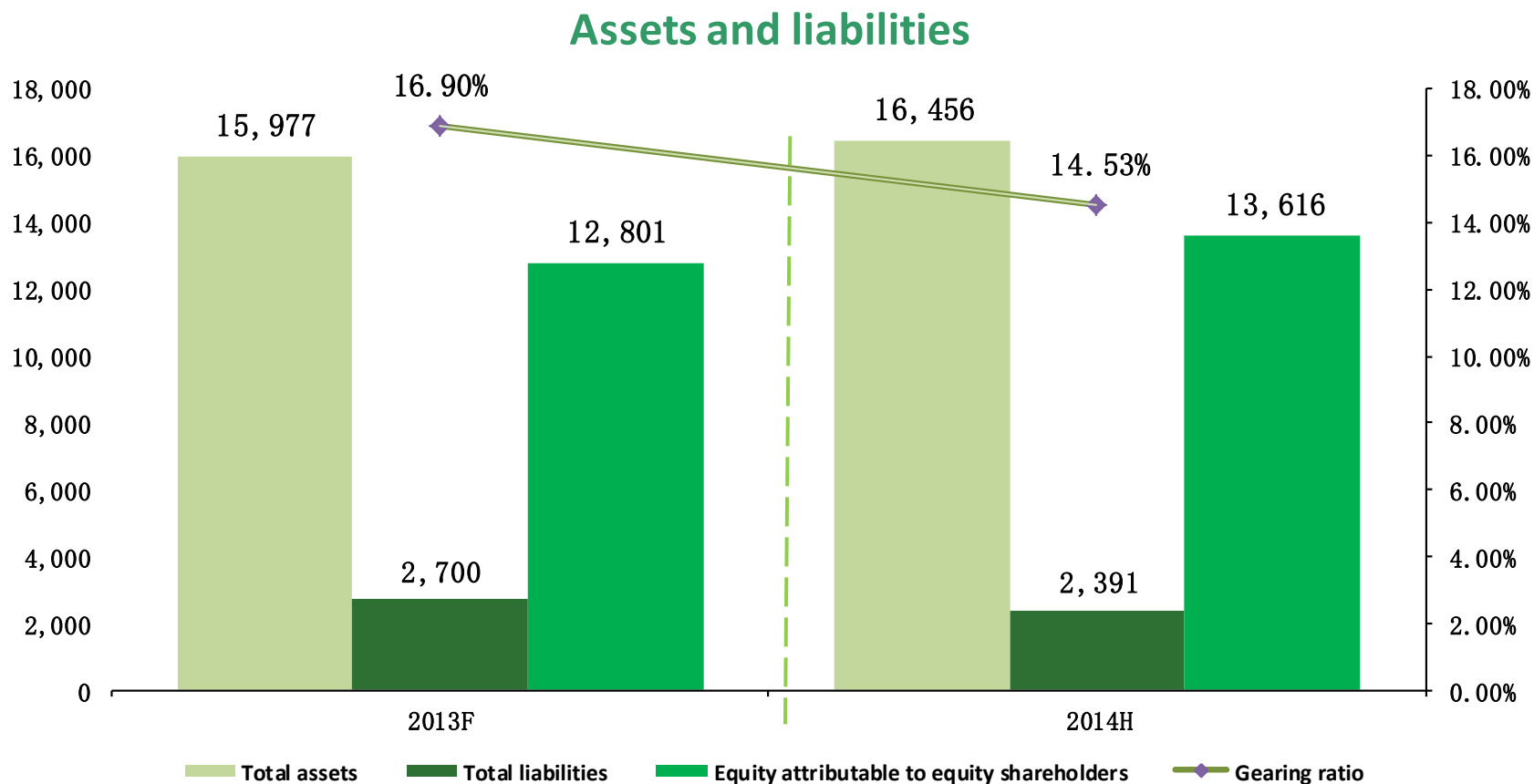
- The gross profit and gross profit margin of residual heat power generation slightly declined, primarily due to the decrease in prices as a result of intensified competition in the residual heat power generation market;
- The gross profit and gross profit margin of vertical mills increased significantly, which attribute to the significantly increase in orders.
- Higher gross profit margin was recorded for waste incineration projects mainly because the projects for which income was recognized were at their design stage.
- Gross profit margin for port logistics services decreased to some extent, which was attributable to the changes in the structure of cargo source.





# Assets and Liabilities

(RMB million)

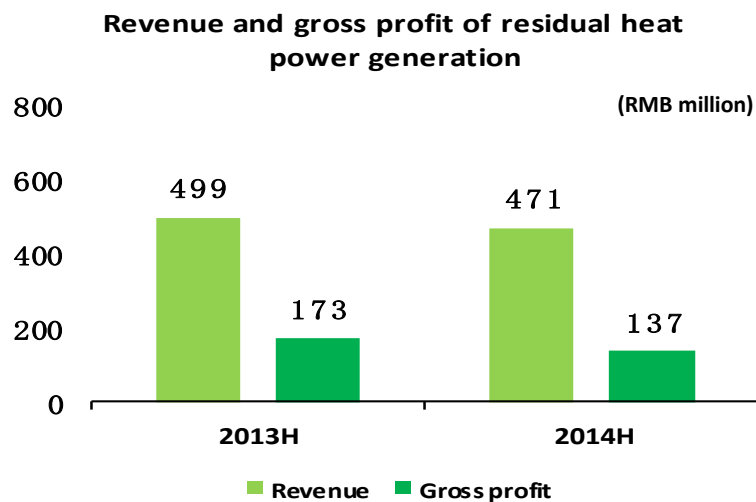


# Business Review and Development



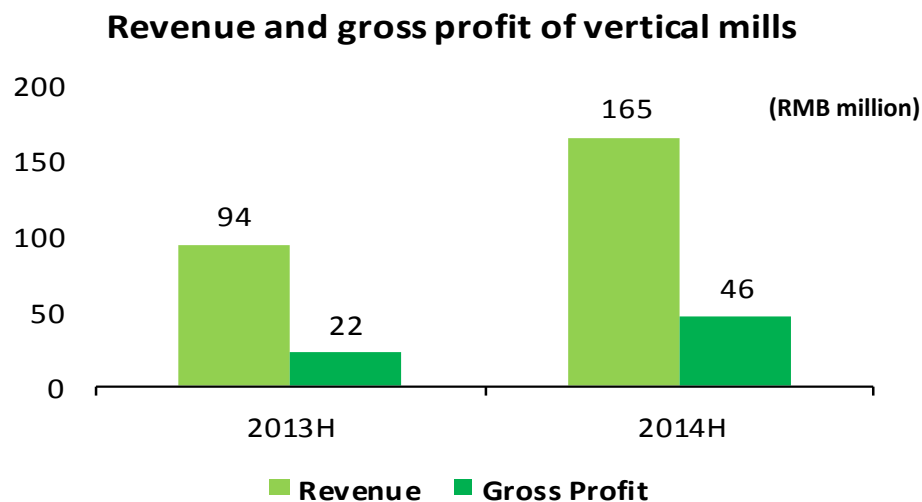
# Energy-saving Business Review

- In the first half of 2014, the Group had **21** revenue-generating residual heat power generation projects and **10** contract orders.
  - ✓ Developing cement industry residual heat power generation projects, and strengthened the market research on other industries, such as silicon iron and sillicomanganese;
  - ✓ Actively developed overseas residual heat power generation markets and obtained new project orders in India, Burma and other overseas regions in the first half of 2014.
  - ✓ Turnover slightly decreased as compare to the corresponding period of last year, mainly because the delay in some construction projects due to the financial problem of landlords



# Energy-saving Business Review

- **10** and **12** sets of energy-saving vertical mills were sold and contracted respectively, in the first half of 2014
- Revenue increased by **75.69%** as compare to the corresponding period of last year and gross profit increased by **110.15%** as compare to the corresponding period of last year
- The Company obtained the order from Lafarge Tanzania, which was the Company's first cement vertical mill exported to overseas



# Emphasis of Energy-saving Industry

## Residual heat power generations:

- **Overseas markets:** Boost the progress of works of existing projects; widely participate in global industry product presentations, strengthen sales promotions to obtain more information in different projects.
- **Domestic market:** Put more efforts in expanding cement industry residual heat power generation market, while on the other hand, strive to promote new order growth by making market development breakthroughs in such industries as steel, electrolytic aluminium, glass, etc.



Participation in India's 10<sup>th</sup> Green Cement Summit



Professional design team



# Emphasis of Energy-saving Industry

## Vertical mills:

- Accelerating the R&D in different specifications of vertical mill product and put more efforts in exploring new potential market.
- Focusing on the key projects of Lafarge Tanzania, India SVCP cement, etc and contracted product orders, well organize the production of vertical mills, boilers, hardfacing and spare parts to guarantee orderly product supply.



Full view of the Thailand SCG cement project raw material mill under construction in Indonesia

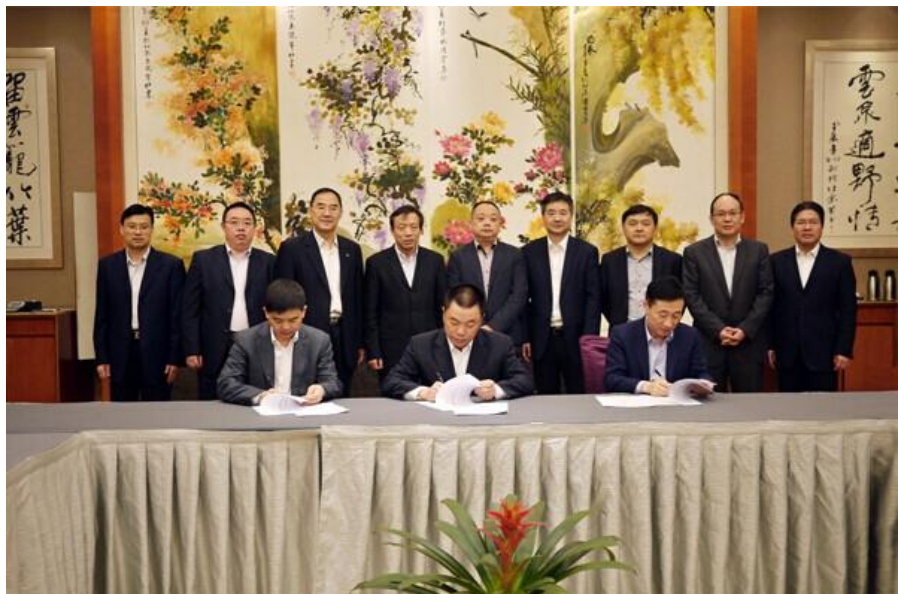


Full view of energy-saving equipment plant

# Environmental-protection Business Review

## Waste incineration business

- **14** contracted projects, among which: **6** under construction , **8** approved waste incineration projects under planning and **3** waste incineration projects under negotiation with intention to sign contracts
- Strengthened the cooperation with China National Building Materials Group Corporation by entering into a strategic cooperation agreement for the cooperation in waste incineration projects.
- Cooperated with Qingdao New World Environmental Services Group to develop new projects such as disposal of wastes by cement kilns
- The first grate incinerator power generation project commenced into construction in Jinzhai, Anhui.



Sign the strategic cooperation agreement with China National Building Materials Group Corporation



Sign agreement with Qian Government on solid waste disposal project

# Environmental-protection Business Review

## Projects under construction

No.	Project location	Business model	Scale		Expected to be completed in
			Municipal solid waste	Sludge	
1	Qingzhen City, Guizhou Province	EPC	1 × 300t/d		Nov. 2014
2	Pingliang City, Gansu Province	BOT	1 × 300t/d		Oct. 2014
3	Zunyi City, Guizhou Province	EPC	2 × 400t/d		Nov. 2014
4	Zhong County, Chongqing City	EPC	1 × 200t/d		Dec. 2014
5	Yangchun City, Guangdong Province	BOT	1 × 200t/d		Mar. 2015
6	Grate furnace incinerators power generation project (Phase I) in Jinzhai County, Anhui	BOT	1 × 300t/d		Oct. 2015



# Environmental-protection Business Review

## Approved waste incineration projects under planning

No.	Project location	Business model	Scale		Expected to be completed in
			Municipal solid waste	Sludge	
1	Baoshan City, Yunnan Province	EPC	1×300t/d		Sept. 2015
2	Qiyang County, Hunan Province	BOT	1×300t/d		Oct. 2015
3	Shuangfeng County, Hunan Province	BOT	1×200t/d		Oct. 2015
4	Shimen County, Hunan Province	BOT	1×200t/d		Oct. 2015
5	Nanjiang County, Sichuan Province	BOT	1×200t/d		Dec. 2015
6	Longyan City, Fujian Province	EPC	1×300t/d		To be determined
7	Qian County, Shanxi Province	Invested with the Company's own funds		1×200t/d	May 2015
8	Yuping County, Guizhou Province	BOT	1×100t/d		Aug. 2015

# Environmental-protection Industry

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- The State Council issued various policies including the Air Pollution Prevention and Control Plan (2013–2017) and the Opinions on Promoting the Development of Energy-Preservation and Environmental-Protection Industries to promote the development of energy-preservation and environmental-protection industries. Local governments have also formulated implementation measures. All of these efforts have fully demonstrated the Chinese government’s determination and long-term plan to promote environment protection. By capitalizing on the opportunities arising from the favourable policies, development of the energy-preservation and environmental-protection industries will be promising.
- At the end of May 2014, seven ministries and commissions including National Development and Reform Commission jointly issued Opinions on Promoting the Resourceful Co-Processing of Urban and Industry Waste during Production Process with a view to boosting non-hazardous treatment of urban and industry waste as well as promoting green, recyclable and low-carbon development.
- Recently, Ministry of Environmental Protection and General Administration of Quality Supervision, Inspection and Quarantine of the PRC issued the Domestic Waste Incineration Pollution Control Standards (“New Standards”) , which provide that, from 1 July 2014, threshold value of pollutant levels in the New Standards must be applied to newly-built domestic waste incinerators, and from 2016, existing domestic waste incinerators will also have to apply the threshold value as stipulated in the New Standards. The New Standards raise higher requirements for pollutions control, which may accelerate certain SMEs’ withdrawal from the market while help large companies with capital and technological superiority embrace explosive growth.



# Emphasis of Environmental-protection Business

- Strengthen the promotion of municipal solid waste disposal using cement kilns.
- Boost the construction of municipal solid waste disposal using cement kilns.
- Strengthen the promotion of grate furnace incinerators power generation projects and accelerate the construction of Exemplar Line in Jinzhai .
- Focus on the development of solid waste disposal projects using cement kiln.



The Company's management led the investigation on solid waste disposal projects



Waste incineration project in Zunyi, Guizhou is soon to be completed

# New Building Materials Business Review

## Engineering construction

- In line with the plan for the projects to be put into operation, boost the progress of the construction work of the CCA plate projects in Bozhou and Wuhu by strictly controlling the quality of construction and installation as well as scheduling the time for equipment commissioning. The two projects are expected to be put into operation in September and October this year, respectively.



Full view of the construction work of Anhui Conch New Building Materials Company



Full view of the engineering construction of Bozhou Conch Venture New Building Materials Company



# New Building Materials Business Review

## Marketing planning

- While ensuring the project progress, the Group also made planning in advance by establishing distribution channels, strengthening research on similar products in the market, defining the product positioning as well as carried out various preparation works such as forming marketing strategies, recruiting staff and training employee.



The Company was elected as the Council Unit of the First Session of Calcium Silicate/Cement Slabs Council



The Company proactively carried on staff training

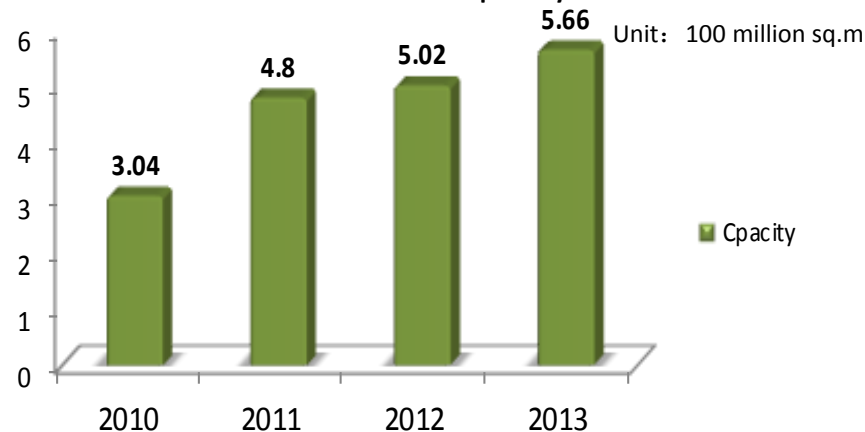
# New Building Materials Industry Conditions

- As of the end of 2013, there were a total number of **93** manufacturers and **150** production lines of cellulose cement autoclaved boards in China, and capacity of cellulose cement autoclaved boards reached to **566** million sq.m. The development potential of the industry is huge.
- Subsequent to the commencement of operation in Bozhou and Wuhu the annual production capacity of cellulose cement autoclaved boards of the Company will be **32.0 million** square meters, making the Company the largest producer and supplier of cellulose cement autoclaved boards in China

**Growth trend of cellulose cement autoclaved board production lines in the past 4 years**



**Growth trend of the capacity of cellulose cement autoclaved board in the past 4 years**

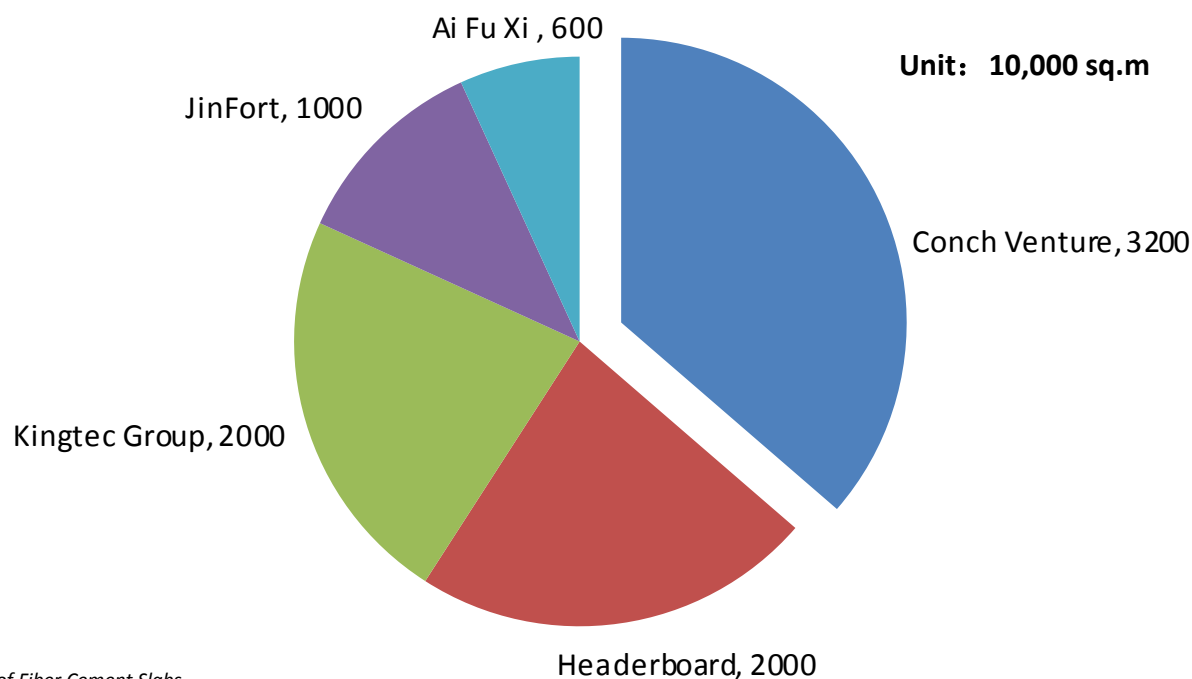


Source: Statistics of Industry Association of Fiber Cement Slabs

# New Building Materials Industry Conditions

- The Company's major competitors include Zhejiang Headerboard Building Materials, Kingtec Group, JinFort and Jiang Su Ai Fu Xi New Building Materials, mainly distributed in Guangdong, Guangxi, Jiangsu, Zhejiang, Shanghai, Jiangxi and Fujian, etc.

## Capacity of Major Competitors



Source: Statistics of Industry Association of Fiber Cement Slabs

# New Building Materials Industry Conditions



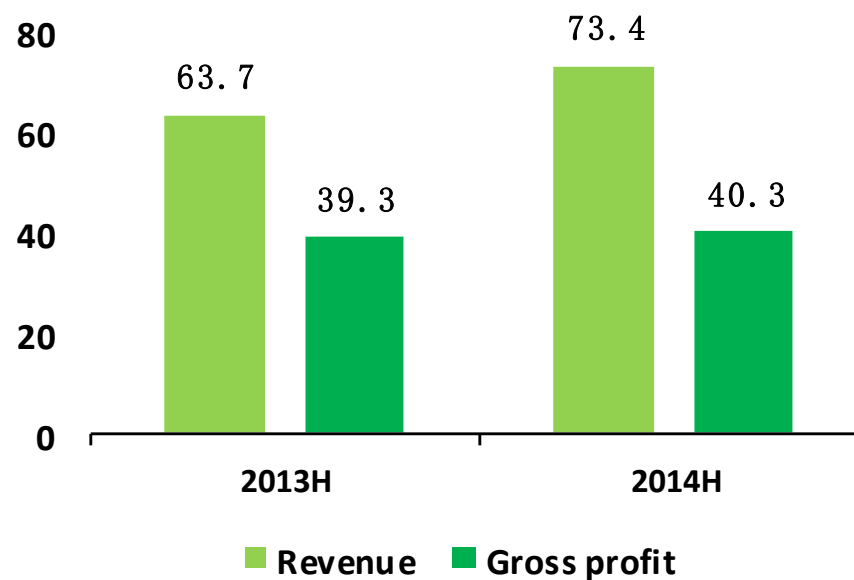


# Port Logistics Business Review

- In the first half of 2014, the throughput capacity of port logistic business was **10.80 million** tonnes, representing an increase of **1.88 million** tonnes year on year; revenue increased by **15.24%** over the same period last year and gross profit was up **2.59%** year on year.

(RMB million)

Revenue and gross profit of port logistics business



# Emphasis of Port Logistic Business

- Complete technological upgrading, continue to improve the efficiency of cargo handling and labor productivity, expand throughput and maximized capacity to promote the quality of the Company's operations.
- Emphasizes on business diversification and deepen the one-stop convenient living facilities onboard to create new profit growth points for the Company.



# Future Prospects



# Future Planning

## Internal Management

- Capture opportunities, identify and take advantage of market trends to promote market share
- Strengthen internal management, establish and perfect fundamental management systems
- Optimize salary and incentive mechanism and build a strong talent team to promote management level
- Strengthen management and control on expenses to lower the Company's cost



## Business Development Strategies

- Consolidate the achievements in energy-saving industry, actively and steadily boost the development of environmental-protection industry
- Prepare for the future operation of new building materials projects in Wuhu and Bozhou
- Discreetly and selectively explore M&A opportunities and new businesses whilst doing well in the Company's primary business
- Strive to maximize shareholders' value and promote the Company's healthy and rapid development