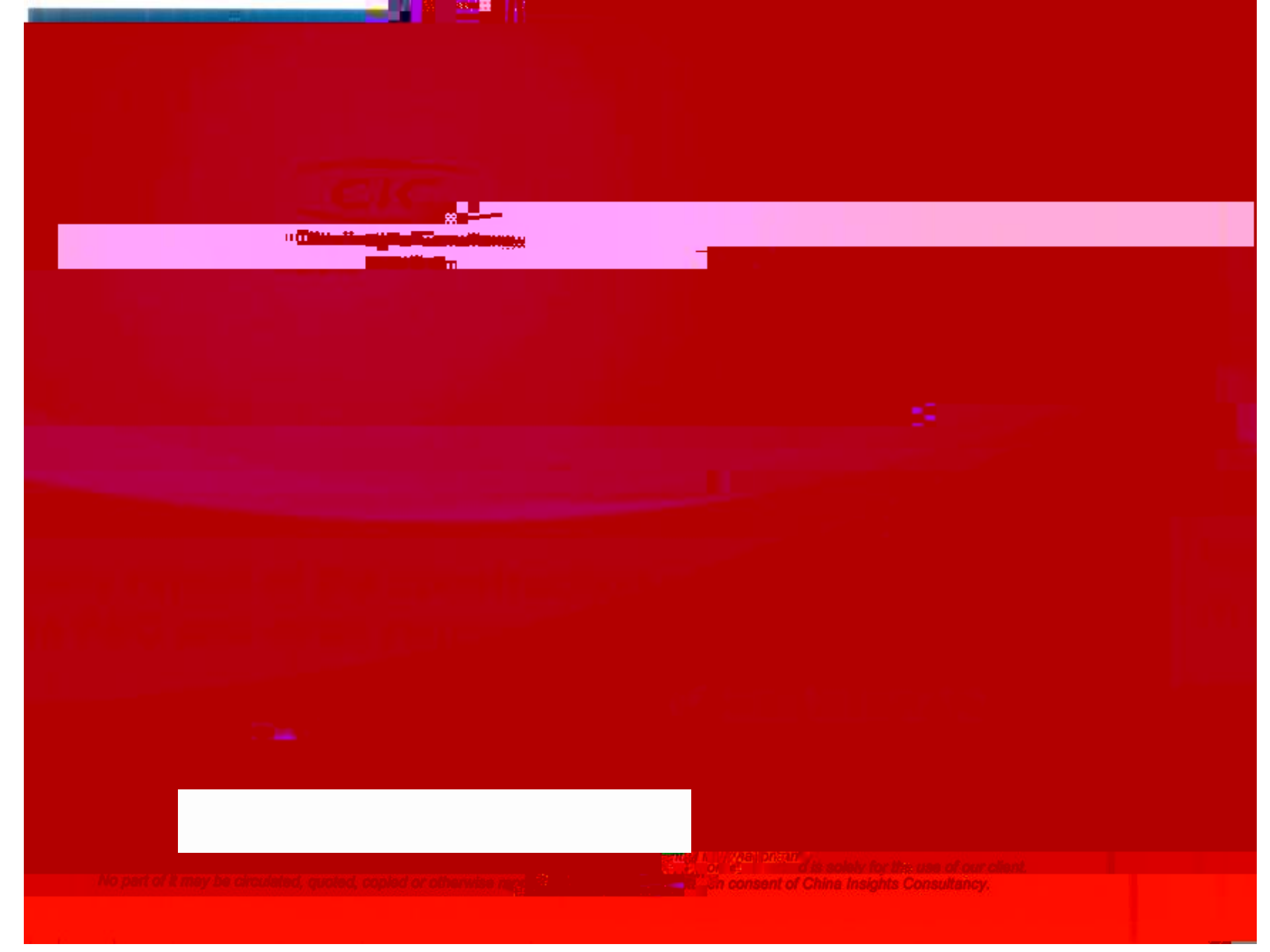
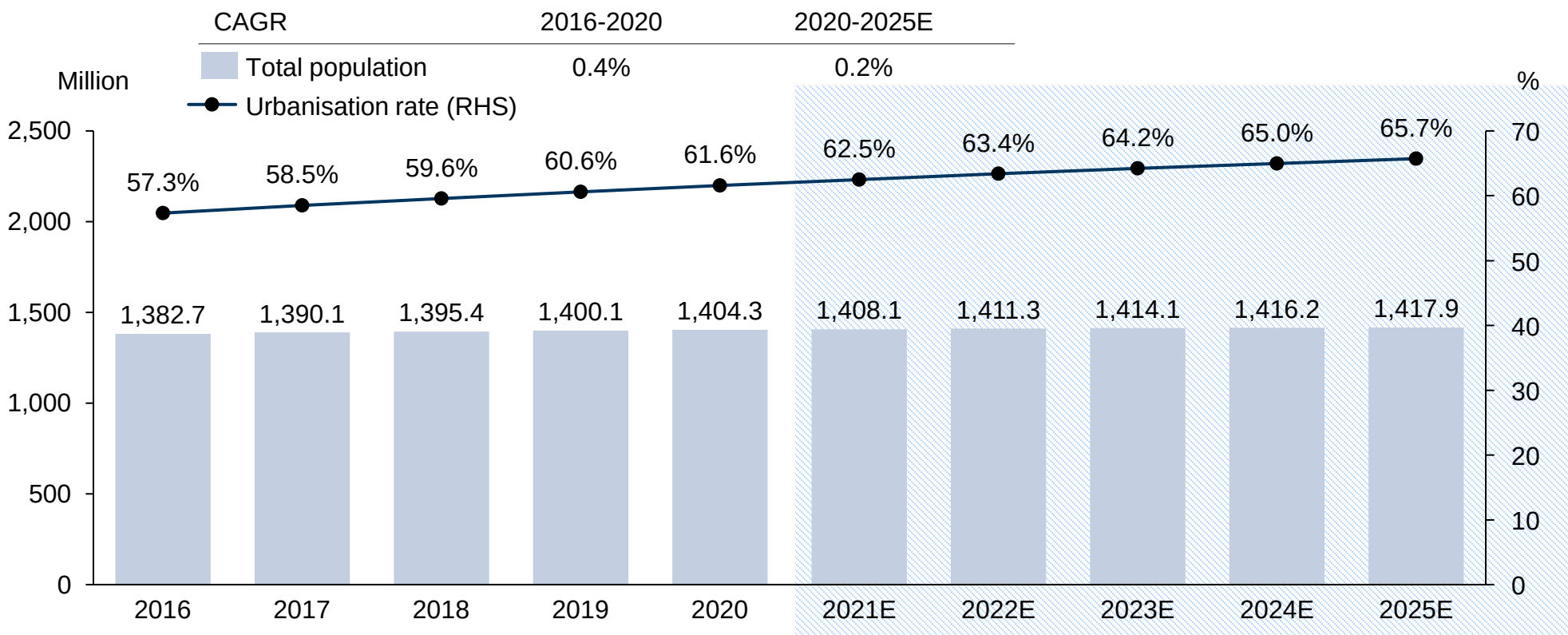

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# 1. Overview of the Macroeconomic and Social Development in the PRC

**Total population and urbanisation rate, the PRC, 2016-2025E**



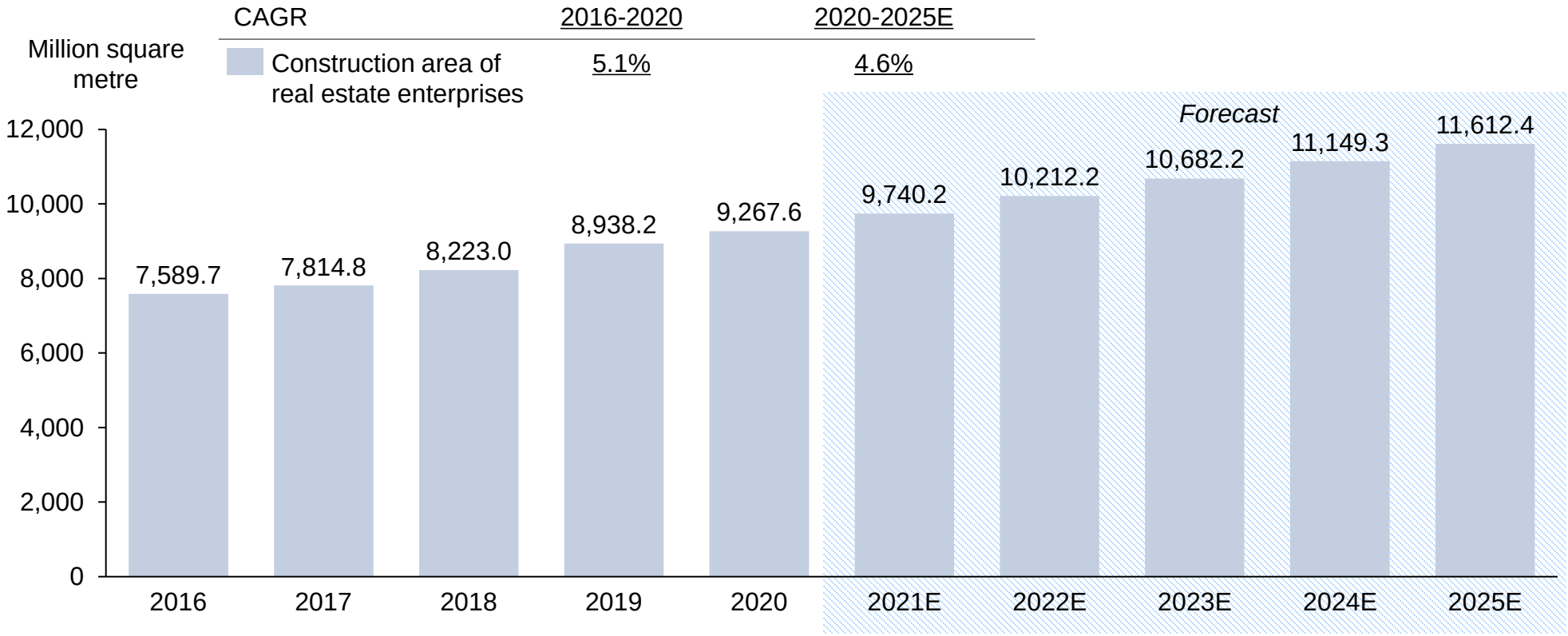

The PRC is the largest country in the world as measured by population, accounting for approximately 19% of the total world population. The total population increased from 1,382.7 million in 2016 to 1,404.3 million in 2020, with a CAGR of 0.4%. With the implementation of the three-child policy, the total population is expected to continue to grow in the future, reaching 1,417.9 million by 2025.

During the recent years, the pace of urban construction in

# Construction area of real estate enterprises in the PRC

- With the steady growth of the investment in the real estate industry in the PRC, the construction area of real estate enterprises has experienced an upward trend over the past five years

**Construction area of real estate enterprises, the PRC, 2016-2025E**

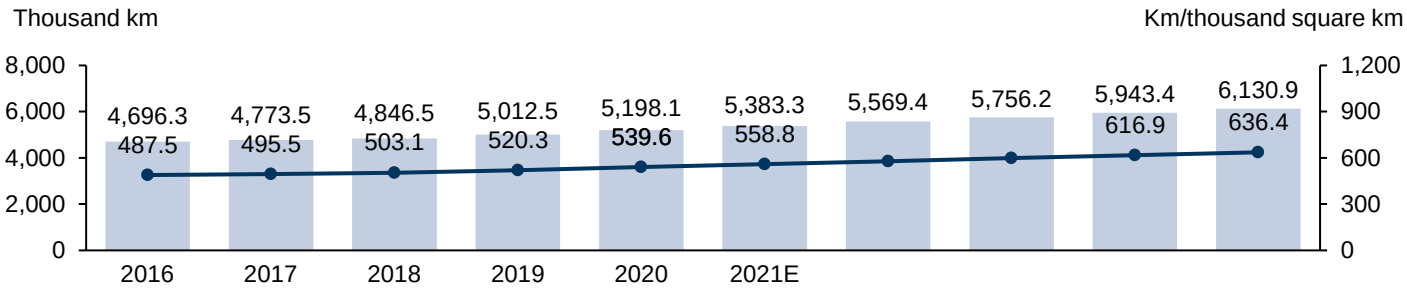


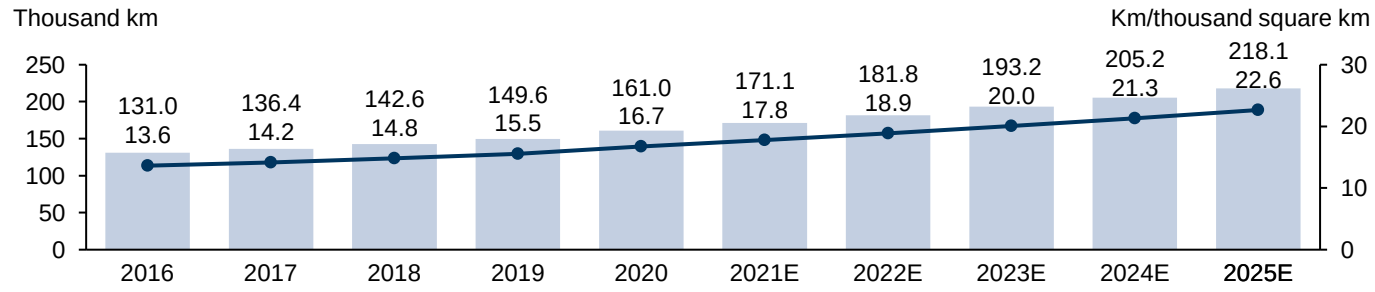

**Key analysis**

With the steady development of the PRC real estate industry, the construction area of real estate enterprises has grown steadily from 7,589.7 million square metres in 2016 to 9,267.6 million square metres in 2020, with a CAGR of 5.1%.

It is expected that the real estate industry in the PRC will continue to develop steadily in the future. The construction area of real estate enterprises in the PRC will grow to 11,612.4 million square metres in 2025, with a CAGR of 4.6% between 2020 and 2025.

*Source: National Bureau of Statistics of China, China Insights Consultancy*


Thousand km
Km/thousand square km
8,000
6,000
4,000
2,000
0
1,200
900
600
300
0
4,696.3
4,773.5
4,846.5
5,012.5
5,198.1
5,383.3
5,569.4
5,756.2
5,943.4
6,130.9
487.5
495.5
503.1
520.3
539.6
558.8
616.9
636.4
2016
2017
2018
2019
2020
2021E


Thousand km
Km/thousand square km
250
200
150
100
50
0
30
20
10
0
131.0
136.4
142.6
149.6
161.0
171.1
181.8
193.2
205.2
218.1
13.6
14.2
14.8
15.5
16.7
17.8
18.9
20.0
21.3
22.6
2016
2017
2018
2019
2020
2021E
2022E
2023E
2024E
2025E

# Macroeconomic statistics summary of Tibet Autonomous Region

-The economy in Tibet is relatively undeveloped compare to other key regions the Company covered; However, Tibet has experienced rapid growth in economy and real estate, and is expected to further expand at a high growth rate

**Macroeconomic statistics summary, Tibet Autonomous Region, 2016-2025E**

| | Unit | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR (16-20) | CAGR (20-25E) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nominal GDP** | RMB billion | 115.1 | 131.1 | 154.8 | 169.8 | 190.3 | 215.8 | 239.5 | 265.3 | 293.5 | 324.5 | 13.4% | 11.3% |
| **Per** | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
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*Source: National Bureau of Statistics of China, China Insights Consultancy*

# Macroeconomic statistics summary of Chongqing city

which

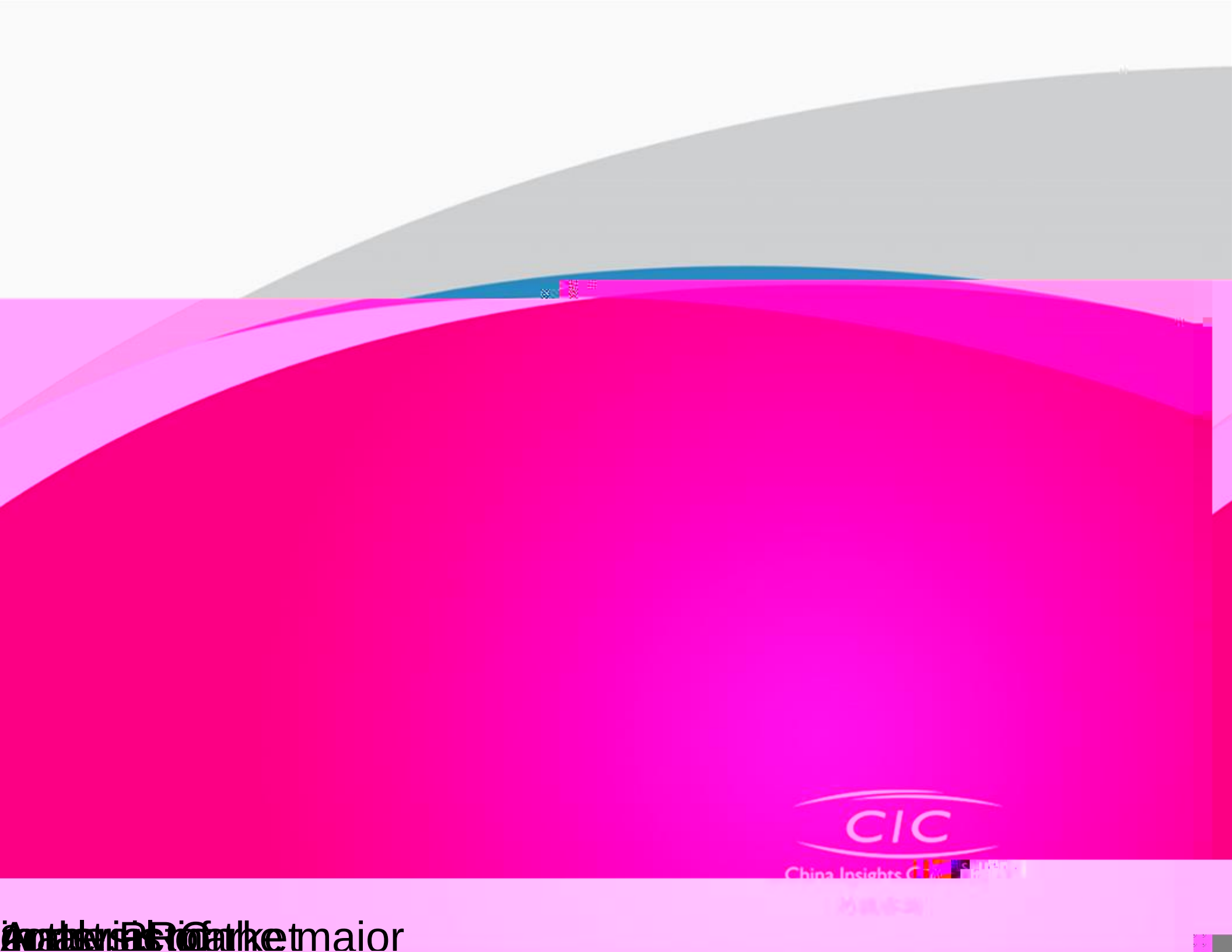
estate

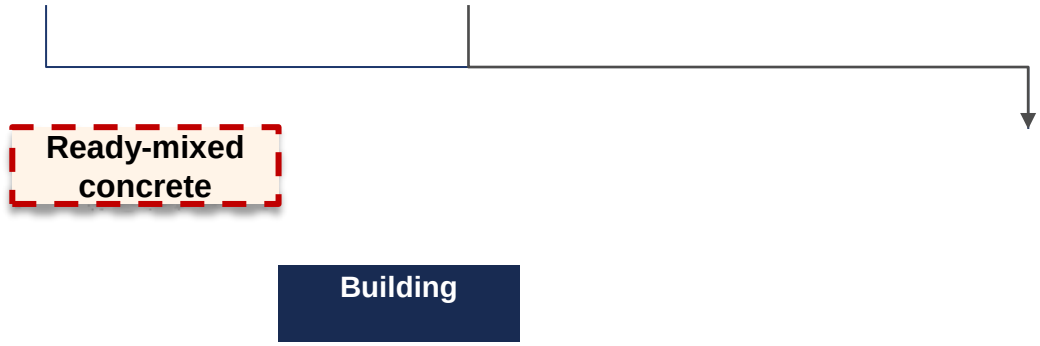
5

## Macroeconomic statistics summary, Chongqing city, 2016-2025E



*Source: National Bureau of Statistics of China, China Insights Consultancy*


CIC


Ready-mixed concrete
Building

# Definition and classification of cement in the PRC

- categorised into general cement, special cement, characteristic cement by purpose; general cement is the most widely used cement type since the general cement production accounts for over 95% of total cement production in the PRC

## Definition of cements, the PRC, 2019

Cement refers to a is commonly used as a binder in construction settings which hardens, sets and adheres to other materials. Cement is seldomly used alone, but rather to bind sand and gravel together to produce concrete.

Cement can be categorised into general cement, special cement, characteristic cement by purpose. General cement is the Portland cement that is suitable for most industrial and civil construction projects. General cement is the most widely used cement type since the general cement production accounts for over 95% of total cement production in the PRC.

## Classification of general cements, the PRC, 2019

| Categories | Code | Clinker + gypsum (%) | Range of applications | |
|---|---|---|---|---|
| | | | Applicable | Not applicable |
| Portland cement | PI | 100 | Rapid hardening concrete<br>High-strength concrete<br>Prestressed concrete<br>Concrete used under the condition of low temperature | Mass concrete<br>Heat resistant concrete |
| | PII | >=95 | | |
| Ordinary Portland cement | PO | >=80 & <95 | Applicable for almost all kinds of concrete without specific requirements | |
| Slag Portland cement | PSA | >=50 & <80 | Concrete used for ground and underwater projects<br>Heat resistant concrete | Rapid hardening concrete<br>High-strength concrete<br>Watertight concrete |
| | PSB | >=30 & <50 | | |
| Pozzolanic Portland cement | PP | >=60 & <80 | Concrete used for underground projects<br>Mass concrete | Concrete under the condition of dry environment<br>Rapid hardening concrete<br>High-strength concrete |
| Portland fly-ash cement | PF | >=60 & <80 | | |
| Composite Portland cement | PC | >=50 & <80 | | |

*Source: Ministry of Ecological Environment, China Insights Consultancy*

# PRC

-product produced during the manufacturing of cement. It is produced by

**Definition of Clinker, the PRC, 2019**

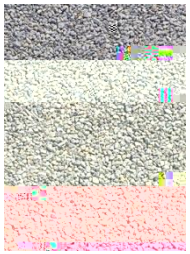
Clinkers refers to the by-product produced during the manufacturing of cement. It is produced by sintering limestone and alumino

## Definition of aggregate, the PRC, 2019

Aggregate refers to inert granular material used in construction, including sand, gravel, crushed stone, slag, etc. Aggregate refers to inert granular material used in construction, including sand, gravel, crushed stone and slag; and it serves as a reinforcement to strengthen the overall composite material. Aggregates are used to increase volume, stability, resistance to wear or erosion, and other desired physical properties to the finished product. For a good concrete mix, aggregates need to be clean, hard, strong particles free of absorbed chemicals or coatings of clay and other fine materials that could cause the deterioration of concrete.

Aggregates can be divided into fine and coarse aggregates, both of which are indispensable in producing concrete. The ratio of coarse aggregate to fine aggregate in construction can affect the performance of the concrete.

## Classification of aggregate, the PRC, 2019

| Categories | Size | Products | Silt bearing* | Range of applications |
|---|---|---|---|---|
| **Coarse aggregate** | >=4.75mm | **Natural sand:**<br>River sand<br>Mountain | | |
| **Fine aggregate** | <=4.75mm |  | | |

Concrete refers to a general term for engineering composite materials in which aggregates are cemented into a whole by cementing materials. Concrete is obtained by mixing cement, aggregates, water, and admixtures in a certain proportion, and is widely used in civil engineering.

Concrete can be categorised into cast-in-place concrete and ready-mixed concrete according to different mixing locations, and production and quality management. Ready-mixed concrete refers to concrete that is specifically batched or manufactured for construction projects, and supplied to the customer on-site as a single product. It is a mixture of Portland or other cement, water and aggregate. Ready-mixed concrete requires special production machinery and equipment, and a special mix ratio design.

Compared with the cast-in-place concrete, ready-mixed concrete has the advantages of high product quality, stable and controllable, high work efficiency, and low environmental pollution, which is in line with the national policies for green development.

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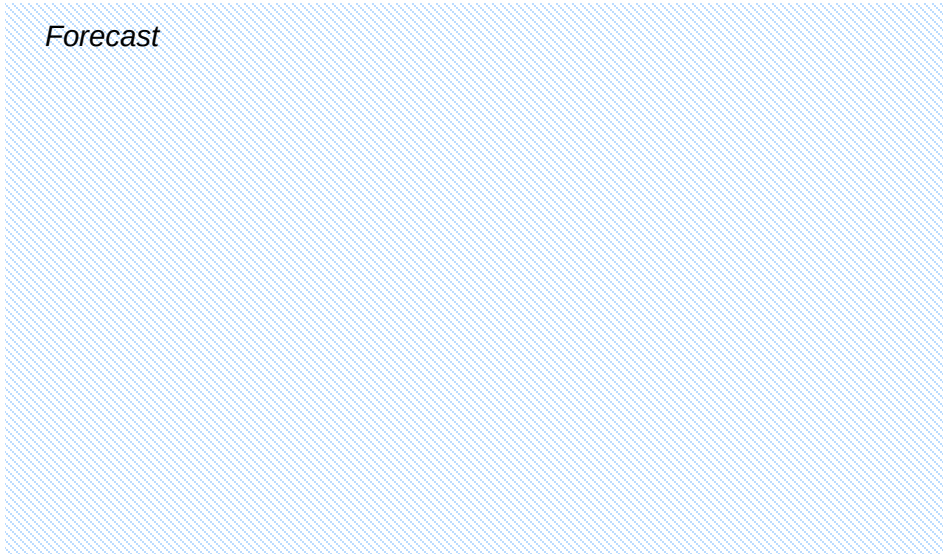


**Low to medium strength ready-mixed concrete**

**Medium to high strength ready-mixed concrete**

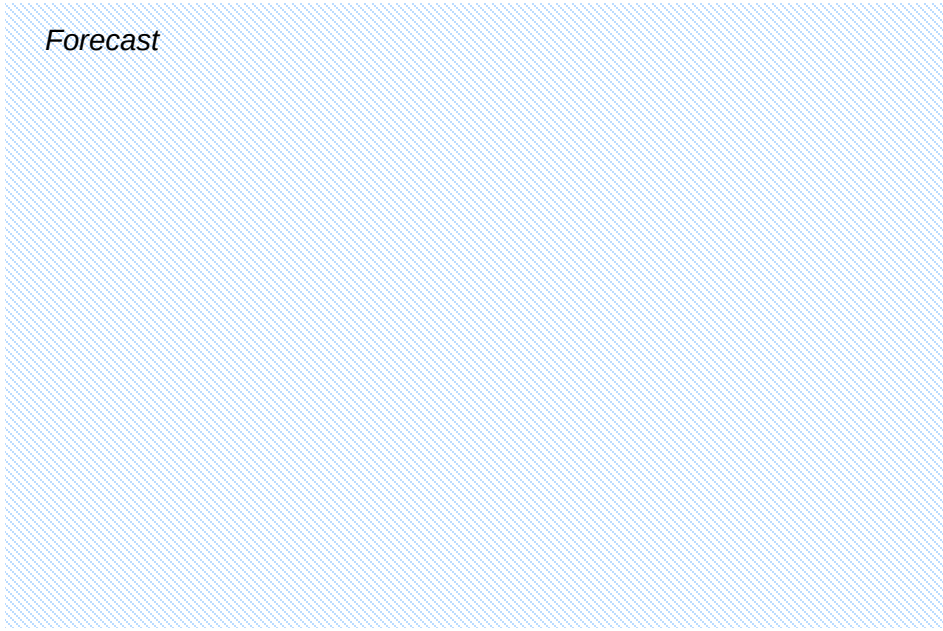
**High strength ready-mixed concrete**

## Production volume of cement, the PRC, 2016-2025E




The production volume of cement in the PRC fell slightly from 2,410.3 million tonnes to 2,236.1 million tonnes between 2016 and 2018, mainly due to the cutting overcapacity strategy and the production restriction policy for environmental protection. After that, the supply and demand of the market became rebalanced and the production volume saw a rise, reaching 2,394.8 million tonnes in 2020. Given that the demand of cement market kept going up for the increasing investment

## Production volume of clinker, the PRC, 2016-2025E



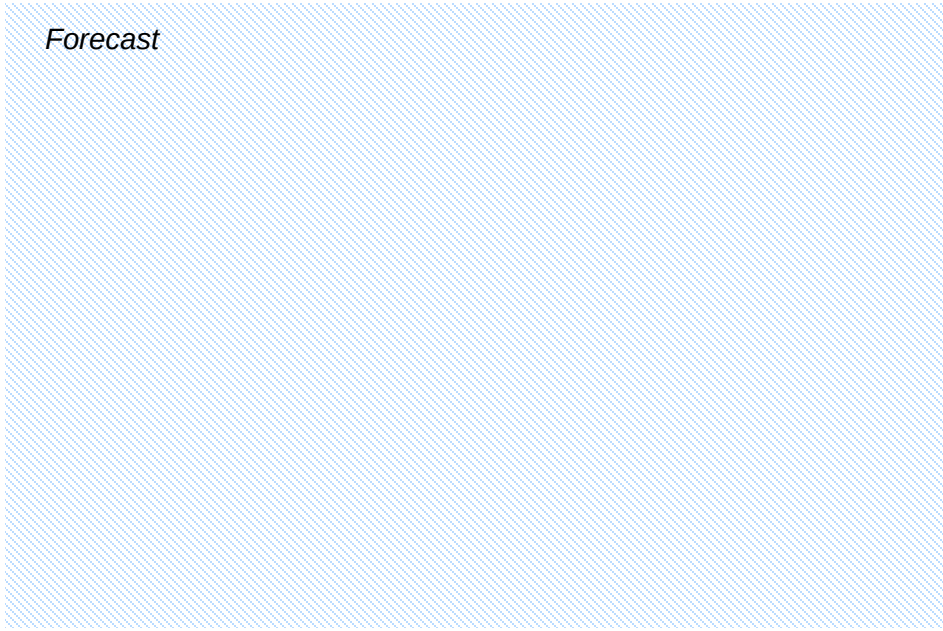

The production volume of clinker in the PRC has experienced a steady increase from 1,370.0 million tonnes in 2016 to 1,579.0 million tonnes in 2020, representing a CAGR of 3.6%.

As the national economic development slowed down, the growth rate of both FAI in the real estate industry and infrastructure construction decreased slightly. With a lower growth rate of downstream demand and the supply-side reform to decrease the production capacity, the growth rate of production volume of clinker has been maintained at a relatively low level since 2016, and is assumed to be lower considering the production restriction of the ongoing carbon-neutral policies for suppliers.

Despite the negative impact of the 2020 outbreak of coronavirus(COVID-19) pandemic had on production of construction materials due to the stagnation of construction projects, the production volume of clinker in 2020 still increased by 3.7%, which indicates a strong demand of clinker market. A continuous growth of production volume of clinker is expected to be seen in the coming years since the pandemic has got controlled.

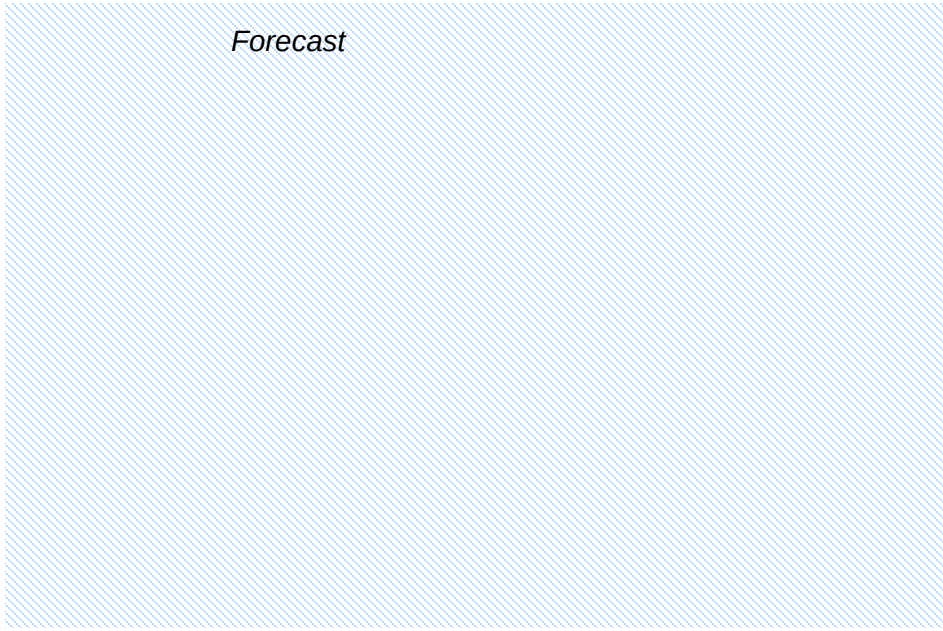
Driven by the growing investment in infrastructure construction and real estate, the demand and production volume of clinker are expected to continue to increase. It is predicted that the production volume of clinker in the PRC will reach 1,888.9 million tonnes in 2025,

## Production value of clinker, the PRC, 2016-2025E




The

## Production volume of ready-mixed concrete, the PRC, 2016-2025E

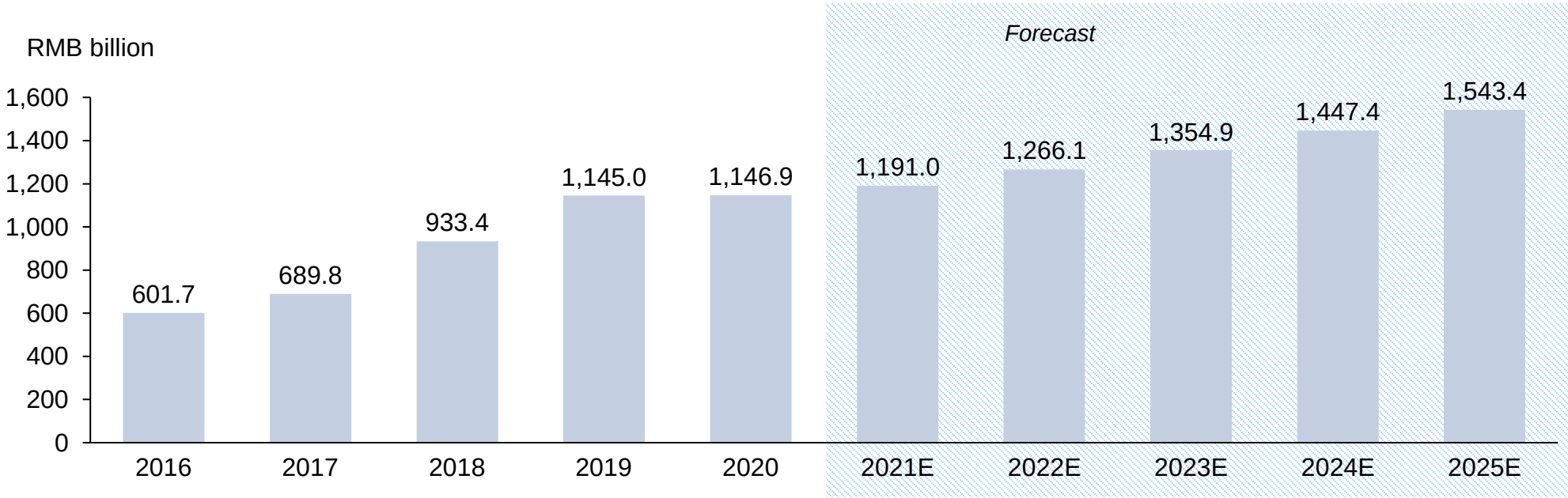



The production volume of tEMC ady

# Production value of ready-mixed concrete in the PRC

- The production value of ready-mixed concrete in China increased rapidly between 2016 and 2020,

**Production value of ready-mixed concrete, the PRC, 2016-2025E**




## Key analysis

The production value of ready-mixed concrete in China has increased from RMB601.7 billion in 2016 to RMB1,146.9 billion in 2020 at a CAGR of 17.5%, maintaining a fast growth between 2016 and 2020. The significant growth between 2016 and 2019 is largely caused by surges in both the price and production volume of ready-mixed concrete.

With factories closed in 2020 Q1 due to the COVID-19 pandemic, the production value of ready-mixed concrete in 2020 is roughly the same as that of 2019. However, it is expected that the production value of ready-mixed concrete will recover soon and continue to grow after the pandemic is under control.

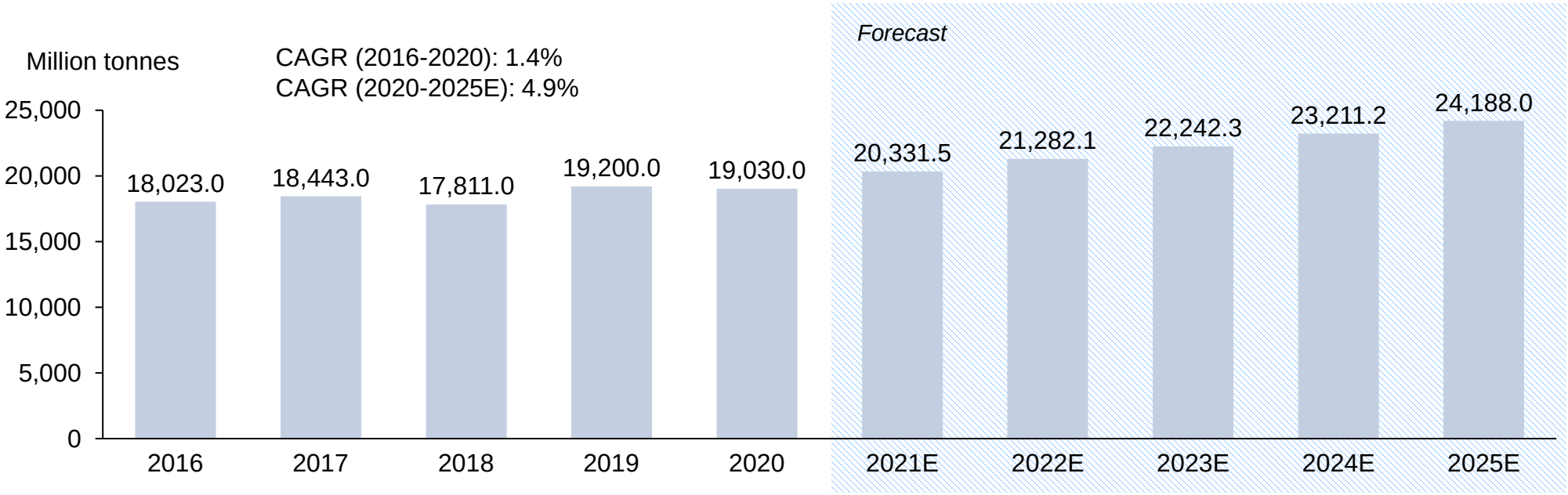
In the next few years, with the steady increase in the demand for ready-mixed concrete and the further implementation of the de-capacity policy, the price of ready-mixed concrete is expected to rise steadily. Besides, the production volume of ready-mixed concrete is predicted to continue to maintain a growing trend. Therefore, it is estimated that by 2025, the total production value of ready-mixed concrete in the PRC will reach RMB1,543.4 billion, with a CAGR of 6.1% between 2020 and 2025.

*Source: Chinese Ministry of Commerce, China Insights Consultancy*

# Production volume of aggregate in the PRC

-The production volume of aggregate in the PRC fluctuated between 2016 and 2020, and is expected to maintain steady growth in the next few years with the steady increase in downstream demand

**Production volume of aggregate, the PRC, 2016-2025E**




## Key analysis

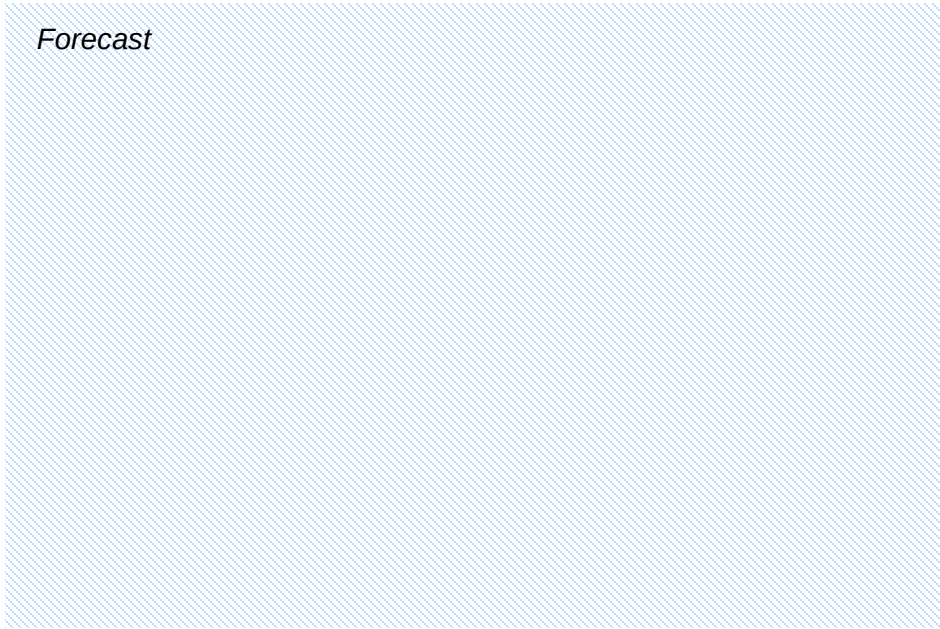
The production volume of aggregate in the PRC increased from 18,023.0 million tonnes in 2016 to 19,030.0 million tonnes in 2020, representing a CAGR of 1.4%. The production volume declined slightly in 2018 and 2020 mainly as a result of a stringent regulation in mining for the purpose of environmental protection and coronavirus.

Due to the outbreak of coronavirus(COVID-19) pandemic in 2020, infrastructure and real estate construction projects shut down, resulting in lower demand and production of aggregate. It is expected that the production of aggregate will recover after the pandemic is fully controlled.

Given that the demand for aggregate in infrastructure construction and real estate is increasing, the demand and production volume of aggregate are expected to continue increasing. It is predicted that the production volume of aggregate in the PRC will reach 24,188.0 million tonnes in 2025, with a CAGR of 4.9% between 2020 and 2025.

*Source: China Insights Consultancy*

**Production value of aggregate, the PRC, 2016-2025E**




The production value of aggregate rapidly increased from RMB1388.3 billion to RMB2,301.0 billion between 2016 and 2020, representing a CGAR of 13.5%. This corresponds to a rising aggregate price driven by the inventory drop mainly as a result of stringent environmental protection-related regulations in mining.

Despite the negative impact of the 2020 outbreak of coronavirus(COVID-19) pandemic had on the production of construction materials due to the stagnation of construction projects, the production volume of ready-mixed concrete in 2020 still increased by 1.5% caused by the rising price. A continuous growth of production value of ready-mixed concrete is expected to be seen in the coming years.

In the next few years, implementation of environmental protection regulations will continue to support a steady rise in price of aggregate, as well as the prospective growth in the production of artificial sand. The production volume of aggregate is expected to continue to grow in the next few years driven by the steady growth in infrastructure and real estate construction. Therefore, it is estimated that the total production value of aggregate in the PRC will reach RMB3,116.1 billion in 2025, with a CAGR of 6.3% between 2020 and

| Rank | Province | Cement production (million tons) | % of Total |
|---|---|---|---|
| 1 | Guangdong | | |
| 2 | Shandong | | |
| 3 | Jiangsu | | |
| 4 | Sichuan | | |
| 5 | Anhui | | |
| 6 | Zhejiang | | |
| 7 | Yunnan | | |
| 8 | Guangxi | | |
| 9 | Henan | | |
| | | | |

# Regional distribution of cement production in Yunnan province

- Cities in the central parts of Yunnan provinces have higher cement production volume due to the advanced logistics networks; Diqing, Lincang, Lijiang, Dali and Chuxiong are the top five cities In terms of annual average price of cement

**Top 10 cities by volume of cement production, Yunnan province, 2019**

| Rank | City | Cement production (million tons) | % of Total |
|---|---|---|---|
| 1 | Kunming | 19.2 | 15.0 |
| 2 | Qujing | 15.8 | 12.3 |
| 3 | Yuxi | 15.3 | 11.9 |
| 4 | Dali | 15.2 | 11.8 |
| 5 | Wenshan | 9.4 | |
| 6 | Puer | 9.1 | |
| 7 | Honghe | 8.5 | |
| 8 | Zhaotong | 8.2 | |
| 9 | Baoshan | 6.9 | |
| 10 | Lincang | 6.8 | |

Kuming, Qujing and Yuxi are the top three cities in Yunnan provinces in terms of volume of cement production in 2020, accounting for 15.0%, 12.3% and 11.9% of total cement production volume in Yunnan, respectively. The cities with large volume of cement production are mainly located in the central and northeast parts of Yunnan province given that it comprises of convenient logistics infrastructures such as Kunming-Hekou Railway, Kunming-Yuxi Railway, etc.

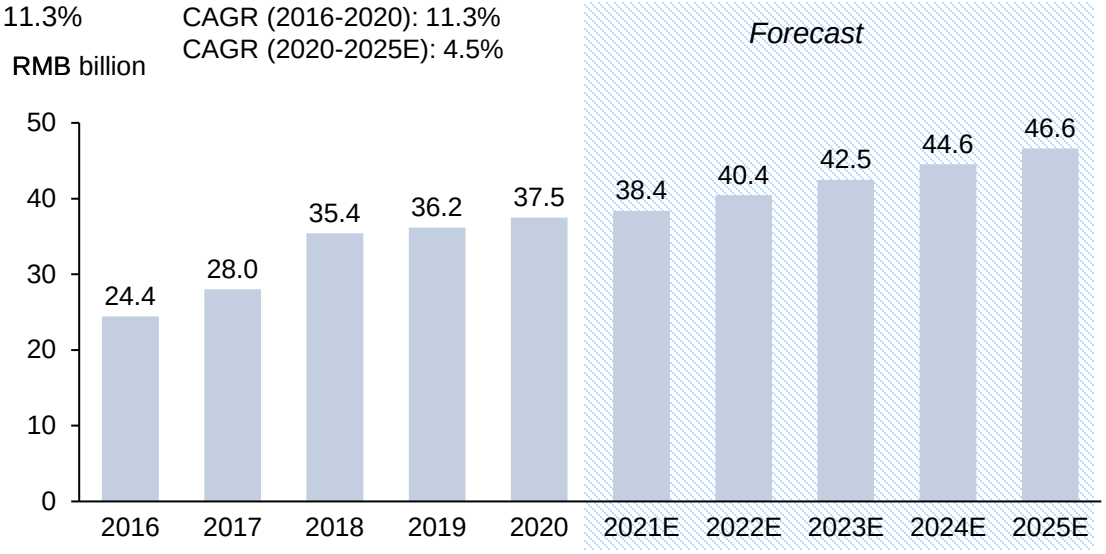
In terms of annual average price of cement, Diqing, Lincang, Lijiang, Dali and Chuxiang are the top five cities with annual average price of RMB553.6 per tonnes, RMB493.3 per tonnes, RMB475.6 per tonnes, RMB432.8 per tonnes, RMB396.7 per tonnes in 2020, respectively. The annual average price of cement is higher than the province average level mainly as a result of their relatively stronger economic activities, lower production capacity and higher transportation costs.

*Source: National Bureau of Statistics of China(NBSC), China Insights Consultancy*

## Production value of cement, Hunan province, 2016-2025E

2020): 11.3%

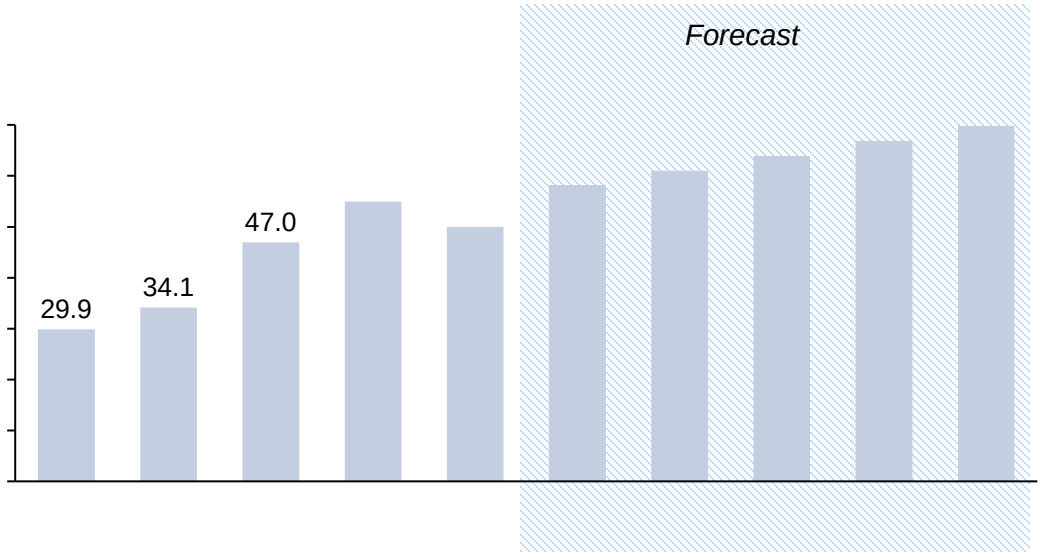
CAGR (2016-2020): 11.3%
CAGR (2020-2025E): 4.5%



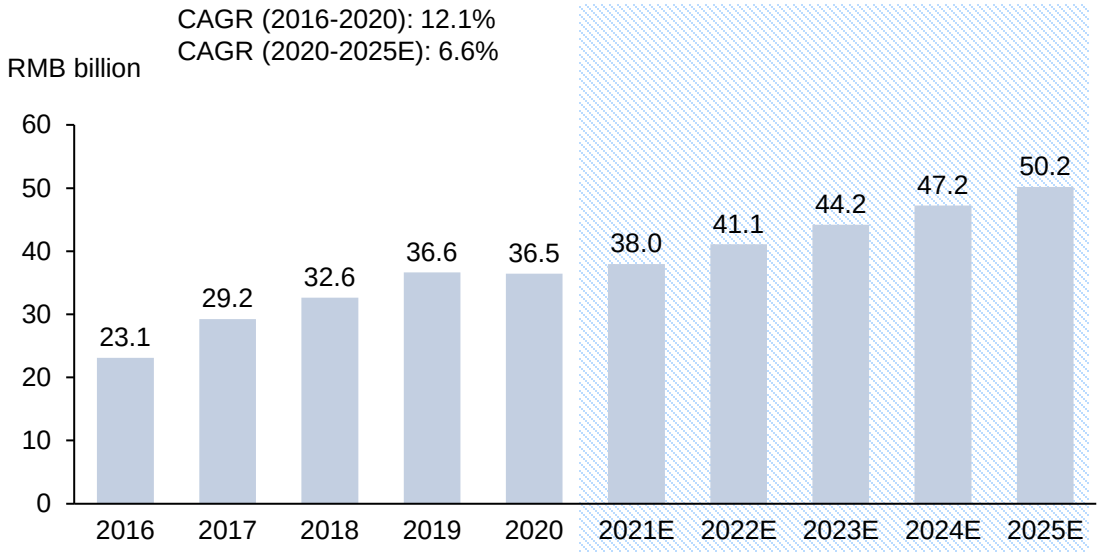

province, 2016

## Key analysis

Located in south-central China to the middle
Yangtze River and south of the Dongting
province is one of the key regions across China
economic development both regionally and nati
the ever-improving traffic infrastructure such as
railway, and shipping, both intercity traffic and interpr
traffic of Hunan province brings great convenienc
cement transportation. Moreover, Hunan has abunda
natural resources of raw materials for cement


Forecast
29.9
34.1
47.0

## Production value of cement, Yunnan province, 2016-2025E

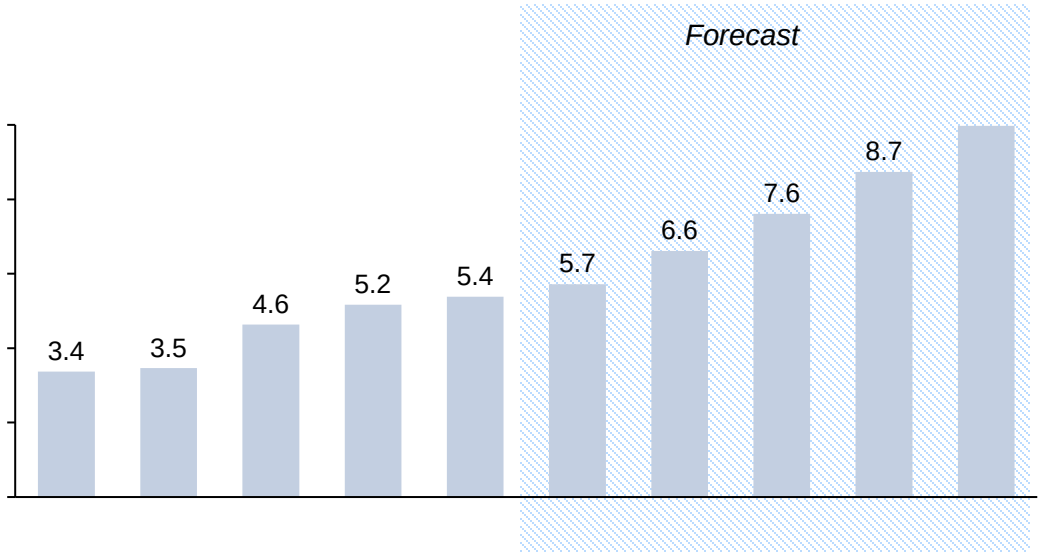



## Key analysis

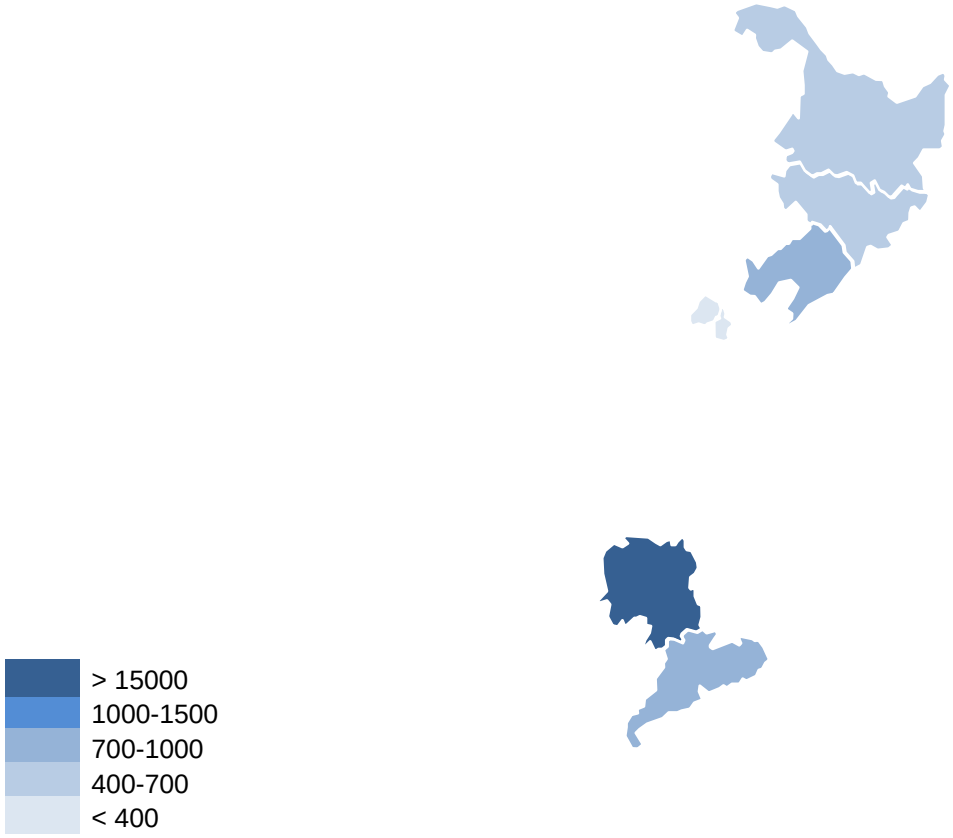
Yunnan province is located in the geographical center of Asia, which makes it a key trading hub of Asia. Within Belt and Road Initiative, Yunnan is home to key road and railway links to South and Southeast Asian countries, such as Laos, Vietnam, and Myanmar via the China-Myanmar-Bangladesh-India Economic Corridor.

The economic growth in Yunnan Province has boosted the market demand for cement. The growth rate of investment in real estate development in Yunnan exceeded the national average level, registering a CAGR of 13.8% between 2016 and 2020. Therefore, the production volume of cement in Yunnan province grew at a higher rate than the national average level over the past five years given that the demand from real estate construction is higher in Yunnan province.

The production value and the production volume of cement in Yunnan Province increased from RMB23.1 billion and 109.6 million tonnes to RMB36.5 billion and 129.8 million tonnes, representing a CAGR of 12.1%

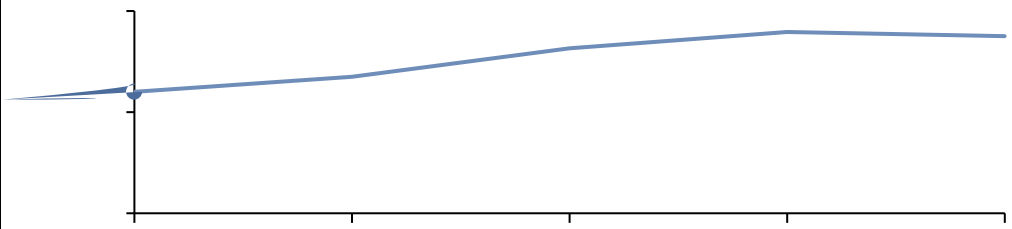

Forecast
3.4
3.5
4.6
5.2
5.4
5.7
6.6
7.6
8.7

**Regional distribution of sand and gravel mines, the PRC, 2020**



# Price analysis of construction materials industry in the PRC(2/2)

-The annual average price of construction materials including clinker, aggregate and ready-mixed concrete experienced a rapid growth between 2016 and 2020, which is mainly due to the production limitation for environment protection and the de-capacity reforming policies



*Source: China Insights Consultancy*

The rapid growth of investment in infrastructure construction and the stable investment in real estate development in China jointly ensure the stable increase in demand for construction materials and will promote the further development of the construction material industry throughout China. With the increasing development level of the national economy, residents in the PRC have put forward higher requirements on infrastructure and housing environment, thus the Government has listed the urban infrastructure construction as the core of national economy construction. The total investment in infrastructure construction in the PRC increased from RMB15,201.2 billion in 2016 to RMB17,051.8 billion in 2020 with a CAGR of 2.9%. In the meantime, the investment in real estate development increased from RMB10,258.1 billion to RMB14,144.3 billion, representing a CAGR of 8.4% between 2016 and 2020.

Infrastructure construction and the real estate industry are expected to experience steady growth in the

# Key drivers of construction materials industry in the PRC(2/2)

- The major drivers

| Key drivers | Analysis |
|---|---|
| Increasing urbanisation rate and promotion of new -type urbanization and rural revitalization | As the national economy has entered into a new era of high-quality development, the urbanisation rate and level of industrialisation have continuously improved. The urbanisation rate in the PRC has increased from 57.3% in 2016 to 61.6% in 2020, and is expected to reach 65.7% by 2025. With the rapid urbanization process of the PRC, the continuous urban construction drives the demand for construction materials.<br>Besides, The Chinese government actively promoted new-type urbanization, rural revitalization, and poverty alleviation through transportation infrastructure construction. In March 2019, the National -type Urbanization for ), which aimed to optimize plans for urbanization, strengthen support for transportation networks, promote high-quality urban development, reinforce the construction of urban infrastructure, accelerate the development of urban-rural integration, and improve the capabilities for construction and management of municipal infrastructure. The promotion of new-type urbanization and rural construction will provide support for cement demand. |
| Favorable government policies for environmental protection, production efficiency and other factors | In recent years, the PRC has successively issued a number of policies and regulations for the construction materials industry to enhance product standards, energy saving, and emission reduction and production safety, and further promote the structural adjustment of cement products and certain high-tech building materials<br>High-Quality Development of the machine- ), 3 ), Guiding Opinions on Elimination of Backward Production Capacities and Upgrade of Ready Mixed Opinions on Accelerating the - “ ” ), etc. These policies and regulations regulated the market and ensured the sustainable development of the construction materials industry. |

*Source: China Insights Consultancy*

# Future Trends of the construction materials industry in the PRC

- The key future trends of construction materials industry of the PRC include promotion of green development, persistent supply-side structural reform and adoption of information and energy conservation technologies in cement production

| Future Trends | Key Analysis |
|---|---|
| 1 Promotion of green development | As the construction materials industry develops and upgrades, green, environmentally friendly and energy-efficient construction materials have become the mainstream of the construction market. In June -Year Action Plan for Winning the Blue Sky Defense ), which required the cement industry to continuously eliminate excess capacity and strictly prohibit new production capacity. This series of measures will help the cement industry to eliminate obsolete capacity as well as strengthen the prevention and control of pollution. In March 2020, the National Development and Reform Commission, the Ministry of Natural Resources, the Ministry of Industry and Information Technology, and the Ministry of Ecology and Environment jointly issued the "Guiding Opinions on Promoting the Healthy and Orderly Development of the Sand and Stone Industry"( ), which encouraged and supported the comprehensive utilization of waste rock, slag, and tailings and other gravel resources to achieve "turning waste into treasure". |
| 2 Persistent supply-side structural reform | At present, the problem of serious overcapacity in the cement industry has not been fundamentally resolved, and structural contradictions still exist. Supply-side structural reform is and will continue to be the key to the sustainable and healthy development of the cement industry. Policies and measures such as th Five-Year ” ) period. |
| | Cement construction materials manufacturers are increasingly adopting information and energy conservation technology to support automation and process control, reduce fuel consumption, increase production, and improve product quality. For instance, in the production processes, since cement plant equipment and processes can be monitored digitally with information technology, manufacturers are |

# Risks and challenges of the construction materials industry in the PRC

-The main challenges of the PRC ready-mixed concrete industry include the rising upstream raw materials price, the fluctuation of energy cost, the fluctuation of cement price, and the tightening supervision on the production process

**Rising upstream raw materials price**

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# Impact of the Novel Coronavirus

# 3. Competitive landscape of the concrete market in the PRC

# Competitive analysis of the cement market in terms of revenue in China

- The Company is one of the leading market player in the cement market in China and ranked the fifth among all cement manufacturers in terms of operating income generated from cement business

The cement industry in China is relatively concentrated with top 5 cement manufacturers accounting for 33.6% of market share in terms of revenue generated from cement business in China, and almost all leading cement manufacturers are listed companies. In 2020, the Company generated approximately RMB21.9 billion of revenue from its cement business and was ranked fifth among the leading Chinese cement manufacturers in terms of revenue.

Besides, as of December, 2020, there were a total number of nine production lines for cement and clinker in Tibet, three of which were owned by the Company and two of which were owned by the company that the Company invested.

Based on our industry knowledge, we believe that the use of other distributors for sales of products is generally in line with industry practice.

t has adopted policies that are designed to accelerate the consolidation of the cement industry, promote modernization and improve energy-efficiency and environmental friendliness. From 2013 to 2020, the number of cement companies decreased from approximately 3,800 to 2,800 since many leading players have taken actions in mergers and reorganization. As large-scale state-owned enterprises and leading companies conducted successive M&A activities such as the acquisition of small-and-medium cement manufacturers has reduced industry competition and created operational synergies, allowing leading market

# Overview of the top five cement manufacturers in terms of revenue generated from cement business in China

| Manufacturer | Time of establishment | Headquarter | Focused regions and countries | | Listing status |
|---|---|---|---|---|---|
| **China National Building Material Co., Ltd.** | 1984 | Beijing | East China, Northeast China, Southwest China and South Central China<br>Germany, India, Mongolia and Africa | The largest manufacturer for building materials and an integrated service provider leading throughout the world | Listed |
| **Anhui Conch Cement Co., Ltd.** | 1997 | Anhui | East China, South China and West China | A large state-owned cement and clinker manufacturer. | Listed |
| **China Resources Cement Holdings Ltd.** | 2003 | Guangxi | Nationwide, focusing on Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi, Inner Mongolia and Hong Kong | Subsidiary of China Resources Co., Ltd.<br>A large-scale and state-owned cement, clinker and concrete producer in Southern China | Listed |
| **Tangshan Jidong Cement Co., Ltd.** | 1994 | Beijing | Nationwide, focusing on Beijing, Tianjin, Hebei, Liaoning, Jilin, Inner Mongolia and Shaanxi | The largest state-owned cement manufacturer in northern China | Listed |
| **The Company** | 1907 | Hubei | Nationwide, focusing on Central China, Southwest China<br>Tajikistan and Cambodia | One of the earliest enterprises in the<br>The first A&B-share listed company in the China's building materials industry | Listed |

The cement industry in China is relatively concentrated, characterized by an overall national over-production capacity issue with varying degree across different regions.
Some of the etitive pricing or greater financial, technical or marketing resources than the Company does.
Due to the continuing overcapacity in the cement industry in recent years and increasingly fierce market competition, we bear the risk of business concentration and our profitability and business operations may be adversely affected if any adverse changes occur in the cement industry in the PRC.
The gross profit margin of our aggregate segment decreased from 66.5% in the six months ended June 30, 2020 to 63.5% in the six months ended June 30, 2021, mainly due to the increased operating costs of expenses in relation to outsourcing activities for mining, partially offset

*Source: China Insights Consultancy*

| Rank |
| --- |
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# Competitive analysis of the cement market in terms of cement production capacity in China

- The Company is a leading cement manufacturer in China, which ranked fifth in terms of cement production capacity in China

**Ranking of top five Chinese cement manufacturers in terms of cement production capacity, China, 2020**

| Rank | Manufacturer | Production volume of cement in China (million tonnes) | Market share |
|---|---|---|---|
| 1 | China National Building Materials Group Corporation | 501.4 | 16.2% |
| 2 | Anhui Conch Cement Co., Ltd. | 361.9 | 11.7% |
| 3 | Tangshan Jidong Cement Co., Ltd. | 170.0 | 5.5% |
| **4** | China Resources Cement Holdings Ltd. | 105.7 | 3.4% |
| 5 | **The Company** | **105.6** | **3.4%** |
| | Subtotal | 1,244.6 | 40.2% |
| | Others | 1,846.3 | 59,8% |
| | Total | 3,090.9 | 100.0% |

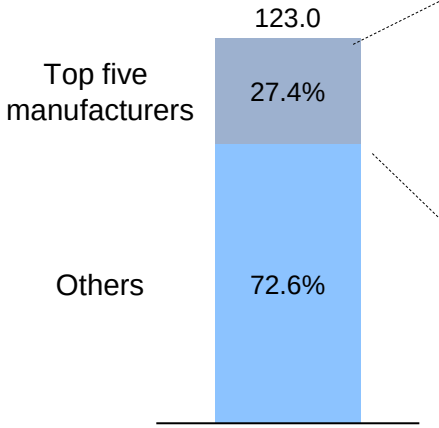
*Note: The leading five manufacturers are all listed companies. The production capacity of cement in China in 2020 for the top 5 manufacturers (except for the Company) were HVWLPDWHG E\ &,& EDVHG RQ WKHLU DQQXDO UHSRUWV LQGXVWU\ SXEOLFDWLRQV DQG RWKHU SXEOLF LQIRUPDWLRQ DYDLODEOH DV RI WKH ODWHVW SUDFWLFDEOH GDWH involves adjusting for certain factors and changes, certain margin of error or bias cannot be excluded, which may cause this ranking result not being absolute or unique.*

*Source: China Insights Consultancy*

# Competitive analysis of the clinker market in central China

- The Company is a leading market player in the cement market in central China and ranked the first among all cement manufacturers in terms of operating income generated from cement business in central China

**Ranking of top five cement manufacturers in terms of operating income generated from cement business, central China, 2020**




**Total production value of cement in central China in 2020**

| Rank | Manufacturer | Production capacity (million tonnes) | Market share |
|---|---|---|---|
| **1** | **The Company** | **8.5** | **6.9%** |
| 2 | China United Cement Corporation* | 7.8 | 6.3% |
| 3 | Tianrui Cement Group Co., Ltd. | 6.0 | 4.9% |
| 4 | South Cement Co., Ltd.* | 5.9 | 4.8% |
| 5 | Anhui Conch Cement Co., Ltd. | 5.5 | 4.5% |
| | Sub-total | 33.7 | 27.4% |
| | Others | 89.3 | 72.6% |
| | **Total** | **123.0** | **100.0%** |

*Note 1: China United Cement Corporation and South*

The total market size of cement in terms of production value in central China was RMB123.0 billion in 2020, accounting for 14.6% of total cement production value in China. The cement industry in central China is relatively concentrated with the top five manufacturers accounting for 28.9% of the market share. The Company was the largest manufacturer in central China with an operating income generated from cement business of RMB8.5 billion, accounting for approximately 6.9% of the total market

*Source: CCA, China Cement Net, China Insights Consultancy*

**Ranking of top five Chinese cement manufacturers in terms of cement production capacity, central China, 2020**

| Rank | Manufacturer | Production volume of cement in China (million tonnes) | Market share |
|---|---|---|---|
| **1** | **The Company** | **57.8** | **14.3%** |
| 2 | Tianrui Cement Group Co., Ltd. | 38.0 | 9.4% |
| 3 | Anhui Conch Cement Co., Ltd. | 36.6 | 9.1% |
| 4 | South Cement Co., Ltd. | 32.5 | 8.1% |
| 5 | China United Cement Corporation | 31.8 | 7.9% |
| | Subtotal | 196.7 | 48.8% |
| | Others | 206.8 | 51.2% |
| | Total | 403.5 | 100.0% |

*Note: The production capacity of cement in central*

# Competitive analysis of the cement market in terms of cement production capacity in central China

- The Company is a leading cement manufacturer in China, which ranked first in terms of cement production volume in central China

**Ranking of top five Chinese cement manufacturers in terms of cement production volume, central China, 2020**

| Rank | Manufacturer | Production volume of cement in China (million tonnes) | Market share |
|---|---|---|---|
| **1** | **The Company** | **33.6** | **10.2%** |
| 2 | Tianrui Cement Group Co., Ltd. | 24.7 | 8.1% |
| 3 | Anhui Conch Cement Co., Ltd. | 24.3 | 7.4% |
| 4 | South Cement Co., Ltd. | 24.0 | 7.3% |
| 5 | China United Cement Corporation | 18.5 | 5.6% |
| | Subtotal | 127.1 | 38.6% |
| | Others | 202.0 | 61.4% |
| | Total | 329.1 | 100.0% |

*Note: The production capacity of cement in central China in 2020 for the top 5 manufacturers (except for the Company) were estimated by CIC based on their annual reports, LQGXVWU\ SXEOLF DUWLFOHV DQG RWKHU UHSXWDEOH WKLUG SDUW\ µ VcopeRIvolvesHVtimatingXHfor theRainMarketSizeDFWanges, certain margin of error or bias cannot be excluded, which may cause this ranking result not being absolute or unique.*

*Source: China Insights Consultancy*

# Overview of the top five cement manufacturers in terms of production capacity of the clinker in central China

| name | Time of establishment | Headquarte | Focused regions and countries | | Listing status |
|---|---|---|---|---|---|
| **The Company** | 1907 | Hubei | Nationwide, focusing on Central China, Southwest China<br>Tajikistan and Cambodia | One of the earliest enterprises<br>The first A&B-share listed company in the China's building materials industry | Listed |
| **China United Cement Corporation** | 1999 | Beijing | Nationwide, focusing on Shandong, Jiangsu, Henan, Hebei, Anhui, Shanxi, Inner Mongolia, Sichuan and Beijing | Subsidiary of China National Building Materials Group Corporation<br>A large state-owned cement enterprise group | Listed |
| **Tianrui Cement Group Co., Ltd.** | 2000 | Henan | Nationwide, focusing on Henan, Liaoning, Anhui and Tianjin | Subsidiary of Tianrui Group Co., Ltd.<br>A large cement manufacturer | Listed |
| **South Cement Co., Ltd.** | 2007 | Zhejiang | Nationwide, focusing on Zhejiang, Shanghai, Jiangsu, Anhui, Hunan, Jiangxi, Fujian and Guangxi | Subsidiary of China National Building Materials Group Corporation<br>A large state-owned cement enterprise | Listed |
| **Anhui Conch Cement Co., Ltd.** | 1997 | Anhui | East China, South China and West China | A large state-owned cement and clinker manufacturer. | Listed |

*Source: China Insights Consultancy*

| Rank | Manufacturer | Time of establishment | Headquarters' location | Production capacity (million tonnes) | Market share | |
|---|---|---|---|---|---|---|
| **1** | **The Company** | **1907** | **Hubei** | **24.8** | **37.5%** | **One of the earliest enterprises in the first A&B-share listed company in the building materials industry** |
| 2 | China Gezhouba Group Cement Co., Ltd. | 2011 | Hubei | 14.9 | 22.5% | Subsidiary of China Gezhouba Group Co., Ltd. and is known as "China's granary" |
| 3 | Asia Cement (China) Holdings | | | | | |

| Entry barriers | Key Analysis |
| --- | --- |
| | New entrants are subject to production requirements and environmental-friendly standards in relation to cement production processes in China. Governmental authorities have launched |
| | The cement industry is highly capital intensive, so the capital sourcing capability is fundamental to cement manufacturers. Cement enterprises, especially new entrants, require a substantial amount of capital to build their production facilities, purchase production equipment and develop and implement new technologies. Due to the long construction period of cement projects, a large amount of capital is also needed to |

| | |
|---|---|
| Achievement of economies of scale | Achievement of economies of scale plays a key role for cement manufacturers in maintaining their competitiveness in the cement market. Leading players in cement market in China are all large cement producers in terms of production capacity in the region where they are located. They achieve such economies of scale through continuous technological upgrade or acquisitions. With economies of scale, cement manufacturers can obtain the cost advantage over small enterprises and be more capable of researching and developing new technologies, so that they can rapidly expand their production capacity by constructing more cement production lines and improve production efficiency in order to hold the key to success.. |
| Leading production and market layout | Leading cement manufacturers tend to have a leading production and market layout. Their target markets are among the fastest growing economic areas in China with rapid industrialization and urbanization development. Leading players are such well positioned that they are able to capture growth opportunities in the cement and construction industry. In addition, production facilities of key market players are mainly located near the raw material resources. Considering the weight and bulky nature of cement, convenient access to resources can save a huge amount of transportation cost and improve the production efficiency of these market leaders. |
| Extension of industry chain | Large cement enterprises are now exploring opportunities for the extension of cement industry chain in the regions where they have business operation. Through the development of concrete, aggregates, and other cement production related business, leading cement manufacturers can leverage on the synergetic advantages of them, promote the integration of industrial development and further consolidate their core competitive advantages. |
| Brand reputation and wide | |

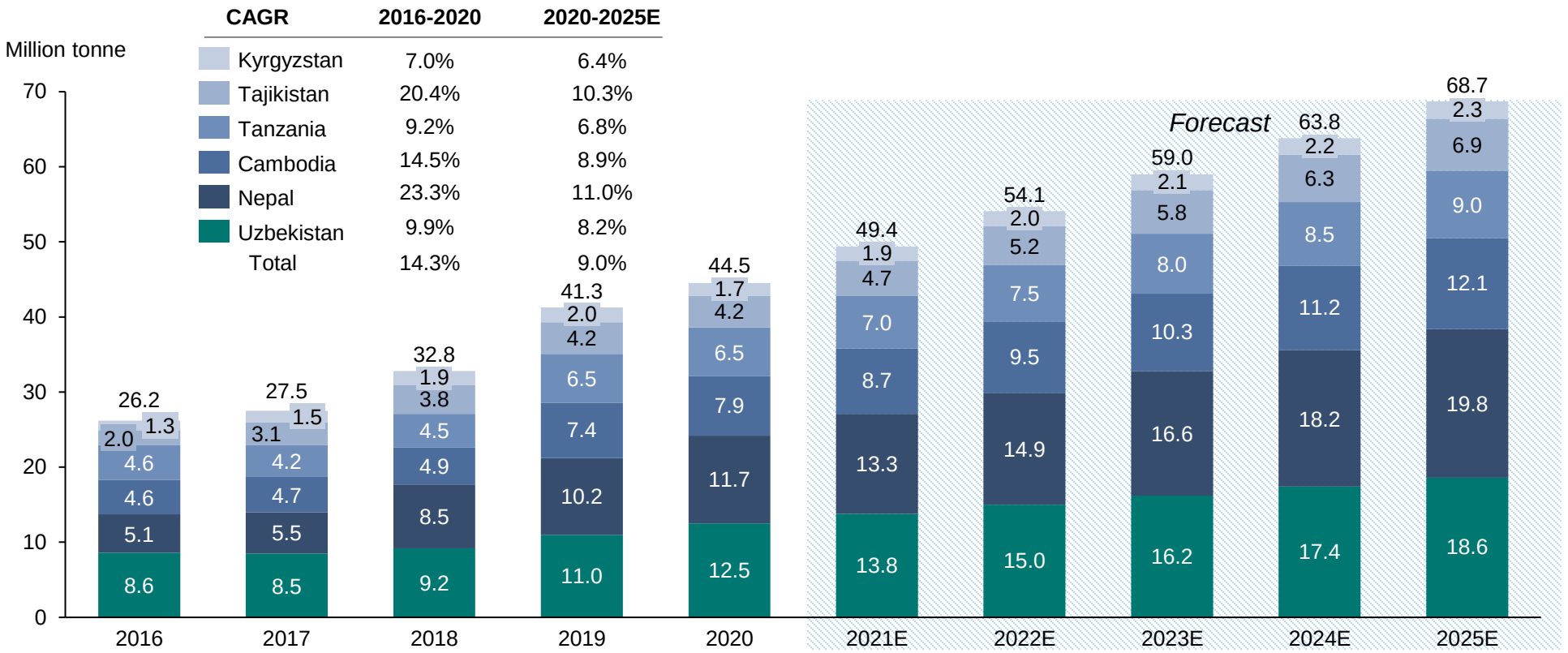
*Source: China Insights Consultancy*

# 4. Analysis of the export market for major construction material market in the PRC

# Production volume of cement in the selected developing countries

-The developing economy and the increasing urbanisation and industrialisation of the selected developing countries propel the demand for construction materials, with increasing production volume of cement; the production volume of the five selected developing countries reached 44.5 million tonnes in 2020

**Production volume of cement, Kyrgyzstan, Tajikistan, Tanzania, Cambodia, Nepal, Uzbekistan, 2016-2025E**




## Key analysis

Kyrgyzstan, Tajikistan, Tanzania, Cambodia, Nepal and Uzbekistan produced a total of 44.5 mt of cement in 2020. Specifically, production volume of cement in Tajikistan and Nepal experienced higher growth rate during the past few years, with a CAGR of 20.4% and 23.3% between 2016 and 2020, respectively.. In comparison, the grow rate of cement production volume in Kyrgyzstan experienced relatively lower growth rate.

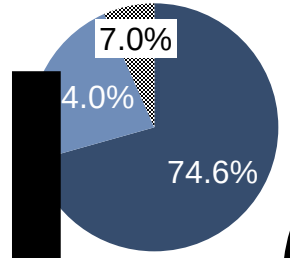
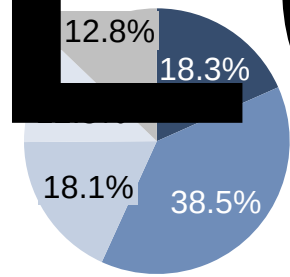
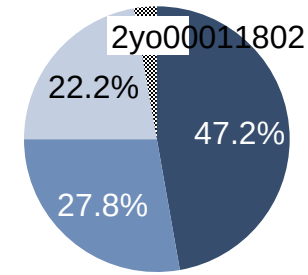
Rapidly developing economy, as well as the increasing urbanisation and industrialisation of the selected developing countries, fuel the demand growth for construction materials, especially cement. It is expected that by 2025, the total production volume of cement in Kyrgyzstan, Tajikistan, Tanzania, Cambodia, Nepal and Uzbekistan will reach 68.7 million tonnes, with a CAGR of 9.0% between 2020 and 2025.

*Source: National Bureau of Statistics of Cambodia, Nepal, Tajikistan, Kyrgyzstan, Uzbekistan, China Insights Consultancy*

# Competitive analysis of the cement market in terms of production capacity in the selected developing countries(1/2)

- Among all the selected developing countries, Tajikistan and Kyrgyzstan have relatively high market concentration, while Nepal has lower market concentration and largest number of market players

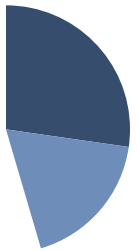
**Competitive analysis of the cement market in terms of production capacity, Tajikistan, Cambodia, Kyrgyzstan, 2020**

| | Total cement production Capacity | Number of Companies | Leading companies in terms of cement production capacity | Market concentration in terms of cement production capacity |
|---|---|---|---|---|
| Tajikistan | ~5 million tonnes | 8 | JV Huaxin Gayur Cement LLC<br>International [illegible] Company<br>Chzh[illegible]C<br>othe[illegible] |  |
| Cambodia | ~10 million tonnes | 5 | Chin Mong group<br>Co[illegible]nternational H[illegible]<br>SCG Ce[illegible]<br>HuaXin Cement Co. Ltd<br>Thai Boon Roong Cemnet |  |
| Kyrgyzstan | ~3.6 million tonnes | 5 | |  |

*Source: CemNet, Global Cement, China Insights Consultancy*

# Competitive analysis of the cement market in terms of production capacity in the selected developing countries(2/2)

- Among all the selected developing countries, Tajikistan and Kyrgyzstan have relatively high market concentration, while Nepal has lower market concentration and largest number of market players

| | Total cement production Capacity | Number of companies | Leading companies in terms of cement production capacity | Market concentration in terms of cement production capacity |
|---|---|---|---|---|
| Tanzania | | | |  |
| Uzbekistan** | | | | |
| Nepal | | | | |

*Source: CemNet, Global Cement, China Insights Consultancy*

The and Road also known as the Silk Road Economic Belt and the 21st-century Maritime Silk Road, was first unveiled by President of the PRC Xi Jinping in September 2013.

In March 2015, the National Development and Reform Commission, the Ministry of Foreign Affairs, and Ministry of Commerce of the PRC jointly issued the and Actions on Jointly construction Silk Road Economic Belt and 21st-Century Maritime Silk ( 21 ). It pointed out that on land, the Initiative will focus on jointly construction economic corridors by



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| Type | Name | Location | Investment | Schedule | Target | Content |
|---|---|---|---|---|---|---|
| **Expressway** | Phnom Penh-Sihanoukville Expressway | Cambodia | Approximately USD2.0 billion | Started from 2019 | 190 km in length | Funded by the China Road and Bridge Corporation, the new expressway will act as an efficient link between the capital city Phnom Penh and the coastal city Sihanoukville |
| **Railway** | Birgunj-Kathmandu and Rasuwagadhi-Kathmandu Railway | Nepal, India, the PRC | Approximately USD7-8 billion | Preliminary preparation | 287 km in length | The project aims to connect Kathmandu to both India and China by railways |
| | Xinjiang- Persian Gulf Railway | the PRC, Kyrgyzstan, | | | | |

| Drivers | Description |
| --- | --- |
| **Growing demand for infrastructure construction in Asia** | The infrastructure construction in the selected developing countries is relatively backward, especially in Tajikistan, Kyrgyzstan, Uzbekistan and Cambodia, leaving a large space for further enhancement. As a result, the Governments of these Asian countries have successively proposed short-term and long-term infrastructure development plans to [illegible] |

# Future Trends and challenges of construction materials industry in the selected developing countries

- The key future trends and challenges of construction materials industry in Cambodia, Nepal and Central Asian countries include political stasis and security issues, personnel and equipment management and integration 4.59 1k0Fgcen-US



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# 5 Macroeconomic and social development of the selected developing countries




## Macroeconomic and social development of the

## Real GDP growth rate, Cambodia, Nepal, Tajikistan, Kyrgyzstan, Uzbekistan, 2016-2025E

## Key analysis

Kyrgyzstan, Tajikistan, and Uzbekistan are located in Central Asia, a region that stretches from the Caspian Sea in the west to China and Mongolia in the east, and from Afghanistan and Iran in the south to Russia in the north. Despite that Central Asian countries have experienced high rates of economic growth in recent years, their economies still have huge development space compare to other developing countries.

Central Asia has historically been closely tied to its nomadic peoples and the Silk Road. In 2013, The PRC has put forward the and Road and carried out in-depth cooperation with Central Asian countries, which led the PRC one of the key economic players in Central Asia.

Cambodia and Nepal are located in Southeast and South Asia

The urbanisation rate in Nepal, Cambodia, Tajikistan, and Kyrgyzstan are relatively lower and increased steadily between 2016 and 2020. In 2020, the urbanisation rate in Nepal, Cambodia, Tajikistan, and Kyrgyzstan are 20.6%, 24.2%, 27.5%, and 36.9%, respectively. It is expected that with the continuous advancement of infrastructure construction, the urbanisation of Nepal, Cambodia, Tajikistan, and Kyrgyzstan will continue growing in the future.

The urbanisation rate in Uzbekistan is the highest, compared to the other four countries, with a slight decrease over the past few years. The slowly - trend was mainly driven by a faster growth rate of its rural population. However, most of its cities still experienced fast growth over the past few years, and the urban construction demand is expected to continue to grow.

Compared with other developed

## Nominal GDP of the construction industry, Cambodia, Nepal, Tajikistan, Kyrgyzstan, Uzbekistan, 2016-2025E



# Thank you!