

## China Cement Industry Report (Share Participations and Mergers), 2008



The cement industry is a periodicity industry. China cement industry started to recover in 2006 after suffering the difficulty in 2005, and then the new turn of cement demand had come. China cement output reached 1.35 billion tons in 2007, up 13.5% year-on-year; and the sales was RMB410.4 billion, rising 23.1% year-on-year, the total profit was RMB24 billion, increasing more than 60% year-on-year.

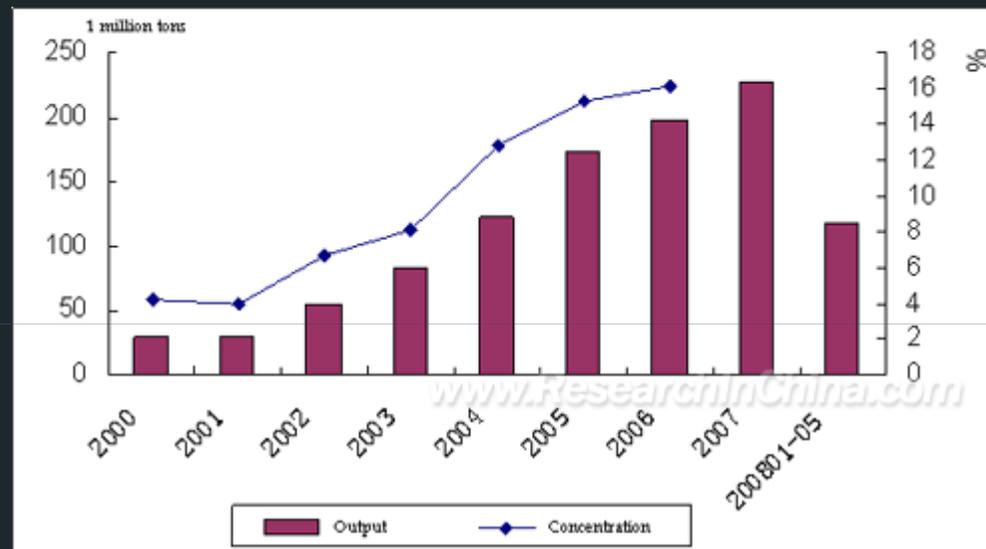
China cement output reached more than 500 million tons in the first half of 2008; the figure will break 1.4 billion tons for the whole year considering the strong demand from post-earthquake reconstruction.

China cement still faces many challenges, like unreasonable structure, over-number small companies, and backward production capacity. In 2006, China central government issued a series of policies to accelerate the adjustment in cement industry and eliminate backward production capacity. The National Development and Reform Commission confirmed that manufactures with backward output capacity should be entirely eliminated during 2007 to 2010, but the following 12 manufacturers will be strong supported.

Order	Manufacturer	Order	Manufacturer
1	Anhui Conch Cement Co., Ltd	7	Jilin Yatai (Group) Co., Ltd
2	Shandong Shanshui Cement Group Co., Ltd	8	China National Materials Industry Corporation (Including Xinjiang Transhan Cement Co., Ltd)
3	Zhejiang Sanshi Group Co., Ltd	9	Beijing Jinyu Group Co., Ltd (Including Hebei Taihang Group)
4	Hvaxin Cement Co., Ltd	10	Henan Tianrui Group Co., Ltd
5	Tangshan Jidong Cement Co., Ltd	11	Hongshi Holding Group Co., Ltd.
6	China United Cement Corporation	12	Gansu Qilianshan Cement Group Co., Ltd

To improve the concentration degree is the primary objective for the structure adjustment of China cement industry considering the current concentration degree is only 20%. China cement industry will continually accelerate its structure adjustment in 2009, mergers and acquisitions will become the hot topics. In addition, the players will enhance the waste heat generation projects, as well as new Production line construction. Moreover, the cement industry is lack of capital wholly; IPO and refinancing will be the main ways to solve the capital bottleneck.

## Output and Concentration Degree of Top Ten Cement Manufacturers in China, 2000-2008



Source: ResearchInChina

With the recovery of China cement industry, along with the challenges in China cement industry, foreign investors have started to pay attention to China cement market, more and more are progressing the activities of merger and acquisitions.

# Table of Contents

- **1 Policies of China Cement Industry**
- 1.1 Policies and Regulations
- 1.2 Energy Consumption and Discharge Standard
  
- **2 Operations**
- 2.1 Operation of International Cement Industry
- 2.2 Operation of China Cement Industry
- 2.2.1 Operations from 2007 to H1 2008
- 2.2.2 Development Trend
- 2.3 Investment Analysis, 2007-2008
- 2.3.1 Investment Status
- 2.3.2 Investment Trend
  
- **3 M & A of China Cement Industry**
- 3.1 Overview
- 3.2 M & A in 2007
- 3.3 M & A Trend
- 3.3.1 Manufacturers with Government Support, 2007-2010
- 3.3.2 Manufacturers to be Eliminated, 2007-2010
- 3.4 Regional Developments

  - 3.4.1 North
  - 3.4.2 Southeast
  - 3.4.3 Southwest

  
- **4 M & A Cases Study**
- 4.1 Lafarge & Shui On Acquires Sichuan Shuangma
- 4.1.1 Profile of Lafarge & Shui On
- 4.1.2 Process Analysis
- 4.1.3 Strategy Analysis
- 4.2 CRH Invests Yatai Group
- 4.2.1 Profile of CRH
- 4.2.2 Process Analysis
- 4.2.3 Strategy Analysis
- 4.3 Heidelberg Invests Jidong Cement
- 4.4 Morgan Stanley Invests Shanshui Group
- 4.5 Morgan Stanley & IFC Invests Conch Cement
- 4.6 Holcim Investes Huaxin Cement
  
- **5 Analysis of China Stock Listed Cement Companies**
- 5.1 Anhui Conch Cement Co., Ltd

- 5.1.1 Operations
- 5.1.2 M&A activities
- 5.2 Tangshan Jidong Cement Co., Ltd
- 5.3 Datong Cement Co., Ltd
- 5.4 Xinjiang Tianshan Cement Co., Ltd
- 5.5 Sichuan Shuangma Cement Co., Ltd
- 5.6 Henan Tongli Cement Co., Ltd
- 5.7 Inner Mongolia Xishui Chuangye Co., Ltd
- 5.8 Anhui Chaodong Cement Co., Ltd
- 5.9 Jiangxi Wannianqing Cement Co., Ltd
- 5.10 Ningxia Saima Industry Co., Ltd
- 5.11 Taiyuan Lionhead Cement Co., Ltd
- 5.12 Shaanxi Qinling Cement Co., Ltd
- 5.13 Sichuan Golden Summit (Group) CO., Ltd
- 5.14 Huaxin Cement Co., Ltd
- 5.15 Fujian Cement Co., Ltd
- 5.16 Hebei Taihang Cement Co., Ltd
- 5.17 Jilin Yatai Group Co., Ltd
- 5.18 Guangdong Tapai Group Co., Ltd
- 5.19 Gansu Qilianshan Cement Co., Ltd
  
- **6 Conclusions and Suggestions**

## Selected Charts

- Policies of China Cement Industry and Relevant Industries, 2006-2008
- Energy Consumption Standards of China Cement Industry , 2008
- Discharge Standard of China Cement Industry, Jul. 1, 2006-Dec. 31, 2009
- Output and Growth of Global Cement Industry, 2007-2008
- Output Growth of Key Global Cement Manufacturing Countries and Regions, 2001-2007
- Accumulative Cement Production Capacity Per Capita in China, 2001-2007
- Cement Output and Y-o-Y Growth in China, 2001-2007
- Regional Cement Output in China, 2001-2007
- Top Ten Provinces According to Cement Output in China, 2007
- Cement Production Capacity and Apparent Consumption Growth, 2007-2008
- Cement Supply and Demand Model in China
- Sales Revenue and Total Profit of China Cement Industry, 2000-2007
- China Cement Demand Forecast, 2008-2010
- Fixed Assets Investment and Y-o-Y Growth of China Cement Industry, 2002-2007
- The Relationship between China GDP Growth and Cement Consumption
- The Relationship between China Fixed Assets Investment Growth and Cement Consumption
- Forecast of China Fixed Assets Investment, 2006-2010
- Forecast of China Fixed Assets Investment over Cement Industry, 2008-2010
- Manufacturer Number and Concentration Degree of Global Key Cement Production Countries, 2007

- Output and Concentration Degree of Top Ten Cement Manufacturers in China, 2000-2008
- M&A Cases of China Cement Industry, 2007
- National Cement Manufacturers with Chinese Government Support during the 11th Five-year Period
- Regional Cement Manufacturers with Chinese Government Support during the 11th Five-year Period
- Number of Manufacturers has been Eliminated in 2007
- Reform Forecast of Cement Industry in North China, 2010
- Reform Forecast of Cement Industry in Southeast China, 2010
- Reform Forecast of Cement Industry in Southwest China, 2010
- Profile of Lafarge & Shui On
- M&A Activities of Conch Group, 2007-2008
- Operations of Tangshan Jidong Cement Co., Ltd, 2005-2008
- M&A Activities of Tangshan Jidong Cement Co., Ltd, 2007-2008
- Sales Revenue of Xinjiang Tianshan Cement Co., Ltd, 2005-2008
- M&A Activities of Xinjiang Tianshan Cement Co., Ltd, 2007-2008
- New Project Investment Ratios of 19 China Stock Listed Cement Companies, 2000-2008

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