華潤水泥控股有限公司
China Resources Cement Holdings Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1313)

2010 ANNUAL RESULTS ANNOUNCEMENT

	2010	2009	**Increase**
Turnover *(HK$ million)*	**14,141.5**	6,906.9	104.7%
Profit attributable to owners of the Company *(HK$ million)*	**2,040.8**	1,010.2	102.0%
Earnings per share – basic	**HK$0.313**	HK$0.400	
Proposed final dividend per share	**HK$0.045**	Nil	

	2010	2009	**Increase**
Total assets *(HK$ million)*	**35,327.9**	24,233.9	45.8%
Equity attributable to owners of the Company *(HK$ million)*	**14,776.3**	12,257.6	20.5%
Net borrowings *(HK$ million) (note 1)*	**9,095.7**	3,225.2	182.0%
Net gearing ratio *(note 2)*	**61.6%**	26.3%	
Net assets per share – book *(note 3)*	**HK$2.27**	HK$1.88	20.7%

notes:

1. Net borrowings equal total indebtedness less cash and bank balances and pledged bank deposits.

2. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.

3. Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at end of the year.

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
Turnover	*3*	**14,141,537**	6,906,925
Cost of sales		**(9,678,190)**	(4,864,817)
Gross profit		**4,463,347**	2,042,108
Other income	*4*	**219,646**	76,845
Gain on disposal of a subsidiary		**–**	22,399
Change in fair value of an investment property		**18,000**	(1,000)
Selling and distribution expenses		**(989,731)**	(474,446)
General and administrative expenses		**(1,211,650)**	(469,537)
Finance costs	*5*	**(268,042)**	(149,059)
Share of results of associates		**(188)**	6,822
Profit before taxation	*6*	**2,231,382**	1,054,132
Taxation	*7*	**(97,537)**	(26,807)
Profit for the year		**2,133,845**	1,027,325
Attributable to:			
Owners of the Company		**2,040,833**	1,010,176
Non-controlling interests		**93,012**	17,149
		2,133,845	1,027,325
Basic earnings per share	*8*	**HK$0.313**	HK$0.400
Proposed final dividend per share	*9*	**HK$0.045**	Nil

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Fixed assets		**21,862,718**	14,264,055
Prepaid lease payments		**1,631,597**	443,284
Investment property		**52,000**	34,000
Intangible assets		**632,639**	347,612
Interests in associates		**20,142**	8,511
Interests in jointly controlled entities		**894,669**	–
Deposits for acquisition of fixed assets		**1,434,851**	645,755
Deferred tax assets		**106,483**	22,421
Long term receivables		**336,284**	264,842
		26,971,383	16,030,480
Current assets			
Inventories		**1,182,024**	602,380
Trade receivables	*10*	**1,481,868**	802,833
Other receivables		**1,221,782**	624,799
Amounts due from jointly controlled entities		**345,901**	–
Taxation recoverable		**373**	20,991
Pledged bank deposits		**9,220**	429,348
Cash and bank balances		**4,115,340**	5,723,061
		8,356,508	8,203,412
Current liabilities			
Trade payables	*11*	**1,836,221**	950,590
Other payables		**4,838,088**	1,140,828
Provisions		**4,051**	3,915
Taxation payable		**52,508**	6,556
Loan from a non-controlling shareholder		**196,129**	–
Bank loans – amount due within one year		**4,959,792**	3,099,222
		11,886,789	5,201,111

	2010	2009
	HK$'000	*HK$'000*
Net current (liabilities) asset	**(3,530,281)**	3,002,301
Total assets less current liabilities	**23,441,102**	19,032,781
Non-current liabilities		
Bank loans – amount due after one year	**8,064,356**	6,278,373
Provisions	**38,957**	42,695
Long term payable	**22,967**	27,011
Deferred tax liabilities	**69,533**	54,048
	8,195,813	6,402,127
	15,245,289	12,630,654
Capital and reserves		
Share capital	**651,926**	651,926
Reserves	**14,124,328**	11,605,699
Equity attributable to owners of the Company	**14,776,254**	12,257,625
Non-controlling interests	**469,035**	373,029
Total equity	**15,245,289**	12,630,654

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. APPLICATION OF NEW AND REVISED HKFRS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by HKICPA.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 24 (Revised)	Related party disclosures in relation to the partial exemption in paragraphs 25 to 27 for government-related entities
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for acquisition in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority interests") either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of additional interests of an existing subsidiary, the Group has elected to measure the non-controlling interests at share of recognised identifiable net assets at the date of acquisition.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to the contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In current year, the application of HKFRS 3 (as revised in 2008) has no significant impact on the consolidated financial statements.

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or in profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In addition, the Group also applied the consequential amendments of the other HKFRSs resulting from the issuance of HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008), particularly HKAS 31 "Interest in joint ventures" for the acquisition of jointly controlled entities in the current year. The adoption of the consequential amendments had no material impact on the consolidated financial statements.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions in current year, the Group acquired additional interest of an existing subsidiary. The difference of HK$6,292,000 between the consideration paid and the non-controlling interests being recognised directly in equity, instead of profit or loss.

Amendments to HKAS 17 Leases

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The adoption of amendment to HKAS 17 "Leases" had no material impact on the consolidated financial statements.

HKAS 24 (Revised) Related party disclosures

Paragraphs 25 to 27 of HKAS 24 (Revised) "Related party disclosure" exempt certain disclosures in relation to the government-related entities. The Group has applied this disclosure exemption in the consolidated financial statements.

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective, except for partial exemption from disclosure requirements for government-related entities in accordance with HKAS 24 (Revised) "Related party disclosures":

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[5]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[6]
HKAS 24 (as revised in 2009)	Related party disclosures[4]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
[2] *Effective for annual periods beginning on or after 1 July 2010.*
[3] *Effective for annual periods beginning on or after 1 July 2011.*
[4] *Effective for annual periods beginning on or after 1 January 2011.*
[5] *Effective for annual periods beginning on or after 1 January 2013.*
[6] *Effective for annual periods beginning on or after 1 January 2012.*
[7] *Effective for annual periods beginning on or after 1 February 2010.*

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Segment information has been identified on the basis of different products in internal management reports which are prepared in accordance with accounting policies conformed with HKFRS, that are regularly reviewed by the chief executive officer in order to allocate resources to the reportable segments and to assess their performance.

The Group's operating and reportable segments under HKFRS 8 are as follows:

Cement – manufacture and sale of cement and related products

Concrete – manufacture and sale of concrete and related products

Turnover represents the amount received and receivable for goods sold to outside customers.

Segment results represent the profits earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, interest income and finance costs and taxation.

The information of segment results are as follows:

For the year ended 31 December 2010

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER				
External sales	**10,804,147**	**3,337,390**	**–**	**14,141,537**
Inter-segment sales	**703,202**	**30**	**(703,232)**	**–**
	11,507,349	**3,337,420**	**(703,232)**	**14,141,537**

Inter-segment sales are charged at prevailing market prices.

	Cement	**Concrete**	**Elimination**	**Total**
RESULTS				
Segment results	**2,388,886**	**158,755**	**–**	**2,547,641**
Interest income				**57,234**
Finance costs				**(268,042)**
Unallocated corporate expenses				**(105,263)**
Share of results of associates				**(188)**
Profit before taxation				**2,231,382**

For the year ended 31 December 2009

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	5,070,678	1,836,247	–	6,906,925
Inter-segment sales	347,623	86	(347,709)	–
	5,418,301	1,836,333	(347,709)	6,906,925

Inter-segment sales are charged at prevailing market prices.

	Cement	Concrete	Elimination	Total
RESULTS				
Segment results	1,012,795	225,123	–	1,237,918
Interest income				11,119
Finance costs				(149,059)
Unallocated corporate expenses				(52,668)
Share of results of associates				6,822
Profit before taxation				1,054,132

4 OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Interest income	**57,234**	11,119
Exchange gain	**48,173**	–
Government incentives	**70,482**	33,061
Sales of scrap materials	**9,294**	6,440
Compensation received from insurance	**5,983**	3,290
Service income	**768**	3,038
Rental income	**13,834**	10,247
Others	**13,878**	9,650
	219,646	76,845

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**393,017**	318,007
Bank loans wholly repayable after five years	**9,723**	–
Long term payable	**1,855**	156
	404,595	318,163
Less: Amount capitalised to fixed assets	**(136,553)**	(169,104)
	268,042	149,059

Capitalisation rate of borrowing costs to expenditure on qualifying assets is approximately 4.7% (2009: 5.0%).

6. PROFIT BEFORE TAXATION

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**8,011**	8,488
Pension costs and mandatory provident fund contributions excluding directors	**57,620**	50,282
Other staff costs	**954,731**	448,862
Total staff costs	**1,020,362**	507,632
Allowance (reversal of allowance) for doubtful debts	**29,055**	(20,533)
Amortisation of mining rights	**11,738**	4,225
Auditor's remuneration	**3,995**	3,452
Depreciation of fixed assets	**807,148**	432,638
Exchange loss	**–**	342
Impairment loss on other receivables	**14,661**	–
Impairment loss recognised in respect of fixed assets	**65,350**	5,671
Loss on disposal of fixed assets	**18,533**	872
Operating lease payments in respect of		
– rented premises	**24,039**	23,698
– motor vehicles	**62,696**	27,891
Release of prepaid lease payments	**28,323**	8,683

7. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**15,928**	15,186
Chinese Mainland Enterprise Income Tax	**118,932**	20,291
Under provision in prior years	**–**	1,954
	134,860	37,431
Deferred taxation		
Hong Kong	**4,936**	2,335
Chinese Mainland	**(42,259)**	(12,959)
	(37,323)	(10,624)
	97,537	26,807

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both years.

Chinese Mainland Enterprise Income Tax represents the income tax in the Chinese Mainland which is calculated at the prevailing tax rate on the taxable income of the group entities in the Chinese Mainland.

According to the Chinese Mainland tax laws and regulations, certain subsidiaries, which are established in the Chinese Mainland, are exempted from Chinese Mainland Foreign Enterprise Income Tax ("FEIT") for the first two years starting from their first profit-making year after offsetting the accumulated losses brought forward from previous five years, followed by a 50% reduction on the FEIT for the next three years ("Tax Holiday").

Under the Law of the Chinese Mainland on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the Chinese Mainland is 25% in respect of 2009 and 2010, except for certain subsidiaries that previously enjoyed a preferential tax rate prior to 1 January 2008, which will be gradually transited to the new tax rate over five years from 1 January 2008 and certain subsidiaries that previously enjoyed the Tax Holiday will continue to enjoy such preferential tax treatment until the expiry of such prescribed period.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**2,040,833**	1,010,176

	As at 31 December	
	2010	2009
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**6,519,255,462**	2,523,517,029

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

9. DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Proposed final dividend	**293,366**	Nil

The Board did not declare the payment of any interim dividend for the year (2009: Nil). At the meeting held on 4 March 2011, the Board proposed a final dividend of HK$0.045 per share for the year (2009: Nil). The total amount of the proposed final dividend, calculated on the Company's number of shares issued as at the date of this announcement, is not recognised as a liability in the consolidated statement of financial position.

10. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables from third parties	**1,471,460**	799,999
Trade receivables from fellow subsidiaries	**10,408**	2,834
	1,481,868	802,833

The Group has a policy of allowing an average credit period to its customers ranging from 0 to 60 days from the date of issuance of invoices.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period.

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**1,311,824**	727,022
91 to 180 days	**136,886**	44,138
181 to 365 days	**33,158**	31,673
	1,481,868	802,833

11. TRADE PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables to third parties	**1,752,126**	950,509
Trade payables to fellow subsidiaries	**84,095**	81
	1,836,221	950,590

The Group normally receives credit period of 30 days to 90 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period.

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**1,709,505**	882,766
91 to 180 days	**92,176**	30,291
181 to 365 days	**16,706**	13,636
Over 365 days	**17,834**	23,897
	1,836,221	950,590

12. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

THE BUSINESS ENVIRONMENT

The economic stimulus policies announced by the Chinese Government in early 2009 has continued to encourage strong economic activities and foster the healthy and sustainable economic development of China during the year. According to the National Bureau of Statistics, albeit a slow down in the Chinese national gross domestic product ("GDP") growth in the second half of the year, the GDP for 2010 still grew at a high rate of 10.3% to RMB39.8 trillion, which was 1.6 percentage points higher than that of 2009. The fixed asset investment ("FAI") of the Chinese Mainland reached RMB27.8 trillion for the year, representing an increase of 23.8% over 2009. According to the respective provincial Bureau of Statistics, the GDP of Guangdong, Guangxi, Fujian, Hainan and Shanxi for 2010 were RMB4,547.3 billion, RMB950.2 billion, RMB1,380.0 billion, RMB205.2 billion and RMB908.8 billion, representing increases of 12.2%, 14.2%, 13.8%, 15.8% and 13.9% over 2009 respectively, and the FAI in these provinces were approximately RMB1,611.3 billion, RMB785.0 billion, RMB827.3 billion, RMB133.1 billion and RMB635.3 billion, representing increases of 20.7%, 37.7%, 30.0%, 32.8% and 29.6% respectively over 2009.

The national level long term development plans, including the Pearl River Delta Region Development Plan in Guangdong, the North Bay Economic Zone Development Plan in Guangxi, the West Coast of Taiwan Straits Economic Zone Development Plan in Fujian, the International Tourism Island Plan in Hainan and the Plan to Promote the Rise of the Central Region embracing Shanxi, have entered their first or second year of construction stage in 2010 and are expected to continue to play a significant role in the markets that we operate. Despite the government policies to control the rapid increase in property prices, the construction of property remained active with a total area of approximately 760 million square meters being completed in 2010, representing an increase of 4.5% over 2009. More land was released by the governments for the construction of affordable houses. During 2010, the construction and upgrade of a total of 5.9 million affordable houses commenced, of which 4.8 million were completed. In order to control the overly heated high end property prices and accelerate the urbanisation of the second and third tier cities, approximately 10.0 million affordable houses will be constructed in 2011. It is expected that construction of affordable houses will be maintained at a high level and therefore will generate a steady demand for cement products during this period.

Year 2011 marks the beginning of the Twelfth Five Year Plan. The various levels of governments have laid out their development plan for the next five years and it is expected that economic activities would be strong in 2011 to ensure that the economic targets during this five year period can be achieved smoothly. Through the use of fiscal, monetary and administrative policies, the Chinese Government will allow rapid economic expansion while focusing on controlling inflation and avoiding asset bubbles being developed.

THE INDUSTRY

The demand for cement products was strong in 2010. Despite the power cut policy of certain provincial governments during the last quarter of 2010, the total cement production in the Chinese Mainland for the year increased to approximately 1.87 billion tons, representing an increase of 15.5% over 2009. The total cement production in Guangdong, Guangxi, Fujian, Hainan and Shanxi for the year were approximately 115 million tons, 75 million tons, 58 million tons, 13 million tons and 33 million tons, representing increases of approximately 14.5%, 16.7%, 6.1%, 38.9% and 29.6% respectively over 2009. According to the China Cement Association, there were 203 NSP production lines commenced operation in 2010 which have increased total annual clinker production capacity in China by 243 million tons. As at 31 December 2010, there were about 1,316 NSP clinker production lines with total annual production capacity of approximately 1.2 billion tons in operation in the Chinese Mainland.

In September 2009, the National Development and Reform Commission announced its desire to deal with the over-supply and duplicate construction of production capacity of certain industries which include the cement industry. All the then previously approved cement projects that have not commenced construction were required to obtain re-approval for the actual commencement of construction. Since then, only limited projects have obtained re-approval. On 30 November 2010, the Ministry of Industry and Information Technology issued the document on "Entry Conditions for Cement Industry" which stipulated the various conditions on approval of cement projects by the provincial level governments with effect from 1 January 2011. These conditions include, among others, the limit on provincial per capita clinker capacity, the simultaneous closure of vertical kiln capacity resulting in equivalent or less net capacity, sufficiency of limestone reserves, production technology, energy consumption, environmental protection standards including emission, product quality, health and safety, etc.. This document also expressed the government policy to encourage the consolidation of the cement industry so that the resources of the country will be used more effectively.

In May 2010, the State Council of China released targets on the closure of 91.6 million tons of inefficient cement production capacity in the Chinese Mainland. In August 2010, the Ministry of Industry and Information Technology announced the closure of 762 companies having approximately 107 million tons of cement production capacity with outdated technology by September 2010, of which 5.4 million tons, 4.5 million tons, 3.4 million tons, 1.7 million tons and 8.4 million tons were located in Guangdong, Guangxi, Fujian, Hainan and Shanxi respectively. In accordance with a document Guofa (2010) Number 7 issued by the National Development and Reform Commission, all vertical kilns with diameter of 3 meter and below shall be closed by the end of 2012. The Chinese Government has further indicated that all inefficient kilns will be eliminated by 2015. In order to ensure that these policies will be enforced, various ministries and departments of the Chinese Government met in December 2010 and worked out plans to eliminate the kilns with outdated technology.

All these policies on the construction of new cement plants and the closure of inefficient cement kilns will be beneficial to the long term and healthy development of the cement industry in China and will create more opportunities for the future expansion of cement manufacturers with high sense of social responsibility.

SOCIAL RESPONSIBILITY

As one of the key large-scale cement manufacturing enterprises supported by the Chinese government, the Company adopts long-term practice on recycled economy, energy conservation and emission reduction, and other initiatives that are beneficial to society and the environment. Cement Sustainability Initiative ("CSI") of the World Business Council for Sustainable Development is the indicator in sustainable development of worldwide cement industry. During the year, the Company was admitted as a member of the CSI and became the co-chairman of CSI in China. By joining the CSI, the Company will not only be satisfied with compliance with the Chinese national environmental standards, but will persist in implementing emission controls of the international standards, so as to become a sustainable, respectable, long lasting enterprise, maximising shareholders' value and becoming a pioneer in "green cement".

During the year, we donated 3,100 tons of cement worth of HK$1.0 million and cash amounting to HK$3.7 million for charity purpose in Southern China.

OPERATIONAL PERFORMANCE REVIEW

Acquisitions

On 15 April 2010, the Company approved the acquisition of a cement production plant together with all the assets and liabilities associated with its operations in Fujian and 100% equity interest of San Teh (Quanzhou) Building Materials Co. Ltd. (subsequently renamed as China Resources Cement (Quanzhou) Limited) held by San Teh Ltd. and its subsidiary, which are independent third parties of the Company, at the total consideration of RMB830 million (equivalent to approximately HK$943.0 million). Please refer to the Company's announcement dated 15 April 2010 for details of the acquisitions. The acquisitions were completed in July 2010.

On 1 June 2010, the Company approved the acquisition of 72% issued share capital of Guardwise Investments Limited held by an independent third party at the total consideration of US$72.0 and a shareholders' agreement was signed which provides shareholders' loans pro-rata to the respective shareholding in Guardwise Investments Limited to Guardwise Investments Limited and/or its wholly owned subsidiary, Shanxi Fulong Cement Limited (subsequently renamed as Shanxi China Resources Fulong Cement Limited), with a total amount of not exceeding RMB2,110.0 million. The maximum amount of the shareholder's loan to be provided by the Group is RMB1,519.2 million (equivalent to approximately HK$1,726.4 million). The funds are intended for the construction of two NSP clinker production lines with annual production capacity of 1.2 million tons and 1.5 million tons, and four cement grinding lines with total annual capacity of approximately 4.0 million tons in Liulin County, Shanxi. Please refer to the announcement of the Company dated 1 June 2010 for details of the acquisition. The acquisition was completed on 2 June 2010. The NSP clinker production line with annual production capacity of 1.2 million tons has commenced operation in August 2010.

On 21 June 2010, the Company approved the acquisition of the entire equity interest in six subsidiaries of Universal Cement Corporation, an independent third party of the Company, from three subsidiaries of Universal Cement Corporation for a total consideration of HK$820.0 million (which was subsequently reduced to HK$810.0 million pursuant to the findings of the due diligence review). The six companies collectively engage in the production of clinker, cement and concrete and own a NSP clinker production line with annual clinker production capacity of approximately 1.0 million tons, three cement grinding lines with total annual production capacity of approximately 3.5 million tons and two concrete batching plants with total annual production capacity of 1.2 million m^3 in Huizhou City, Guangdong; and two concrete batching plants with total annual production capacity of 1.1 million m^3 in Ningbo, Zhejiang Province, the PRC. Please refer to the announcement of the Company dated 21 June 2010 for details of the proposed acquisitions. The acquisitions were completed in September 2010.

On 5 December 2010, the Company approved the acquisitions of 50% equity interest in several jointly controlled entities that engage in clinker, cement and concrete operations in Guangzhou City and Hong Kong from a subsidiary of Yue Xiu Enterprises (Holdings) Limited at the consideration of HK$618.3 million and the debts totalling HK$622.3 million owed by the jointly controlled entities to Yue Xiu Enterprises (Holdings) Limited at par. The jointly controlled entities control two NSP clinker production lines with total annual production capacity of 3.7 million tons, eight cement grinding lines with total annual production capacity of 8.1 million tons and two concrete batching plants with total annual production capacity of 1.1 million m^3 in Guangzhou City, Guangdong. Please refer to the announcement of the Company dated 6 December 2010 for details of the acquisitions. The acquisitions were completed on 31 December 2010.

On 23 December 2010, the Company approved the acquisition of 52.4% equity interest in Shanxi Yaohua Cement Limited from independent third parties at the consideration of RMB90.7 million (equivalent to approximately HK$106.6 million) and will further inject cash of RMB220 million (equivalent to approximately HK$258.5 million) as additional registered capital of Shanxi Yaohua Cement Limited, which will increase our Group's equity interest in Shanxi Yaohua Cement Limited to 89.8%. Shanxi Yaohua Cement Limited plans to build one 4500 tons per day (annual production capacity of 1.4 million tons) NSP clinker production line and two cement grinding lines with total annual production capacity of 2.0 million tons in Xinzhou City, Shanxi, which are expected to commence operation by the end of 2012. A deposit of RMB20.0 million (equivalent to approximately HK$23.5 million) has been made in January 2011.

On 29 December 2010, the Company approved the acquisition of 72% equity interest of China Resources Cement (Changzhi) Limited from an independent third party at the total consideration of RMB 201.6 million (equivalent to approximately HK$236.9 million). China Resources Cement (Changzhi) Limited has entered into an agreement to acquire from a wholly owned subsidiary of the joint venture partner of China Resources Cement (Changzhi) Limited a 1200 tons per day (annual production capacity of 372,000 tons) NSP clinker production line and two cement grinding lines with total annual production capacity of 600,000 tons, which are in operation in Changzhi City, Shanxi, at a consideration of approximately RMB139.5 million (equivalent to approximately HK$163.9 million). In addition, China Resources Cement (Changzhi) Limited plans to build one 4500 tons per day (annual production capacity of 1.4 million tons) NSP clinker production line and two cement grinding lines with total annual production capacity of 2.0 million tons in Changzhi City, Shanxi, which will commence operation by the end of 2012. As at 31 December 2010, a payment of RMB90.0 million (equivalent to approximately HK$105.8 million) has been made.

Subsequent to the year end on 27 January 2011, the Company approved the acquisition of a cement production plant under construction in Longyan City, Fujian, together with all the assets and liabilities associated with the plant owned by an independent third party at the total consideration of RMB277.2 million (equivalent to approximately HK$325.8 million). Further amount of RMB520.0 million (equivalent to approximately HK$611.1 million) is expected to be invested to complete the construction of one 4500 tons per day (annual production capacity of 1.4 million tons) NSP clinker production line and two cement grinding lines with total annual production capacity of 2.0 million tons at this plant. As at the date of this announcement, a deposit of RMB170.0 million (equivalent to approximately HK$199.8 million) has been made.

New production plants

Other than the addition of production capacity resulting from the above mentioned acquisitions, the Group's annual clinker production capacity increased by 8.5 million tons during the year from the completion of six self-constructed production lines. They were Shangsi 1st line (5000 tons per day) and Fengkai 2nd line (5000 tons per day) in April, Fuchuan 1st line (5000 tons per day) in May, Yangchun 1st line in July (2500 tons per day), and Fengkai 3rd line (5000 tons per day) and Tianyang 1st line (5000 tons per day) in December. There were also eleven cement grinding lines and twenty concrete batching plants being completed or acquired during the year 2010, increasing our total annual cement production capacity and annual concrete production capacity by 10.8 million tons and 11.7 million m^3 respectively. As at 31 December 2010, our annual production capacities for clinker, cement and concrete amounted to 32.7 million tons, 47.8 million tons and 28.8 million m^3 respectively. Notwithstanding the rapid expansion of our production capacity during the year 2010, we managed to maintain production activities at high level and the utilisation rates of our cement, clinker and concrete production lines were 85.7%, 111.4% and 51.5% respectively for year 2010 as compared with 83.0%, 114.8% and 49.9% for year 2009.

Water level of the Xijiang River

The water level of the Xijiang River, which had been historically low since the last quarter of 2009 and had significantly affected the traffic along the Xijiang River, has resumed to normal level near the end of April 2010. During this period of low water level, delivery of some of our cement products for the affected section of water transportation route was made by truck. Additional freight costs of approximately HK$52.7 million incurred from January to April 2010 were transferred to customers and reflected in the selling prices. In the low water level season from the last quarter of 2010 until the date of this announcement, water level has been normal and traffic on Xijiang River has not been interrupted.

Logistics Department

With a view to facilitate the sale and transportation of our cement products, to ensure availability of adequate transportation facility along the Xijiang River and to stabilise the freight cost of logistical movement on the Xijiang River, we have set up our Logistics Department which aims at establishing an efficient and strategic logistics and distribution network along the Xijiang River. On 4 June 2010, we have established Guangxi Rungui Water Transportation Limited with an independent third party, holding 49% equity interest. Guangxi Rungui Water Transportation Limited currently owns 4 vessels with annual tonnage of approximately 240,000 tons and is expected to establish a fleet of 100 vessels with total annual tonnage of 6.5 million tons by the end of 2014. As at 31 December 2010, we have established 28 silo terminals with total annual transshipment capacity of approximately 20 million tons along the Xijiang River and its branches substantially in the Pearl River Delta area of Guangdong to facilitate the sale of our cement products. We are also seeking adequate location for setting up a comprehensive plant embracing the grinding, packing, distribution and storage of our cement products in Guangdong.

Procurement

Throughout 2010, coal prices were maintained at high levels due to strong demand for coal as the result of rapid economic growth. In order to control the risk of coal supply, we have streamlined the supplier list and diversified coal purchases to include 18 new coal suppliers. Performance of coal has been traced to the individual suppliers to ensure that the quality of coal purchased is in accordance with agreed standards, which has led to disqualification of 3 coal suppliers from our supplier list in 2010. Of the coal purchases in 2010, approximately 71% in volume were originated from Vietnam (86% in 2009).

Human Capital

In order to prepare for the rapid expansion of our Group and to fulfill the need for management personnel at all levels, we have continued to enhance our human capital reserve. In addition to hiring more talents, we have also engaged professionals and specialists to assist us in training our middle to senior management to ensure that there is adequate pool of candidates for the succession plan of each of our existing and future operating units. In March 2010, we commenced the Qualified General Managers Program which aimed at helping the middle managerial staff to be prepared for more senior positions within the Group. A group of 42 people were selected to participate in this program which consisted of 10 training sessions. More qualified training programs will be arranged for junior to middle management team members in 2011.

FINANCIAL PERFORMANCE REVIEW

Turnover

An analysis of segmental turnover by product is as follows:

	2010			2009		
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	'000 tons/m³	***HK$***	***HK$'000***	*'000 tons/m³*	*HK$*	*HK$'000*
Cement	**29,586**	**336.0**	**9,939,832**	16,446	272.9	4,488,004
Clinker	**3,146**	**274.7**	**864,315**	2,757	211.3	582,674
Concrete	**10,770**	**309.9**	**3,337,390**	6,308	291.1	1,836,247
Total			**14,141,537**			6,906,925

The increase in volume sold in 2010 reflected the strong demand for our products. Our new production capacities from self-constructed production lines since 2009 and from the acquisitions of production capacities made in 2009 and 2010 enabled us to improve our production scale. For the year 2010, approximately 77.9% of the cement products we sold were of 42.5 or higher grades (78.2% in 2009) and approximately 30.4% of our cement products were sold in bags (30.6% in 2009). Internal sales volume of cement for our concrete production was 2,033,000 tons (1,321,000 tons in 2009), representing 6.4% of the total volume of cement sold (7.4% in 2009). The intra-group transactions of HK$703,202,000 were eliminated from turnover on consolidation in 2010 (HK$347,623,000 in 2009).

The average selling prices of cement, clinker and concrete in 2010 were HK$336.0 per ton, HK$274.7 per ton and HK$309.9 per m^3 respectively, representing increases of 23.1%, 30.0% and 6.5% respectively over 2009. The increases in average selling prices of cement and clinker in 2010 primarily reflected:

(1) Market demand and supply: The demand for cement was strong during the year due to robust economic activities such that we were able to pass on cost increases to the market. In addition, the shortage in supply in the fourth quarter as the result of seasonal fluctuation which was magnified by the power cut policy in certain provinces has driven up the selling prices further.

(2) Increased coal price for the year: As mentioned in the next section on major production costs, average coal price increased by 26.4% over that of the previous year. We adjusted our selling prices to reflect the increase in coal cost.

(3) Change of payment basis for certain customers: During the year, more customers in Guangdong requested change of payment terms from an ex-factory basis to a cost-plus-freight basis leading to total freight charges of HK$238.7 million which has been included as part of the selling price (HK$47.9 million in 2009).

The increase in average selling price of concrete in 2010 reflected the increase in cost of production due to the increase in cement prices. Our cement sales by geographical areas in 2010 were as follows:

	2010			2009		
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	’000 tons	***HK$***	***HK$’000***	*’000 tons*	*HK$*	*HK$’000*
Guangdong	**11,702**	**353.0**	**4,130,232**	7,734	270.4	2,090,807
Guangxi	**13,173**	**305.4**	**4,022,429**	7,937	267.4	2,122,615
Fujian	**1,300**	**353.8**	**459,947**	118	279.6	33,119
Hainan	**3,398**	**389.1**	**1,322,157**	657	367.4	241,463
Shanxi	**13**	**389.8**	**5,067**	–	–	–
Total	**29,586**	**336.0**	**9,939,832**	16,446	272.9	4,488,004

Major production costs

The average price of coal we purchased in 2010 was around HK$742 per ton, representing an increase of 26.4% from the average price of HK$587 per ton in 2009, while the quality of coal was lowered with average thermal value decreased by 2.8% to 4,712 KCal per Kg. Coal prices went up during the extremely cold winter in early 2010 which stimulated the demand of coal for electricity generation and also created chaos in coal supply due to the frozen Bohai port. Coal price has gone up gradually since April 2010 due to reduced supply as a result of several serious coal mine accidents and has remained at a high level. During the year, our unit coal consumption in the clinker production process increased to 165.3 Kg per ton of clinker, representing an increase of 2.8% from the average of 160.8 Kg per ton of clinker for 2009. Our standard coal consumption increased from 108.5 Kg per ton of clinker in 2009 to 108.9 Kg per ton of clinker for the year. This is due to the production plants obtained from the acquisitions that are yet to be upgraded and the new production lines that commenced operations during the year. Excluding these production lines, the standard coal consumption for the production lines operating at the beginning of the year decreased to 108.1 Kg per ton of clinker for the year. Due to the increase in coal price, our average coal cost of production for the year increased by 30.0% to HK$122.7 per ton of clinker produced. Coal cost represented approximately 43.4% of the cost of sales of cement for the year (42.0% in 2009) and approximately 35.1% of the Group's total cost of sales for the year (33.5% in 2009).

Our electricity cost increased by 9.8% to HK$41.5 per ton of cement for the year (HK$37.8 in 2009) due to general increase in electricity tariffs since November 2009 and more production activities being carried out in Guangdong and Hainan where tariffs are higher than that in Guangxi. We managed to improve our electricity consumption to 88.7 KWh per ton of cement produced for the year (91.6 KWh in 2009), representing a cost saving of approximately HK$54.7 million. Our residual heat recovery generators performed satisfactorily and generated 764.0 million KWh of electricity in the year, representing an increase of 60.1% over 477.2 million KWh of electricity generated in 2009. The electricity generated in the year accounted for approximately 25% of our required electricity consumption and we achieved a cost saving of approximately HK$416.6 million for the year. Electricity cost represented approximately 14.9% of the Group's total cost of sales for the year (16.0% in 2009).

Gross profit and gross margin

The consolidated gross profit for 2010 was HK$4,463.3 million, representing an increase of 118.6% over HK$2,042.1 million for 2009 and the consolidated gross margin was 31.6%, representing an increase of 2.0 percentage points over 29.6% for 2009. The increase in consolidated gross profit for year 2010 was mainly attributable to the increase in sales volume and selling prices of our cement products. The gross margins of cement, clinker and concrete for 2010 were 35.6%, 17.2% and 23.3%, as compared with 31.4%, 17.5% and 29.0% respectively for 2009.

Other income

Other income for 2010 was HK$219.6 million, representing an increase of 185.9% over HK$76.8 million for 2009, mainly attributable to an exchange gain of HK$48.2 million derived from net bank loans denominated in HK$ as a result of the appreciation of RMB against HK$, increased interest income of HK$46.1 million earned on higher level of bank deposits and increase in government incentive received of HK$37.4 million calculated based on value added taxes paid.

Selling and distribution expenses

Selling and distribution expenses for 2010 were HK$989.7 million, which were 108.6% over HK$474.4 million for 2009. As a percentage to consolidated turnover, selling and distribution expenses increased to 7.0% in 2010 from 6.9% in 2009. The current year's selling and distribution expenses included freight charges of HK$238.7 million resulting from the change of payment basis from an ex-factory basis to a cost-plus-freight basis for approximately 6.7 million tons of cement products sold in Guangdong (HK$47.9 million in 2009). Had the effect of the change of payment basis been excluded, selling and distribution expenses as a percentage to consolidated turnover would have been decreased to 5.4% for 2010 compared with 6.2% for 2009.

General and administrative expenses

General and administrative expenses for 2010 were HK$1,211.7 million, representing an increase of 158.1% over HK$469.5 million for 2009. As a percentage to consolidated turnover, general and administrative expenses increased to 8.6% for 2010 from 6.8% for 2009. This was attributable to the increase in staff costs as the result of increased number of employees in line with our expanded operations and additional provision for performance related bonus of HK$204.6 million, impairment loss on fixed assets of HK$59.7 million and the write off of doubtful debts of HK$64.2 million.

Taxation

The effective tax rate of the Group for 2010 was 4.4%, representing an increase of 1.9 percentage points from 2.5% of 2009. This was because a higher portion of the profit was generated from subsidiaries which are subject to the standard enterprise income tax rate of 25%.

Net margin

As the combination of the impact from the above changes, net margin of the Group for 2010 was 15.1%, which was 0.2 percentage points higher that of 14.9% for 2009.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	31 December 2010	31 December 2009
	'000	*'000*
HK$	**2,396,547**	4,835,930
RMB	**1,451,496**	1,143,546
US$	**2,849**	2,276

As at 31 December 2010, the Group's banking facilities amounted to US$130.0 million, HK$5,655.0 million and RMB10,656.5 million, of which RMB5,246.0 million was unutilised and remained available for draw down. Under the terms of certain agreements for total banking facility of HK$5,715.8 million equivalent which will expire from May 2011 to December 2014, CR Holdings, the Company's holding company, is required to hold not less than 51% of the voting share capital in the Company. Under the terms of certain agreements for total banking facility of HK$5,545.8 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Company as at 31 December 2010, calculated by dividing net borrowings by equity attributable to owners of the Company, was 61.6% (26.3% as at 31 December 2009).

As at 31 December 2010, the total bank loans of the Group amounted to HK$13,024.1 million (HK$9,377.6 million as at 31 December 2009) equivalent and they comprised loans in the following currencies:

	31 December 2010	31 December 2009
	'000	*'000*
US$	**130,000**	18,060
HK$	**5,655,000**	2,192,000
RMB	**5,410,500**	6,203,500

Among these bank loans denominated in RMB, total amount of HK$440.6 million equivalent was secured by fixed assets of the Group (HK$936.8 million as at 31 December 2009 was secured by bank deposits and fixed assets) and HK$12,583.5 million equivalent (HK$8,440.8 million as at 31 December 2009) was unsecured.

Bank loans which carried interests at fixed and variable rates amounted to HK$822.6 million and HK$12,201.5 million respectively as compared to HK$681.4 million and HK$8,696.2 million as at 31 December 2009.

The Group's business transactions were mainly carried out in Hong Kong dollars and Renminbi. The Group's exposure to currency risk was attributable to the bank balances and bank loans which were denominated in currencies other than the functional currency of the entity to which these bank balances and bank loans were related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise. As at 31 December 2010, the Group was engaged in a hedging contract in the amount of US$100,000,000 for the purpose of the settlement of a US$ bank loan.

CHARGES ON ASSETS

As at 31 December 2010, certain assets of the subsidiaries of the Company with an aggregate carrying value of HK$345.5 million (HK$844.6 million as at 31 December 2009) were pledged with banks for banking facilities used by these subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2010, our Group employed a total of 17,183 full time employees of whom 115 were based in Hong Kong and the remaining 17,068 were based in the Chinese Mainland. A breakdown of our employees by functions is stated as follows:

Management	241
Finance and administration	2,476
Production and technical	12,508
Quality control	1,545
Sales and marketing	413
Total	17,183

Among our 241 senior and middle managerial staff, 60% possess university degrees, 31% have received post-secondary education and their average age is about 41. We offer our employees remuneration packages mainly on the basis of individual performance and experience and also having regard to industrial practice, which include basic wages, production unit allowance, performance related bonuses and other staff benefits. The Company has established a share award scheme whereby eligible employees of the Group may be granted cash benefits calculated and paid according to shares of the Company acquired by the trustee under the share award scheme. On 17 November 2010, the Company changed the terms of the share award scheme to the extent that benefits awarded will be paid in cash rather than shares of the Company.

USE OF PROCEEDS

As stated in the Prospectus, the Group had plans to use the proceeds obtained from the IPO and the residual amount to be used as at 31 December 2010 were as follows:

Expansion Plan	**Residual balance to be used as at 31/12/2009**	**Used during the year**	**Residual balance to be used as at 31/12/2010**
	HK$ million	*HK$ million*	*HK$ million*
Construction of production lines in Fengkai County, Guangdong with a total capacity of 4.0 million tons of cement and 6.2 million tons of clinker	2,039.5	2,039.5	–
Construction of production lines in Fuchuan County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	227.9	227.9	–
Construction of production lines in Shangsi County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	153.5	153.5	–
Construction of production lines in Tianyang County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	685.3	551.5	133.8
Construction of production lines in Wuxuan County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	721.3	505.4	215.9
Construction of production lines in Shantou City, Guangdong with a total capacity of 1.8 million tons of cement	27.1	27.1	–
Repayment of bank loans	420.0	420.0	–
	4,274.6	3,924.9	349.7

Unused balance was kept as cash at bank.

FUTURE PLAN AND CAPITAL EXPENDITURE

During the year, the Company approved the following construction:

(1) one clinker production line with annual capacity of 1.6 million tons and two cement grinding lines with total annual capacity of 1.9 million tons in Longyan City, Fujian, with the cost of construction amounting to approximately HK$1,300.9 million;

(2) two clinker production lines with annual capacity of 2.7 million tons and four cement grinding lines with total annual capacity of 4.0 million tons in Liulin County, Shanxi, with the cost of construction amounting to approximately HK$2,480.4 million (Please refer to the acquisition on 1 June 2010 mentioned in Operational Performance Review);

(3) one additional clinker production line with annual capacity of 1.6 million tons and two additional cement grinding lines with total annual capacity of 2.0 million tons in Shangsi County, Guangxi, with the cost of construction amounting to approximately HK$601.5 million;

(4) one clinker production line with annual capacity of 1.4 million tons and two cement grinding lines with total annual capacity of 2.0 million tons in Xinzhou City, Shanxi, with the cost of construction amounting to approximately HK$940.1 million (Please refer to the acquisition on 23 December 2010 mentioned in Operational Performance Review);

(5) one clinker production line with annual capacity of 1.4 million tons and two cement grinding lines with total annual capacity of 2.0 million tons in Changzhi City, Shanxi, with the cost of construction amounting to approximately HK$940.1 million (Please refer to the acquisition on 29 December 2010 mentioned in Operational Performance Review); and

(6) fourteen concrete batching plants with total annual capacity of 8.4 million m^3, with the cost of construction amounting to approximately HK$493.6 million.

As at 31 December 2010, the Group has outstanding capital expenditure in the amount of HK$8,052.9 million of which approximately HK$6,741.5 million is expected to be expended in 2011. Details of these projects are as below:

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2009 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure at 31/12/2010 *HK$ million*
Construction of production lines in Fengkai County, Guangdong with a total capacity of 4.0 million tons of cement and 6.2 million tons of clinker	6,084.2	2,954.3	2,062.4	1,067.5
Construction of production lines in Fuchuan County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,114.3	641.8	308.5	164.0
Construction of production lines in Shangsi County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,430.0	890.6	346.4	193.0
Construction of production lines in Tianyang County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,031.2	157.3	551.5	322.4
Construction of production lines in Wuxuan County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	988.3	98.2	505.4	384.7
Construction of production lines in Shantou City, Guangdong with a total capacity of 1.8 million tons of cement	243.4	191.0	31.1	21.3
Construction of production lines in Luchuan County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	995.7	75.3	407.9	512.5
Construction of production lines in Yongding County, Fujian, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,176.1	83.6	404.9	687.6
Construction of production lines in Yangchun County, Guangdong with a total capacity of 1.0 million tons of cement and 0.8 million tons of clinker	330.8	2.7	241.8	86.3
Construction of production lines in Longyan City, Fujian, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,300.9	–	497.1	803.8

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2009 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure at 31/12/2010 *HK$ million*
Construction of production lines in Liulin County, Shanxi, with a total capacity of 4.0 million tons of cement and 2.7 million tons of clinker	2,480.4	–	1,982.8	497.6
Construction of the second set of production lines in Shangsi County, Guangxi with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker	601.5	–	119.3	482.2
Construction of production lines in Xinzhou City, Shanxi, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker	940.1	–	–	940.1
Construction of production lines in Changzhi City, Shanxi, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker	940.1	–	–	940.1
Acquisition of production lines in Changzhi City, Shanxi, with a total capacity of 600,000 tons of cement and 372,000 tons of clinker	163.9	–	105.7	58.2
Construction of 14 concrete batching plants with a total capacity of 8.4 million m^3 of concrete	493.6	–	–	493.6
Technological upgrade projects and other purchases of fixed assets	398.0	–	–	398.0
	20,712.5	5,094.8	7,564.8	8,052.9

Apart from the foregoing, the Group had no other significant planned capital expenditure or commitment as at 31 December 2010. The above planned and intended capital expenditures and commitments will be financed by IPO proceeds of HK$349.7 million as stated in the section on "Use of Proceeds" above and the remaining balance will be financed by bank loans and internally generated funds.

STRATEGIC OBJECTIVES AND PROSPECTS

During the year, we have made a number of acquisitions in Shanxi to strategically enter Shanxi, as our first move outside the Southern China. As at the date of this announcement, we have two NSP clinker production lines and four cement grinding lines with total annual clinker and cement production capacity of 1.6 million tons and 2.6 million tons respectively in operation, and three NSP clinker production lines and six cement grinding lines with total annual clinker and cement production capacity of 4.3 million tons and 6.0 million tons respectively under construction in Shanxi. We aim to increase our total annual cement production capacity in Shanxi by way of acquisition to over 15 million tons in the next two years, representing a then market share of over 25%.

As at 31 December 2010, our annual production capacities for cement, clinker and concrete amounted to 47.8 million tons, 32.7 million tons and 28.8 million m^3 respectively. In addition, we have 50% direct equity interest in three jointly controlled entities which control annual production capacity for cement, clinker and concrete in Guangzhou City amounting to 8.1 million tons, 3.7 million tons and 1.1 million m^3 respectively. According to our current construction plan, our annual production capacities for cement, clinker and concrete will be increased to 61.8 million tons, 43.8 million tons and 37.2 million m^3 respectively at the end of 2011 and further to 77.8 million tons, 58.9 million tons and 44.4 million m^3 respectively at the end of 2012. These expansion targets will be met by the new cement plants currently under construction, the new production lines to be added at our existing cement plants in operation, approved projects and projects already acquired.

We are aiming at a market share of approximately 25% in the areas we operate. The achievement of the above expansion targets will enable us to maintain our leading position as the most influential cement and concrete producer in Southern China and in Shanxi. We will continue to look for capacity expansion in Southern China, Shanxi and other parts of China where we consider having strategic value in accordance with our "Lowest Total Cost" expansion strategy, which will be achieved principally through mergers and acquisitions. According to the Twelfth Five Year Plan, the Chinese economy will continue to grow rapidly and investment in the area of water conservation and related projects, highway and railways, and residential buildings will remain strong. We have a desire to capitalise on these investments and grow as one of the leading national cement and concrete producers during this period. The road to this destination is long and we have to shoulder heavy responsibilities. We will keep on working hard in the next five years to realise this honourable mission.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, the Company complied with all code provisions as well as most of the recommended best practices of the Code on Corporate Governance Practices set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that all non-executive Directors were not appointed for a specific term. Since all Directors are subject to re-election by shareholders at annual general meetings and at least about once every three years on a rotation basis in accordance with the Articles of Association of the Company, there are sufficient measures to ensure the corporate governance of the Company complies with the same level to that required under the Code on Corporate Governance Practices.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.045 per share for the year ended 31 December 2010 (2009: Nil). Subject to approval by shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about 20 May 2011 to shareholders whose names appear on the Register of Members of the Company on 6 May 2011. Such final dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 3 May 2011 to Friday, 6 May 2011, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the final dividend and attendance at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29 April 2011.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt thanks to our shareholders for their continuing support and to the management and all the employees for their contribution and dedication to their work.

By order of the Board
China Resources Cement Holdings Limited
Zhou Junqing
Chairman

Hong Kong, 4 March 2011

As at the date of this announcement, the executive directors of the Company are Madam ZHOU Junqing, Mr. ZHOU Longshan and Mr. LAU Chung Kwok Robert; the non-executive directors of the Company are Mr. DU Wenmin and Mr. WEI Bin; and the independent non-executive directors of the Company are Mr. IP Shu Kwan, Stephen, Mr. SHEK Lai Him Abraham, Mr. XU Yongmo, Madam ZENG Xuemin and Mr. LAM Chi Yuen.