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)

# 2021 INTERIM RESULTS ANNOUNCEMENT

| | For the six months ended 30 June | | Increase |
|---|---|---|---|
| | **2021** | 2020 | **(Decrease)** |
| | **(unaudited)** | (unaudited) | |
| Turnover *(HK$ million)* | **20,179.6** | 16,884.3 | 19.5% |
| Profit attributable to owners of the Company *(HK$ million)* | **3,633.5** | 4,191.3 | (13.3)% |
| Basic earnings per share | **HK$0.520** | HK$0.600 | |
| Interim dividend per share | **HK$0.240** | HK$0.275 | |
| | **As at** | As at | |
| | **30/6/2021** | 31/12/2020 | **Increase** |
| | **(unaudited)** | (audited) | |
| Total assets *(HK$ million)* | **69,561.8** | 68,532.5 | 1.5% |
| Equity attributable to owners of the Company *(HK$ million)* | **51,494.8** | 49,626.8 | 3.8% |
| Gearing ratio *(note 1)* | **13.4%** | 13.8% | |
| Net assets per share – book *(note 2)* | **HK$7.37** | HK$7.11 | 3.7% |

*notes:*

1. Gearing ratio is calculated by dividing the total bank borrowings and unsecured medium term notes by equity attributable to owners of the Company.

2. Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the relevant reporting period.

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 (the "Period") as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | For the six months ended 30 June 2021 HK$'000 (unaudited) | 2020 HK$'000 (unaudited) |
|---|---|---|---|
| Turnover | *3* | **20,179,633** | 16,884,328 |
| Cost of sales | | **(13,906,722)** | (10,020,847) |
| Gross profit | | **6,272,911** | 6,863,481 |
| Other income | | **364,481** | 330,664 |
| Selling and distribution expenses | | **(961,302)** | (710,904) |
| General and administrative expenses | | **(1,061,187)** | (801,755) |
| Exchange (loss) gain | | **(5,085)** | 417 |
| Finance costs | *4* | **(95,497)** | (144,972) |
| Share of results of associates | | **204,955** | 206,882 |
| Share of results of joint ventures | | **144,290** | 111,083 |
| Profit before taxation | *5* | **4,863,566** | 5,854,896 |
| Taxation | *6* | **(1,237,268)** | (1,640,930) |
| Profit for the period | | **3,626,298** | 4,213,966 |
| Other comprehensive income (expense): | | | |
| *Items that will not be subsequently reclassified to profit or loss:* | | | |
| Exchange differences arising on translation to presentation currency | | **618,661** | (829,257) |
| Change in fair value of other investment | | **(6,024)** | (22,894) |
| *Item that will be subsequently reclassified to profit or loss:* | | | |
| Share of other comprehensive income (expense) of associates | | **1,347** | (39,632) |
| Total comprehensive income for the period | | **4,240,282** | 3,322,183 |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **3,633,516** | 4,191,289 |
| Non-controlling interests | | **(7,218)** | 22,677 |
| | | **3,626,298** | 4,213,966 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **4,239,754** | 3,305,124 |
| Non-controlling interests | | **528** | 17,059 |
| | | **4,240,282** | 3,322,183 |
| Basic earnings per share | *7* | **HK$0.520** | HK$0.600 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **As at 30/6/2021** ***HK$'000*** **(unaudited)** | As at 31/12/2020 *HK$'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **28,390,786** | 28,485,137 |
| Right-of-use assets | | **3,999,336** | 3,410,139 |
| Investment property | | **120,000** | 120,000 |
| Other investment | | **66,271** | 72,295 |
| Intangible assets | | **8,346,657** | 2,702,986 |
| Interests in associates | | **6,539,245** | 6,635,957 |
| Interests in joint ventures | | **1,722,485** | 1,563,639 |
| Deposits for acquisition of assets | | **1,629,075** | 4,028,926 |
| Deferred tax assets | | **413,713** | 375,578 |
| Long term receivables | | **282,070** | 288,511 |
| Pledged bank deposits | | **327,534** | 273,573 |
| | | **51,837,172** | 47,956,741 |
| **Current assets** | | | |
| Inventories | | **2,830,645** | 1,853,151 |
| Trade receivables | *8* | **6,012,736** | 2,991,597 |
| Other receivables | | **1,927,968** | 1,065,768 |
| Loan to a fellow subsidiary | | **483,346** | 477,957 |
| Loan to an intermediate holding company | | **841,592** | 832,139 |
| Taxation recoverable | | **27,277** | 9,362 |
| Pledged bank deposits | | **193,101** | 118,816 |
| Cash and bank balances | | **5,407,969** | 13,226,924 |
| | | **17,724,634** | 20,575,714 |
| **Current liabilities** | | | |
| Trade payables | *9* | **3,730,485** | 3,723,079 |
| Other payables | | **4,756,418** | 5,604,670 |
| Taxation payable | | **1,111,801** | 1,349,896 |
| Unsecured medium term notes | | **3,605,430** | 3,564,480 |
| Bank loans – amount due within one year | | **2,300,000** | – |
| | | **15,504,134** | 14,242,125 |
| Net current assets | | **2,220,500** | 6,333,589 |
| Total assets less current liabilities | | **54,057,672** | 54,290,330 |

| | As at 30/6/2021 *HK$'000* (unaudited) | As at 31/12/2020 *HK$'000* (audited) |
|---|---|---|
| **Non-current liabilities** | | |
| Bank loans – amount due after one year | **1,000,000** | 3,300,000 |
| Other long term payables | **623,163** | 543,508 |
| Deferred tax liabilities | **240,410** | 422,989 |
| | **1,863,573** | 4,266,497 |
| | **52,194,099** | 50,023,833 |
| **Capital and reserves** | | |
| Share capital | **698,294** | 698,294 |
| Reserves | **50,796,503** | 48,928,528 |
| Equity attributable to owners of the Company | **51,494,797** | 49,626,822 |
| Non-controlling interests | **699,302** | 397,011 |
| Total equity | **52,194,099** | 50,023,833 |

*Notes:*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, equity investment designated at fair value through other comprehensive income and certain trade receivables, which are measured at fair value.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the revised standards effective as of 1 January 2021. Except for the amendment to HKFRS 16 issued in April 2021, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the Period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the Period.

| | |
|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | *Interest rate benchmark reform – phase 2* |
| Amendment to HKFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)* |

The application of the above amendments to HKFRSs in the Period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

## 3. 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 HKFRSs, that are regularly reviewed by the chief executive officer in order to allocate resources to the operating segments and to assess their performance.

The Group's operating and reportable segments are: cement and concrete. Segment results represent the profits earned by each segment without allocation of central administration costs, Directors' salaries, share of results of associates and joint ventures, interest income, finance costs and exchange differences.

All of the revenue in cement segment and concrete segment are from sale of goods, which are recognized when the goods are transferred at a point in time. The performance obligation is satisfied upon delivery of goods.

The information of the segment results is as follows:

**For the six months ended 30 June 2021 (unaudited)**

| | **Cement** *HK$'000* | **Concrete** *HK$'000* | **Elimination** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| **TURNOVER – SEGMENT REVENUE** | | | | |
| External sales | **16,626,246** | **3,553,387** | **–** | **20,179,633** |
| Inter-segment sales | **574,710** | **749** | **(575,459)** | **–** |
| | **17,200,956** | **3,554,136** | **(575,459)** | **20,179,633** |

Inter-segment sales are charged at prevailing market prices.

| | | | | |
|---|---|---|---|---|
| **RESULTS** | | | | |
| Segment results | **4,425,868** | **187,878** | **–** | **4,613,746** |
| Interest income | | | | **100,941** |
| Exchange loss | | | | **(5,085)** |
| Finance costs | | | | **(95,497)** |
| Unallocated net corporate expenses | | | | **(99,784)** |
| Share of results of associates | | | | **204,955** |
| Share of results of joint ventures | | | | **144,290** |
| Profit before taxation | | | | **4,863,566** |

**For the six months ended 30 June 2020 (unaudited)**

| | Cement *HK$'000* | Concrete *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| TURNOVER – SEGMENT REVENUE | | | | |
| External sales | 14,211,575 | 2,672,753 | – | 16,884,328 |
| Inter-segment sales | 446,001 | 920 | (446,921) | – |
| | 14,657,576 | 2,673,673 | (446,921) | 16,884,328 |

Inter-segment sales are charged at prevailing market prices.

| | | | | |
|---|---|---|---|---|
| RESULTS | | | | |
| Segment results | 5,441,417 | 192,413 | – | 5,633,830 |
| Interest income | | | | 90,334 |
| Exchange gain | | | | 417 |
| Finance costs | | | | (144,972) |
| Unallocated net corporate expenses | | | | (42,678) |
| Share of results of associates | | | | 206,882 |
| Share of results of joint ventures | | | | 111,083 |
| Profit before taxation | | | | 5,854,896 |

## 4. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Interests on: | | |
| Bank loans and unsecured medium term notes | **80,482** | 133,992 |
| Provision for environmental restoration | **9,555** | 8,028 |
| Lease liabilities | **5,460** | 2,952 |
| | **95,497** | 144,972 |

## 5. PROFIT BEFORE TAXATION

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Total staff costs (including Directors' emoluments) | **1,521,125** | 1,171,353 |
| Allowance for doubtful debts | **93,592** | 58,295 |
| Amortization of mining rights (included in general and administrative expenses) | **116,140** | 59,433 |
| Depreciation of fixed assets | **980,223** | 922,349 |
| Depreciation of right-of-use assets | **76,061** | 57,856 |
| Short term lease payments | **7,994** | 7,090 |
| Variable lease payments | | |
| – motor vehicles | **309,935** | 212,382 |
| Loss (gain) on disposal of subsidiaries | **6,688** | (33,931) |
| Interest income | **(100,941)** | (90,334) |

## 6. TAXATION

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Current taxation | | |
| Hong Kong Profits Tax | **9,206** | 6,011 |
| Chinese Mainland Enterprise Income Tax | **1,464,548** | 1,531,617 |
| | **1,473,754** | 1,537,628 |
| Deferred taxation | | |
| Hong Kong | **3,930** | (2,106) |
| Chinese Mainland | **(240,416)** | 105,408 |
| | **(236,486)** | 103,302 |
| | **1,237,268** | 1,640,930 |

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

Chinese Mainland Enterprise Income Tax includes the income tax calculated at 25% on the taxable income of the group entities in the People's Republic of China ("China" or "PRC") but excluding Hong Kong and Macao (the "Chinese Mainland") for both periods, the withholding tax calculated at 5% (10% for the corresponding period in 2020) on dividends in the Chinese Mainland, and the deferred tax calculated at 5% (10% for the corresponding period in 2020) on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong.

## 7. EARNINGS PER SHARE

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Earnings** | | |
| Earnings attributable to owners of the Company for the purpose of basic earnings per share | **3,633,516** | 4,191,289 |

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(unaudited)** | (unaudited) |
| **Number of share(s) of HK$0.10 each in the share capital of the Company ("Share(s)")** | | |
| Weighted average number of Shares for the purpose of basic earnings per share | **6,982,937,817** | 6,982,937,817 |

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

## 8. TRADE RECEIVABLES

| | **As at 30/6/2021** | As at 31/12/2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade receivables from third parties | **5,957,419** | 2,965,209 |
| Trade receivables from related parties | **55,317** | 26,388 |
| | **6,012,736** | 2,991,597 |

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

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.

| | **As at 30/6/2021** | As at 31/12/2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 to 90 days | **4,515,082** | 2,340,218 |
| 91 to 180 days | **666,115** | 296,002 |
| 181 to 365 days | **646,265** | 246,098 |
| Over 365 days | **185,274** | 109,279 |
| | **6,012,736** | 2,991,597 |

## 9. TRADE PAYABLES

| | **As at 30/6/2021** | As at 31/12/2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade payables to third parties | **3,660,897** | 3,599,367 |
| Trade payables to related parties | **69,588** | 123,712 |
| | **3,730,485** | 3,723,079 |

The Group normally receives credit period of 30 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.

| | **As at 30/6/2021** | As at 31/12/2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 to 90 days | **3,636,124** | 3,581,856 |
| 91 to 180 days | **60,754** | 112,027 |
| 181 to 365 days | **8,196** | 11,283 |
| Over 365 days | **25,411** | 17,913 |
| | **3,730,485** | 3,723,079 |

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.240 per Share for the Period (2020: HK$0.275). The interim dividend, which amounts to approximately HK$1,675.9 million (2020: HK$1,920.3 million), will be distributed on or about Thursday, 21 October 2021 to shareholders whose names appear on the register of members of the Company after the close of business on Monday, 13 September 2021.

The interim dividend will be payable in cash to each shareholder in HK$ by default. Shareholders may also elect to receive the interim dividend in RMB.

Shareholders will be given the option to elect to receive all or part of the interim dividend in RMB at the exchange rate of HK$1.0: RMB0.832638, being the average benchmark exchange rate of HK$ to RMB as published by the People's Bank of China during the five business days immediately before Friday, 13 August 2021. If shareholders elect to receive the interim dividend in RMB, such dividend will be paid to shareholders at RMB0.1998331 per share. To make such election, shareholders should complete the Dividend Currency Election Form which is expected to be despatched to shareholders in late September 2021 as soon as practicable after the record date of Monday, 13 September 2021 to determine shareholders' entitlement to the interim dividend, and lodge it with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 8 October 2021.

Shareholders who are minded to elect to receive all or part of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Thursday, 21 October 2021 at the shareholders' own risk.

If no duly completed Dividend Currency Election Form in respect of the shareholder is received by the Company's share registrar by 4:30 p.m. on Friday, 8 October 2021, such shareholder will automatically receive the interim dividend in HK$. All dividend payments in HK$ will be made in the usual ways on Thursday, 21 October 2021.

If shareholders wish to receive the interim dividend in HK$ in the usual way, no additional action is required.

Shareholders should seek professional advice with their own tax advisers regarding the possible tax implications of the dividend payment.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 September 2021 to Friday, 17 September 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 10 September 2021 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## BUSINESS ENVIRONMENT

In the first half of 2021, in the face of the complex and variable domestic and international environment, the Chinese economy continued to steadily recover, and the economic development shows a reinforcing and better trend whilst ensuring stability. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2021, China's gross domestic products ("GDP") grew by 12.7% year-on-year to RMB53.2 trillion, and national fixed asset investments ("FAI") (excluding rural households) increased by 12.6% year-on-year to RMB25.6 trillion.

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2021, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi, where the Group has business operations, reached RMB5.7 trillion, RMB1.2 trillion, RMB2.3 trillion, RMB289.0 billion, RMB1.3 trillion, RMB908.0 billion and RMB961.0 billion respectively, representing year-on-year increases of 13.0%, 12.0%, 12.3%, 17.5%, 12.0%, 12.1% and 12.2% respectively. The year-on-year increases in FAI of the aforementioned provinces were 15.8%, 15.1%, 13.1%, 20.7%, 14.4%, 3.4% and 18.2% respectively.

In the first half of 2021, the Chinese government gave priority to supporting construction in progress and continued to support major construction that fostered coordinated regional development. Meanwhile, the government was committed to controlling the risks of local government debt and further deepened the reform of budget management system to resolutely contain the increase in implicit debts. During the Period, the issuance amount of special local government bonds was approximately RMB1 trillion, which accounted for 27.8% of the annual quota. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2021, national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) increased by 7.8% year-on-year. According to the statistics published by the Ministry of Transport of China and the National Railway Administration of China, FAI on highways and waterways in China in the first half of 2021 amounted to approximately RMB1.2 trillion in total, representing an increase of 13.3% year-on-year. FAI on railways amounted to approximately RMB298.9 billion, representing a decrease of 8.3% year-on-year.

In the first half of the year, the Chinese government maintained the bottom line that "residential properties are not for speculation", and strengthened the management of land supply through centralized planning and centralized supply. The government implemented the "Three Red Lines" in all respects on the financing of real estate enterprises, launched hierarchical management of real estate loans, and advanced regulating and controlling measures such as limits on purchase, sale and loan in order to improve the mechanism for the stable and healthy development of the property market. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2021, the floor space of commodity housing sold in China increased by 27.7% year-on-year to 890 million $m^2$ and the sales amount increased by 38.9% year-on-year to RMB9.3 trillion. Real estate investment in China reached RMB7.2 trillion, representing a year-on-year increase of 15.0%. Among which, the floor space of houses newly started construction increased by 3.8% year-on-year to 1,010 million $m^2$ while the floor space of houses completed increased by 25.7% year-on-year to 360 million $m^2$. During the Period, the floor space under construction by the real estate developers nationwide reached 8,730 million $m^2$, representing a year-on-year increase of 10.2%.

In addition, the Chinese government promoted new-type urbanization and integrated urban-rural development, and actively advocated policies for rural revitalization. In April 2021, the National Development and Reform Commission of China issued the "Key Tasks for New-Type Urbanization and Integrated Urban-Rural Development in 2021", which promoted the integration of people from rural areas into cities in an orderly and effective manner, advanced the construction of urbanization with county seats as important carriers, and accelerated the integrated urban-rural development. Among which, the orderly relaxation of restrictions on permanent residence registration in cities is proposed. The construction of modernized new-type smart cities and low-carbon green cities will be accelerated. Actions for urban renewal will be actively implemented through the acceleration of renovation of old communities with the goal for newly starting renovation of 53,000 old communities in 2021. Coordination and planning towards integrated and extended rural development will also be made for municipal public facilities such as water, gas and heat, as well as urban and rural road passenger transport.

The stable development of infrastructure construction and the real estate market, as well as the steady progress of rural revitalization, will be conducive to supporting the demand of the cement industry.

## THE INDUSTRY

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2021, the total cement production in China amounted to approximately 1,150 million tons, representing a year-on-year increase of 14.1%, whereas in the corresponding period last year, the total cement production decreased by 4.8% year-on-year due to the epidemic. According to the statistics of the China Cement Association, during the Period, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi were approximately 85.3 million tons, 60.8 million tons, 48.5 million tons, 9.3 million tons, 61.0 million tons, 46.6 million tons and 26.1 million tons respectively, representing year-on-year changes of approximately 20.1%, 15.6%, 20.6%, 23.1%, 2.2%, –4.1% and 21.4% respectively.

According to the statistics of the China Cement Association, during the Period, there were 10 new clinker production lines nationwide with new annual clinker production capacity of approximately 16.8 million tons in total. According to the statistical information of the Company, in our major operating regions, there were 2 new clinker production lines in Guangxi with new annual clinker production capacity of approximately 3.1 million tons and 2 new clinker production lines in Yunnan with new annual clinker production capacity of approximately 2.8 million tons.

Regarding policies for the industry, the Chinese government resolutely wins and fights well in the battles for prevention and treatment of pollution, further tightens relevant requirements on capacity replacement and off-peak production, enhances the quality of cement products and regulates the order in the cement market. The government attaches great importance to production safety and occupational health, and actively promotes energy saving and carbon reduction to foster the high-quality and sustainable development of the cement industry.

In July 2021, the Ministry of Industry and Information Technology of China issued a notice that the revised "Measures for Implementing Capacity Replacement in the Cement and Glass Industries" will come into effect on 1 August 2021. The Measures adjusted the replacement ratio and replacement scope, increased the capacity replacement ratio of cement projects, strengthened the reduction of inefficient production capacity and encouraged the composite utilization of solid waste. In addition, the Measures are much stricter in recognizing capacity quotas. Production lines of cement, clinker and plate glass which had continuously suspended production for two years or more cannot be used for capacity replacement.

In May 2021, seven national ministries and commissions jointly issued the "Opinions on Improving Quality of Cement Products and Regulating Order in the Cement Market", which required continuous promotion of industrial structure optimization, further regulation of cement production, promotion of regular off-peak production, establishment of safe and orderly market order, as well as acceleration in the promotion of green and intelligent manufacturing and product upgrade. The target is set for the corporate capacity utilization rate to basically return to a reasonable range, intelligentization and greening of the industry to be significantly enhanced, and the quality standard and the supply capacity of high-performance products to be significantly strengthened by the end of 2025.

The Chinese government attaches great importance to production safety and occupational health. In June 2021, the Standing Committee of the National People's Congress voted to pass the decision on the third amendment to the Production Safety Law of the People's Republic of China, which mandatorily enforces production safety liability insurance in the scopes of high-risk industries, specifies the main responsible person of production and operation entity as the primary person responsible for production safety of that entity, and stipulates that illegal transfer of construction qualifications of mine construction projects is prohibited. The revised law will come into effect on 1 September 2021.

Regarding energy saving and emission reduction, in May 2021, the Ministry of Ecology and Environment of China issued the "Guiding Opinions on Strengthening the Prevention and Control of Ecological Environment Pollution at Source from Energy-Intensive and High-Emission Projects", which included the impact assessment of carbon emission into the system of environmental impact assessment. For project types with significant environmental impact or high environmental risk, such as cement and clinker, the authority or requirements for approval of environmental impact assessment shall not be randomly delegated or lowered respectively in the name of pilot reform. In July 2021, the National Development and Reform Commission of China issued the "Fourteenth Five-Year" Development Plan of Circular Economy, which proposed to advance "One Policy for One Industry" in key industries such as cement to formulate reform and upgrade plans for clean production, as well as to orderly promote the co-processing of medical waste, hazardous waste and municipal solid waste by the use of cement kilns and smelting kiln furnaces.

The Chinese government has steadily been promoting the construction of the carbon market. In May 2021, the Ministry of Ecology and Environment of China organized the formulation of the "Rules for the Administration of Carbon Emission Rights Registration (Trial)", the "Rules for the Administration of Carbon Emission Rights Trading (Trial)" and the "Rules for the Administration of Carbon Emission Rights Settlement (Trial)" to further regulate the registration, trading and settlement activities of national carbon emission rights to protect the legal rights and interests of all participants in the national carbon emission rights trading market. On 16 July, the national carbon emission rights trading market officially opened, and more than 2,000 key-emission power generation enterprises were included in the first batch.

In terms of aggregates, in March 2021, ten ministries including the National Development and Reform Commission and the Ministry of Ecology and Environment of China jointly issued the "Guiding Opinions on the Composite Utilization of Bulk Solid Wastes during the Fourteenth Five-Year Period", which required the promotion of alternative materials of sand sources such as gravels and aggregates made of mullock, ceramsite and dry-mixed mortar, and the utilization of gel backfill, as well as exploring the use of tailings in the area of management and treatment of ecological environment. It encouraged the application in building work and road work of aggregates recycled from construction waste and its products.

In addition, China further encouraged the development of prefabricated construction industry. In March 2021, the Ministry of Housing and Urban-Rural Development of China announced that, in 2020, a total of 630 million $m^2$ of prefabricated buildings newly started construction, representing an increase of 50% compared to 2019 and accounting for approximately 20.5% of the total floor space of newly constructed buildings, which had exceeded the target of reaching over 15% by 2020 proposed in the "Thirteenth Five-Year Action Plan for Prefabricated Construction". In February 2021, the National Housing and Urban-Rural Development Work Conference proposed to improve the standard system of prefabricated construction in 2021, promote the coordinated development of the entire industry chain of prefabricated construction and gradually increase the proportion of prefabricated construction to new construction.

## TRANSFORMATION AND INNOVATION

In the first half of 2021, the Group continues to actively seize development opportunities of new businesses to fully leverage on the synergetic advantages of cement, concrete, aggregates, new materials and prefabricated construction businesses for promoting industrial integrative development.

In terms of aggregates, the Group newly acquired the mining rights of two aggregates quarries in February and June 2021, located in Wuxuan County and Nanning City of Guangxi respectively, with new resource reserves of approximately 360.0 million tons and planned annual production capacity of approximately 16.3 million tons, which had further enriched the Group's reserves of aggregates resources. As of the end of June 2021, the Group's annual aggregates production capacity based on its own existing cement mines was approximately 10.6 million tons. In addition to the newly acquired aggregates mines since 2019, the total annual aggregates production capacity of the Group is expected to reach approximately 75.0 million tons.

Regarding engineered stones, in January 2021, through Shenzhen Runfeng New Materials Technology Company Limited ("Runfeng New Materials"), the Group entered into an equity transfer agreement with Universal Marble & Granite (Dongguan) Co., Ltd. ("Universal Marble") and its subsidiaries to become the controlling shareholder of DongGuan Universal Classical Material Ltd. ("Universal Classical"). In the future, we will jointly develop the engineered stone business. As of the end of June 2021, Universal Classical owned one inorganic engineered stone production line in operation in Dongguan City, Guangdong, and is currently undergoing construction for expansion. In addition, the Group had been building two inorganic engineered stone production lines in Laibin City, Guangxi. On the other hand, the Group had been building two production lines for tile adhesive in Fengkai County, Guangdong, which are planned to officially commence operation by the end of this year.

With regards to prefabricated construction, the Group's Zhanjiang Runyang project had commenced trial production in March 2021. In addition, following the business layout plans in Guangdong and Guangxi, in August, the Company had acquired a prefabricated construction project in Dingan County, Hainan, with design annual production capacity of precast concrete components of approximately 300,000 $m^3$. Currently, the Group has planned for 7 prefabricated construction projects in total. Following the completion of construction, the design annual production capacity of precast concrete components of the Group is expected to reach approximately 1.6 million $m^3$.

The Group attaches great importance to corporate social responsibility, actively responds to the Chinese government's policies on energy-saving and emission reduction, and cooperates with the national and industry associations on relevant works regarding carbon emissions and carbon neutrality. The Group had obtained a franchise license for the resourceful utilization of construction waste in Changjiang Li Autonomous County ("Changjiang"), Hainan. A construction waste disposal plant project is being built, which is planned to complete construction and commence operation by the end of 2021. The project is consistent with the Group's strategy of industrial integrative development. Following completion of construction, the project will help to improve the local urban environment, foster energy saving and emission reduction, reduce the consumption of natural resources, and promote the green development of the industry.

In addition, the Group actively participated in symposiums on peaking carbon dioxide emissions and carbon neutrality in the building materials industry organized by industry associations to discuss action plans and roadmaps for peaking carbon dioxide emissions in the cement industry. The Group participated in the Carbon Neutrality Research Institute organized by China Resources Group, and planned to launch research work on subjects including key technical routes for "peaking carbon dioxide emissions and carbon neutrality", alternative fuels and clean energy utilization, as well as carbon dioxide capture technology.

## PRODUCTION CAPACITY

### Capacity Utilization

The utilization rates of the Group's cement, clinker and concrete production lines during the Period were 97.2%, 108.2% and 39.1% as compared with 86.6%, 100.4% and 30.4% respectively for the corresponding period last year.

## COST MANAGEMENT

### Operational Management

In the first half of 2021, by centring on the enhancement of operational quality and efficiency and with the main focus on the construction of excellent operational systems, the Group continued to launch in-depth work on lean management and benchmarking to strive for raising the standards of operation and management.

In addition, the Group strengthened technological upgrade, technological measures, as well as the application of new technology and new equipment to enhance production efficiency and reduce energy consumption. During the Period, the Group actively promoted the upgrade and overhaul of grate coolers in cement and clinker production lines and the optimization of highly effective precalciner system, and launched the promotion and application of large-scale highly effective fan technology, energy-saving air blowers, and highly effective energy-saving air compressors. Furthermore, the Group also promoted the application of grinding aid of raw materials in some cement production plants in order to raise the production efficiency and to reduce power consumption, coal consumption and pollutant emissions.

### Procurement Management

In the first half of 2021, the overall supply of the coal market remained tight. During the Period, the Group purchased a total of approximately 5.4 million tons of coal (approximately 4.24 million tons of coal in the first half of 2020), among which, approximately 78%, 21% and 1% were sourced from northern China, neighbouring areas of our production plants and overseas respectively (76%, 22% and 2% in the first half of 2020). The proportion of direct procurement from coal producers was approximately 81% (80% in the first half of 2020). In the future, the Group will continuously strengthen the cooperation with large-scale domestic coal suppliers, broaden the options of coal types, optimize vessel scheduling and make timely adjustment on the proportion of imported coal according to the national policy on coal import in order to secure a stable supply of coal of excellent quality. In addition, in combination with market research and insight, the Group will also reasonably regulate and control the inventory of coal to reduce the consolidated procurement costs.

Amid the Chinese government's stricter requirements for environmental protection and the stronger protection of natural resources, the Group continues to use manufactured sand instead of river sand and water-washed sea sand in Guangdong, Guangxi and Hainan, and increased the usage amount of self-produced gravel in order to raise the requirements for environmental protection and reduce costs. In addition, the Group optimized procurement costs through various means such as direct source procurement, shortening the supply chain, strengthening sourcing efforts, expanding the scope of sourcing and developing procurement channels.

### Logistics Management

In the first half of 2021, affected by the load limits along the Xijiang River in dry season and the higher oil prices, logistics costs were on an overall upward trend. During the Period, based on the market characteristics of each operating region, the Group actively carried out unified tendering for shipping in the Xijiang River, tendering for shipment by vehicle transportation, and joint shipment by railway in order to reduce logistics costs.

In the first half of 2021, the annual shipping capacity of the Group along Xijiang River was approximately 36.8 million tons, which secured stable and continuous logistics capabilities for the Group's business operation. The Group continuously optimized the layout of its silo terminals and cooperation methods to build compliant and environmentally friendly silo terminals. During the Period, the Group controlled the operations of 38 silo terminals with annual capacity of approximately 28.7 million tons, which are mainly located in the Pearl River Delta Region. This consolidates the Group's leading market position in Guangdong.

## SALES AND MARKETING

### Product Promotion

In the first half of 2021, the Group continued to intensify the market promotion of products such as "Wang Pai Gong Jiang" renovation cement, cement for nuclear power stations and Portland cement for roads. Among which, cement for nuclear power stations had been used in nuclear power projects in Guangdong, Fujian and Zhejiang Province, and is planned to continue to be promoted to nuclear power projects in Guangdong, Guangxi and Hainan. In addition, the Group cooperated with the government and tertiary education institutions in Fujian to research and promote Portland cement for roads with strong crack resistance and good wear resistance for manufacturing cement products which are more suitable for airport runway projects.

### Brand Building

The Group continued to intensively work on the construction and management of brand image. To further consolidate the positioning of Runfeng's quality, in the first half of the year, the Group organized numerous seminars on the quality of products and services, and conducted pilot studies on the quality of products and services of Runfeng Cement in Guangdong in order to enhance the quality of products and services. On 28 June, the Group held the fifth anniversary celebration for the Runfeng brand, with the theme of "Set Sail, Set Off Again" and in combination with promotional video of the entirely new brand image, to celebrate with staff and customers together via "Cloud Streaming" format and intensively promote on platforms such as social media and industry media.

## SUSTAINABLE DEVELOPMENT

### Green Mines

The Group places strong emphasis on treatment and management of mines. As of the end of June 2021, a total of 23 mines at 17 plants among 27 cement and clinker production plants of the Group had been included as provincial-level and Autonomous Region ("AR")-level green mines, among which, 10 mines at 9 plants had passed the selection of national-level green mines.

### Energy Saving and Emission Reduction

The Group proactively advances green production. The average emission concentrations of nitrogen oxides, sulphur dioxide and particulate matters of each cement and clinker production plant are lower than the national standard limits of pollutant emissions. In addition, the Group had been continuously seeking new technology of emission reduction and enhancing technological standards and management standards of environmental protection, among which, the cement production plants located at Jinsha of Guizhou, Nanning, Luchuan and Pingnan of Guangxi, Fulong and Changzhi of Shanxi had all rolled out projects for technological upgrade of nitrogen oxides emission reduction.

As of the end of June 2021, 6 cement production plants of the Group located in Tianyang, Nanning, Pingnan, Wuxuan and Guigang of Guangxi, and Heqing of Yunnan respectively had been included as green factories in the register of national-level Green Manufacturing. Another 8 cement production plants located in Shangsi, Luchuan and Hepu of Guangxi, Longyan, Yanshi, Caoxi and Yongding of Fujian, and Jinsha of Guizhou respectively had been included as green factories in the registers of provincial-level or AR-level Green Manufacturing.

With regard to existing production facilities, the Group aims at reducing the emissions of nitrogen oxides, sulphur dioxide and particulate matters by 63.1%, 56.7% and 40.9% respectively by 2025 as compared with 2015. In addition, the emission concentrations of nitrogen oxides, sulphur dioxide and particulate matters shall fall below 100 $mg/m^3$, 50 $mg/m^3$ and 10 $mg/m^3$ respectively from exhaust gases of kiln heads and kiln rears of all cement production plants by 2025.

**Management of Carbon Emissions**

During the "Fourteenth Five-Year" period, the Group will reduce carbon emissions through reduction of energy consumption, pilot trial of new technologies and new techniques, and development of low-carbon products. Among which, the Group plans to promote the "second-generation cement" technology in existing production plants for achieving enhancement of energy efficiency, including the advanced combustion formation technology with energy-efficient pre-heating and pre-decomposition and the fourth generation grate cooler. The Group aims to reduce standard coal consumption per ton of clinker by 5%, consolidated electricity consumption per ton of clinker by 10% and electricity consumption per ton of PO42.5 cement processed by 16% respectively by 2025 as compared with 2015.

Furthermore, in complementing the national policies, the Group proactively responds to climate change, launches the identification of risks and opportunities of climate change and formulates strategic measures in response to climate change based on existing work. Meanwhile, the Group will formulate plans for medium to long-term targets of carbon emissions based on its own actual circumstances, and promote green low-carbon and sustainable development to assist China in achieving the targets of peaking carbon dioxide emissions and carbon neutrality and to make positive contributions to environmental treatment and management.

**Co-processing**

The Group proactively fulfils its social responsibility in advancing green development to achieve sustainable corporate development. In reliance on the Group's own technological advantages, we comprehensively promote co-processing projects in the three scopes of municipal solid waste, urban sludge and hazardous industrial waste to create complete solutions to solid waste processing. The Group and environmental protection companies cooperated in the development of co-processing projects in Shangsi of Guangxi and Yanshi of Fujian, which have commenced trial operation in January and May 2021 respectively.

In addition, the Group obtained a franchise license for the resourceful utilization of construction waste in Changjiang, Hainan to build a construction waste disposal plant project with design annual processing capacity of approximately 250,000 tons of construction waste, and complemented with annual production capacities of approximately 300,000 $m^3$ of concrete and approximately 1,150,000 tons of manufactured sand and gravel. The project is currently under construction, and is planned to complete construction and commence operation by the end of 2021.

As of the end of June 2021, the Group had 10 co-processing projects in total and the annual processing capacity had reached approximately 1,450,000 tons. Details of the projects are set out as follows:

| **Project** | **Type** | **Annual processing capacity (tons)** | **Status** |
|---|---|---|---|
| Binyang, Guangxi | Municipal solid waste | 110,000 | In operation |
| Tianyang, Guangxi | Municipal solid waste | 180,000 | In operation |
| Fengqing, Yunnan *(note 1)* | Municipal solid waste | 110,000 | In operation |
| Nanning, Guangxi | Urban sludge *(note 2)* | 110,000 | In operation |
| Zhushui, Guangzhou *(note 1)* | Urban sludge *(note 2)* | 300,000 | In operation |
| Yuebao, Guangzhou *(note 1)* | Urban sludge *(note 2)* | 300,000 | In operation |
| Changjiang, Hainan | Hazardous industrial waste | 30,000 | In operation |
| Shangsi, Guangxi | Hazardous industrial waste | 100,000 | In trial operation |
| Yanshi, Fujian | Hazardous industrial waste<br>Urban sludge | 80,000<br>20,000 | In trial operation<br>Under construction |
| Midu, Yunnan | Municipal solid waste | 110,000 | In trial operation |

*notes:*

1. Located in the cement production plants of our associates and joint ventures.

2. The Nanning project co-processed wet sludge of 80% moisture content. The Zhushui project co-processed dry sludge of below 40% moisture content. The Yuebao project co-processed dry sludge of below 40% moisture content in Guangzhou City on an urgent basis.

## OCCUPATIONAL HEALTH AND PRODUCTION SAFETY

### Epidemic Prevention and Control, and Effectiveness

The Group attaches great importance to the prevention and control of novel coronavirus epidemic and its vaccination, strictly implements national requirements of prevention and control, constructs a dynamic work mechanism for epidemic prevention and control, urges all major operating regions and production plants to execute epidemic prevention and control measures, and implements regular epidemic prevention and control. In the first half of the year, there was no outbreak of any epidemic incident in the Group. Approximately 15,000 employees have been vaccinated and the vaccination rate was approximately 80%, which had effectively constructed a barrier for immunity.

### Safety Management

In the first half of 2021, the Group continuously launched the three-year action for special rectification of production safety and special rectification for safety risks, which formulated plans for treatment and management of latent hazards, continuously followed up on latent hazards, prevented substantial risks and steadily advanced the rectification of latent hazards to enhance the overall standards of safety management.

The Group is dedicated to the construction of production safety standardization and the enhancement of overall standards of safety management through continuous improvement on fundamental management and innovative management models. As of the end of June 2021, 28 cement production plants (inclusive of grinding stations) of the Group had passed the on-site assessments as the First-Class Enterprise in National Production Safety Standardization and the limestone mines of 21 cement production plants had passed the assessments as the Second-Class Enterprise in Safety Standardization. Consultancy work for the construction of First-Class Mines of Production Safety Standardization commenced at the cement production plants in Tianyang, Nanning, Guigang, Shangsi and Pingnan of Guangxi, Heqing of Yunnan and Jinsha of Guizhou.

The Group continuously implemented special rectification for safety risks, conducted environment, health and safety ("EHS") research studies, inspections and special inspections. In the first half of the year, 284 comprehensive inspections and 460 special inspections were launched in all major operation regions and production plants, among which, 313 inspections were led by the persons in charge of major operating regions and production plants.

**Safety Training**

The Group actively implemented safety training and launched EHS training by integrating online and offline training methods to improve employees' EHS skills. As of the end of June 2021, the aggregate duration of safety training for the Group's employees amounted to approximately 220,600 hours, whereas that for counterparties amounted to approximately 43,900 hours, which had effectively enhanced the employees' safety awareness, created safety ambience and raised the management standards of health and safety.

In addition, the Group organized a wide variety of safety education and cultural activities in each major operating regions and production plants. Among which, there were 39 sessions of safety open days with 3,591 participants in attendance, safety alert education sessions with 20,197 participants in attendance, 89 sessions of knowledge competitions with 6,141 participants in attendance, and 310 sessions of emergency drills with 5,813 participants in attendance.

## TRANSFORMATION AND INNOVATION

The Group actively seizes development opportunities of new businesses, fully leverages on the synergetic advantages of cement, concrete, aggregates, new materials and prefabricated businesses, and further consolidates the core competitiveness of the Group.

**Aggregates**

Since 2021, the Group has continued to actively strive for high-quality aggregates quarry resources. In February, the Group won the bid for the mining rights of a limestone quarry for construction in Gejie Mountain Mining Concession, Wuxuan Country, Guangxi, with resource reserve of approximately 208.0 million tons and planned annual production capacity of approximately 6.5 million tons. In June, the Group won the bid for the mining rights of a limestone quarry for construction stones in Majiao Mountain Mining Concession, Nanning City, Guangxi, with resource reserve of approximately 153.8 million tons and planned annual production capacity of approximately 9.8 million tons. The two projects mentioned above are planned to commence operation in 2023.

As of the end of June 2021, the Group's annual aggregates production capacity based on its own existing cement mines was approximately 10.6 million tons. In addition to the newly acquired aggregates mines since 2019, the total annual aggregates production capacity of the Group is expected to reach approximately 75.0 million tons.

Relevant information of the projects is outlined below:

| Province | Project location | Planned annual production capacity (tons) | Resource reserve (tons) | Date of acquiring the mining rights | Expected date to commence operation |
|---|---|---|---|---|---|
| Guangdong | Fengkai | 30,000,000 | 425,000,000 | October 2020 | By the end of 2022 |
| Guangxi | Shangsi | 5,000,000 | 65,000,000 | March 2020 | By the end of 2022 |
| Guangxi | Tianyang | 5,000,000 | 61,000,000 | June 2020 | By the end of 2022 |
| Guangxi | Wuxuan | 6,500,000 | 208,000,000 | February 2021 | By the end of 2023 |
| Guangxi | Nanning | 9,800,000 | 153,800,000 | June 2021 | By the end of 2023 |
| Fujian | Wuping | 2,000,000 | 56,000,000 | November 2019 | By the end of 2021 |
| Hainan | Dingan | 3,000,000 | 63,000,000 | November 2020 | By the end of 2022 |
| Yunnan | Weishan | 3,000,000 | 100,000,000 | August 2020 | By the end of 2022 |

## New Materials

Runfeng New Materials, a wholly-owned subsidiary of the Group, is mainly responsible for the operation and promotion of new products and new materials. Runfeng New Materials actively promoted inorganic engineered stones, researched and developed new products such as engineered stones with light and shadow images and translucent engineered stone, and expanded the market through launching strategic cooperation with real estate developers.

In January 2021, Runfeng New Materials entered into an equity transfer agreement with Universal Marble and its subsidiaries to acquire approximately 58.8% equity interests of Universal Classical for a consideration of RMB256,070,700 (equivalent to approximately HK$302,978,000), which increased our shareholding of Universal Classical to approximately 75.3%. The main products of Universal Classical are inorganic granite and quartz, and its brand recognition has a leading position in the domestic market. The products are primarily for domestic and international markets. Its major customers are large real estate, commercial and industrial developers as well as government units in charge of large-scale national public buildings (including subways, schools, and conference centres).

Universal Classical owned one production line of inorganic engineered stones with planned annual production capacity of approximately 600,000 $m^2$ in Dongguan City, Guangdong, and is expanding one production line of inorganic engineered stones with planned annual production capacity of approximately 1.5 million $m^2$. In addition, the Group is building two production lines of inorganic engineered stones in Laibin City, Guangxi with total planned annual production capacities of approximately 3.0 million $m^2$. The above projects are expected to commence operation in mid-2022.

On the other hand, the Group is building two production lines of tile adhesive in Fengkai County, Guangdong with total planned annual production capacities of approximately 400,000 tons in total, which is planned to commence operation by the end of this year. Its products can be sold to the Pearl River Delta and Guangxi regions through waterways. Tile adhesive is a new type of material for modern decoration. It is mainly used in decorative materials such as stick tiles, vitrified bricks, marbles and engineered stones.

**Prefabricated Construction**

The Group promoted the prefabricated construction business in an orderly manner according to the policies and market conditions of the prefabricated business construction. In March 2021, Phase 1 production line of precast concrete components of the Zhanjiang Runyang project commenced trial production. In August 2021, Guangdong Runfeng Technology Investment Limited, the Company's wholly owned subsidiary, acquired 100% equity interests of Dingan New Century Construction Industry Co., Ltd. for a consideration of RMB192,800,000 (equivalent to approximately HK$231,709,000). The company owns a prefabricated construction project in Dingan County, Hainan, covering an area of approximately 153,000 $m^2$ and with design annual production capacity of precast concrete components of approximately 300,000 $m^3$. In addition, the Group's original plan for the construction of a production line of precast concrete component with annual production capacity of 200,000 $m^3$ in Laibin has now been changed to the construction of two production lines of inorganic engineered stones due to the needs of business development. Specific details has been disclosed in previous section.

Currently, the Group had planned for a total of 7 prefabricated construction projects in total. Following the completion of construction, the design annual production capacity of precast concrete components of the Group is expected to reach approximately 1.6 million $m^3$.

Relevant information of the projects is outlined below:

| Project | Land area ($m^2$) | Design annual production capacity ($m^3$) | Status | Particulars |
|---|---|---|---|---|
| **Guangdong** | | | | |
| Dongguan Runyang *(note)* | 33,000 | 40,000 | In operation | • Currently, products are mainly supplied to public housing and commodity housing projects in Shenzhen Municipality, Zhuhai City and Guangzhou City. |
| Zhanjiang Runyang | 210,000 | 400,000 | In trial production | • Phase 1 production line of precast concrete components (design annual production capacity of 200,000 $m^3$) had commenced trial production in March 2021. |
| Jiangmen Runfeng | 45,500 | 50,000 | Under construction | • Won the bid for the land in January 2020.<br>• Concrete batching plant (annual production capacity 900,000 $m^3$) and production line of precast concrete components are expected to commence operation in the second half of 2022. |
| **Guangxi** | | | | |
| Nanning Wuhe | 167,000 | 400,000 | Under construction | • Concrete batching plant (annual production capacity of 600,000 $m^3$) had commenced operation in December 2019; Phase 1 production line of precast concrete components (design annual production capacity of 200,000 $m^3$) is expected to commence operation by the end of 2021. |
| Guigang Runhe | 130,000 | 200,000 | In trial production | • Concrete batching plant (annual production capacity of 600,000 $m^3$) had commenced operation in November 2019; Phase 1 production line of precast concrete components (design annual production capacity of 100,000 $m^3$) had completed construction and commenced trial production in June 2020. |
| Baise Runhe | 120,000 | 200,000 | Under planning | • Won the bid for the land in April 2020. |
| **Hainan** | | | | |
| Dingan Runfeng | 153,000 | 300,000 | In trial production | • Trial production had commenced in April 2021. |

*note:* The Group holds 49% equity interests of the associate DongGuan RunYang United Intelligent Manufacturing Company Limited.

## Digital Transformation

The Group continued to promote the construction of digitalization and intelligentization. The Group incorporated Shenzhen Runfeng Intelligent Technology Co., Ltd. to assist the Company in achieving the goal of digital transformation and enhancing the industry influence.

In terms of intelligent factories, the Group cooperated with Siemens Ltd., China in the intelligent manufacturing pilot project at the production plant in Tianyang. On the one hand, Phase 1 of the project in operation such as digitalization of production and operation, intelligentization of production control and automation of professional management was continuously optimized and improved. On the other hand, the implementation of Phase 2 of the project such as digital mines, intelligent laboratories, intelligent video monitoring and full coverage of online monitoring equipment were organized. In addition, the Group had launched the construction of intelligent manufacturing centred on aspects such as EHS, operation, production, equipment, quality, mines and logistics, to create a "lighthouse Factory" in Fengkai, which officially started operation in mid-July. For current stage, the Group is under preparation to promote the on-site implementation of sub-projects including kiln grinding expert system and online electric monitoring.

The quality management system which is independently researched and developed by the Group has commenced operation at the cement production plant in Pingnan of Guangxi in June 2021. The independently researched and developed advanced kiln grinding control system had also commenced trial operation in Pingnan in June, which had achieved phased results and will be promoted at other cement production plants. Meanwhile, the Group has activated the kiln grinding expert system at 10 cement and clinker production lines and has launched the promotion of online monitoring system for key machineries and electrical equipment at 14 cement and clinker production lines.

On the other hand, based on the pilot project in operation in Fujian regarding the platform for sharing auxiliary materials and spare parts developed by the Group, promotion had been completed in operating regions such as Guangdong, Guangxi and Hainan, covering 28 production plants. The Group continued to promote the "Smart Card" intelligent delivery system, which had been put into operation in all cement production plants and achieved 100% coverage at cement production plants, which is conducive to improving the delivery efficiency and the quality of pick-up services and reducing logistics costs.

In addition, the Group had completed the Robotic Process Automation (RPA) pilot project at its Financial Shared Services Centre, thereby achieving full automation of 10 business processes at the Financial Shared Services Centre and enhancing the efficiency and quality of financial shared services. Currently, the Group is rolling out Phase 2 of the RPA project at the Financial Shared Service Centre and the RPA pilot project at the Human Resources Shared Services Centre in order to further enhance the efficiency and standard of management.

**Research, Development and Innovation**

Innovation is an important momentum to stimulate corporate vitality and motivate long-term corporate development. The Group's Technology Research and Development Centre is a laboratory accredited by the China National Accreditation Service for Conformity Assessment. As of the end of June 2021, the Centre had 52 specialized employees, including 6 doctors and 19 masters. Among the research and development personnel, 3 were professorate senior engineers.

In the first half of 2021, the Group's Technology Research and Development Centre provided 713 checks and tests for cement production plants, including launching system tests and offering optimization proposals for cement production plants, assisting to improve the usage performance and energy consumption of grinding of cement made of high-belite clinker, completing the upgrade for automation of grinding aid production lines and optimization for the prescription of functional grinding aid. In addition, the Technology Research and Development Centre provided support for the development of new businesses by developing high-performance inorganic engineered stones products, tile adhesive and thermal insulation materials of wall.

On the other hand, in order to encourage and support all-staff innovation, comprehensively enhance the quality and standard of innovation work and accelerate the transformation of innovation achievements, the Group further improves the innovative talent training plans and proposals for innovative project promotion. In the first half of 2021, the Group organized innovation competitions and project selection in innovation conferences, expedited the advancement of innovation work in the fields of technology, management and business models, and fostered the extensive application of innovation achievements at each production plant.

## INTEGRITY MANAGEMENT AND PROMOTION OF ANTI-CORRUPTION

The Group is committed to maintaining sound corporate governance. We maintain smooth whistle-blowing channels including telephone hotlines, in-person visits and online reporting to encourage our employees and parties who deal with us (including customers, contractors, suppliers, creditors and debtors) to report any misconducts within the Group. All investigations on non-compliance issues are handled seriously.

The Group always places strong emphasis on and continuously strengthens the work for integrity cultivation and probity education of the Directors and employees. As of the end of June 2021, 1 group-wide alert education meeting was held, with 1,361 senior and middle-level managerial staff and staff involved in sensitive roles in participation. 65 sessions of alert education were launched continuously at all levels, reaching 2,681 participants. 110 sessions of "integrity education delivered to door" were conducted, reaching 3,186 participants. Daily confiding conversations were initiated with 183 employees. All the senior and middle-level managerial staff were organized to sign the "Commitment Letter on Integrity and Self-Discipline". 426 responses to opinions on integrity cultivation were issued.

# EMPLOYEES

## General Information

As at 30 June 2021, the Group employed a total of 19,201 employees *(note)*, all of whom are full-time, among whom, 143 employees were based in Hong Kong and the remaining 19,058 were based in the Chinese mainland (19,467, 143, 19,324 respectively as at 31 December 2020). A breakdown of our employees by function is set out as follows:

| | **As at 30/6/2021** | As at 31/12/2020 |
|---|---|---|
| Management | **409** | 391 |
| Finance, administration and others | **2,656** | 2,498 |
| Production staff | **10,755** | 11,198 |
| Technical staff | **4,508** | 4,517 |
| Sales and marketing staff | **873** | 863 |
| Total | **19,201** | 19,467 |

*note:* The scope of statistics of the number of employees changed in 2021. Relevant data does not include interns which are not replacement hires (i.e., employees who will not be hired or accounted for after the end of the internship).

Among our 409 senior and middle-level managerial staff, 88% are male and 12% are female, 79% possess university degrees or above, 19% have received post-secondary education and the average age of managerial staff is approximately 47 (391, 89%, 11%, 78%, 19%, 47 respectively as at 31 December 2020).

## Development and Training of Employees

In the first half of 2021, focusing on the implementation of the "Fourteenth Five-Year" strategic plan, the Group optimized the talent training system and highlighted the systemization of training management. The convenience of training services business was improved through standardizing the process management of training business, which had further met the strategic development requirements of the Group, the construction of organizational capability and the employees' aspirations for growth in order to provide talents for "Building Another China Resources Cement".

During the Period, the Group organized 3 phases of seminars and trainings for senior management which focused on topics such as strategic positioning, business models, industrial investment, organizational management and control, with a total of more than 130 participants in attendance. In addition, the Group held training programmes in leadership development, including "Training Course for Full-Time Managers" and "Training Course for Excellent Young Managers", with 25 and 45 participants in attendance respectively. The Group also organized 5 professional training projects including procurement management, marketing management and concrete technology.

On the other hand, the Group optimized and improved the development paths of professional talents. Upon integrating the needs of business development and job responsibilities, 22 existing appointment standards for finance and human resources were revised, and career development paths and appointment standards for technical maintenance posts and operation posts were established in order to lay a sound foundation for subsequent talent development.

## REVIEW OF OPERATIONS

The functional currency of the Group is RMB while the financial figures are all denominated in HK$. Comparing with corresponding period last year, RMB had appreciated against HK$ by approximately 8.6%.

### Turnover

The consolidated turnover for the Period amounted to HK$20,179.6 million, representing an increase of 19.5% from HK$16,884.3 million for the corresponding period last year. An analysis of segmental turnover by product is as follows:

| | **For the six months ended 30 June** | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **Sales volume** *'000 tons/m$^3$* | **Average selling price** *HK$ per ton/m$^3$* | **Turnover** *HK$'000* | Sales volume *'000 tons/m$^3$* | Average selling price *HK$ per ton/m$^3$* | Turnover *HK$'000* |
| Cement *(note)* | **41,636** | **385.3** | **16,040,322** | 35,950 | 381.8 | 13,724,042 |
| Clinker | **1,952** | **300.2** | **585,924** | 1,618 | 301.3 | 487,533 |
| Concrete | **7,041** | **504.7** | **3,553,387** | 5,432 | 492.1 | 2,672,753 |
| Total | | | **20,179,633** | | | 16,884,328 |

*note:* Inclusive of sales volume of 2.1 million tons of cement from related parties (1.4 million tons for the corresponding period in 2020).

During the Period, our external sales volume of cement, clinker and concrete increased by 5.7 million tons, 334,000 tons and 1.6 million $m^3$, representing increases of 15.8%, 20.6% and 29.6% respectively from the corresponding period last year. During the Period, approximately 82.8% of the cement products we sold were 42.5 or higher grades (80.5% for the corresponding period in 2020) and approximately 30.1% were sold in bags (35.0% for the corresponding period in 2020). Internal sales volume of cement for our concrete production was 1.4 million tons (1.2 million tons for the corresponding period in 2020), representing 3.4% of the total volume of cement sold (3.1% for the corresponding period in 2020).

Our cement sales by geographical areas for the Period were as follows:

| | For the six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| **Province/AR** | **Sales volume** ***'000 tons*** | **Average selling price** ***HK$ per ton*** | **Turnover** ***HK$'000*** | Sales volume *'000 tons* | Average selling price *HK$ per ton* | Turnover *HK$'000* |
| Guangdong | **15,989** | **446.0** | **7,130,760** | 13,682 | 436.8 | 5,976,784 |
| Guangxi | **12,962** | **347.0** | **4,497,597** | 11,034 | 360.0 | 3,971,818 |
| Fujian | **4,662** | **360.3** | **1,679,865** | 4,163 | 345.8 | 1,439,370 |
| Hainan | **2,001** | **454.7** | **909,916** | 1,661 | 384.6 | 638,891 |
| Yunnan | **2,577** | **348.7** | **898,479** | 2,480 | 372.5 | 923,897 |
| Guizhou | **1,712** | **229.6** | **393,079** | 1,349 | 230.5 | 310,896 |
| Shanxi | **1,733** | **306.2** | **530,626** | 1,581 | 292.5 | 462,386 |
| Total | **41,636** | **385.3** | **16,040,322** | 35,950 | 381.8 | 13,724,042 |

The average selling prices of cement, clinker and concrete for the Period were HK$385.3 per ton, HK$300.2 per ton and HK$504.7 per $m^3$, representing an increase of 0.9%, a decrease of 0.4% and an increase of 2.6% respectively from the corresponding period last year. The half-year average selling prices of cement and clinker were basically flat compared to the corresponding period last year.

### Costs of Sales

The consolidated cost of sales of the Group (exclusive of cement sales from related parties) comprised coal, electricity, materials and other costs, which represented 31.3%, 10.8%, 35.2%, and 22.7% of the cost of sales respectively for the Period (29.0%, 11.9%, 34.4% and 24.7% for the corresponding period in 2020 respectively). As for cement products, coal, electricity, materials and other costs represented 37.6%, 13.0%, 24.3%, and 25.1% of their costs of sales respectively for the Period (34.8%, 14.3%, 23.7% and 27.2% for the corresponding period in 2020 respectively). Materials cost is the major component of the cost of sales of concrete, representing 91.7% of the cost of sales of concrete for the Period (91.0% for the corresponding period in 2020).

The average price of coal we purchased for the Period was approximately HK$851 per ton, representing an increase of 37.3% from the average price of HK$620 per ton for the corresponding period last year, while the average thermal value of coal decreased by 0.1% to 5,333 kcal per kg. During the Period, our unit coal consumption remained the same as the corresponding period in 2020 at 142.2 kg per ton of clinker produced. Our standard coal consumption decreased to 104.5 kg per ton of clinker for the Period from the average of 104.7 kg for the corresponding period last year. As a result of the increase in coal price, our average coal cost for the Period increased by 37.3% to HK$121.0 per ton of clinker produced from HK$88.1 for the corresponding period in 2020.

Our average electricity cost increased by 8.0% from HK$30.0 per ton of cement to HK$32.4 for the Period. During the Period, we enjoyed the benefits of lower electricity tariff for a total of 2,030.7 million kwh of electricity consumed (1,781.5 million kwh for the corresponding period in 2020), which accounted for 64.4% of the total electricity consumption for the production of cement products (62.1% for the corresponding period in 2020), and saved HK$90.6 million (HK$77.4 million for the corresponding period in 2020) under direct power supply agreements and price bidding arrangements. Our electricity consumption was 72.1 kwh per ton of cement for the Period (72.7 kwh for the corresponding period in 2020). Our residual heat recovery generators generated 998.4 million kwh of electricity for the Period, representing an increase of 9.8% over 908.9 million kwh in the corresponding period last year. The electricity generated during the Period accounted for approximately 31.7% of our required electricity consumption (31.7% for the corresponding period in 2020) and we achieved a cost saving of approximately HK$511.3 million for the Period (HK$428.6 million for the corresponding period in 2020).

Other costs mainly comprised staff cost, depreciation, and repairs and maintenance cost. Repairs and maintenance cost included in the cost of sales of cement products for the Period was HK$793.0 million, representing an increase of 36.2% over HK$582.4 million for the corresponding period last year.

**Gross Profit and Gross Margin**

The consolidated gross profit for the Period was HK$6,272.9 million, representing a decrease of 8.6% from HK$6,863.5 million for the corresponding period last year and the consolidated gross margin was 31.1%, representing a decrease of 9.6 percentage points from 40.7% for the corresponding period last year. The decreases in consolidated gross profit and consolidated gross margin for the Period were mainly attributable to the increase in cost of production of our cement products. The gross margins of cement, clinker and concrete for the Period were 33.2%, 25.5% and 22.3%, as compared with 43.9%, 39.6% and 24.3% respectively for the corresponding period last year.

**Other Income**

Other income for the Period was HK$364.5 million, representing an increase of 10.2% from HK$330.7 million for the corresponding period last year. This was partly attributable to the increase in income from sales of other materials and scrap of HK$18.0 million as compared with the corresponding period last year.

**Selling and Distribution Expenses**

Selling and distribution expenses for the Period were HK$961.3 million, representing an increase of 35.2% from HK$710.9 million for the corresponding period last year. As a percentage to consolidated turnover, selling and distribution expenses increased to 4.8% for the Period from 4.2% for the corresponding period last year.

**General and Administrative Expenses**

General and administrative expenses for the Period were HK$1,061.2 million, representing an increase of 32.4% from HK$801.8 million for the corresponding period last year. As a percentage to consolidated turnover, general and administrative expenses for the Period increased to 5.3% for the Period from 4.7% for the corresponding period last year.

**Share of Results of Associates**

The associates of the Group contributed a profit of HK$205.0 million for the Period (profit of HK$206.9 million for the corresponding period in 2020) of which profits of HK$42.6 million, HK$52.5 million, HK$97.4 million and HK$10.1 million (profit of HK$47.5 million, profit of HK$34.2 million, profit of HK$137.5 million and loss of HK$15.1 million for the corresponding period in 2020) were attributable to the Group's associates operating in Inner Mongolia, Fujian, Yunnan and Guangdong respectively.

**Share of Results of Joint Ventures**

Our joint ventures principally operating in Guangzhou area contributed a profit of HK$144.3 million for the Period (profit of HK$111.1 million for the corresponding period in 2020).

**Taxation**

The effective tax rate of the Group for the Period was 25.4%, as compared with 28.0% for the corresponding period last year. Had the effect of the results of associates and joint ventures, the exchange difference, as well as the withholding tax in the Chinese Mainland for dividends and the deferred tax on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong been excluded, the effective tax rate of the Group for the Period would be 24.5% (26.3% for the corresponding period in 2020).

### Net Margin

Net margin of the Group for the Period was 18.0%, which was 7.0 percentage points lower than that of 25.0% for the corresponding period last year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of funding mainly included cash on hand, bank loans, unsecured medium-term notes, issue of equity securities and cash flows generated from operations.

As at 30 June 2021, the Group's cash and bank balances and pledged bank deposits included the following amounts:

| | **As at 30/6/2021** | As at 31/12/2020 |
|---|---|---|
| | ***'000*** | *'000* |
| HK$ | **490,948** | 411,544 |
| RMB | **4,523,612** | 11,115,196 |
| US$ | **143** | 143 |

As at 30 June 2021, the Group's banking facilities amounted to HK$3,300.0 million and RMB11,750.0 million, of which RMB11,750.0 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK$3,300.0 million equivalent (HK$3,300.0 million equivalent as at 31 December 2020) comprised loans in the following currencies:

| | **As at 30/6/2021** | As at 31/12/2020 |
|---|---|---|
| | ***'000*** | *'000* |
| HK$ | **3,300,000** | 3,300,000 |

The bank loans are repayable as follows:

| | **As at 30/6/2021** ***HK$'000*** | As at 31/12/2020 *HK$'000* |
|---|---|---|
| Within one year | **2,300,000** | – |
| After one year but within two years | **1,000,000** | 3,300,000 |

The bank loans of the Group as at 30 June 2021 and 31 December 2020 were unsecured.

As at 30 June 2021, bank loans of the Group which carried interests at variable rates amounted to HK$3,300.0 million (HK$3,300.0 million as at 31 December 2020).

In 2016, the Company was granted an approval by the National Association of Financial Market Institutional Investors of PRC for the issuance of medium-term notes in an aggregate amount of not more than RMB9.0 billion and commercial paper in an aggregate amount of not more than RMB4.5 billion in China. On 5 September 2016, the Company completed the issuance of the first tranche of the medium-term notes in the amount of RMB3.0 billion at the coupon rate of 3.50% per annum for a term of five years which will expire in September 2021. These medium-term notes are unsecured and remained outstanding at 30 June 2021.

Under the terms of certain agreements for total banking facilities of HK$3,300.0 million equivalent with expiry dates from March 2022 to November 2022, China Resources (Holdings) Company Limited is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for the total banking facilities of HK$3,300.0 million equivalent, the net gearing ratio of the Company (calculated by dividing net borrowings by equity attributable to owners of the Company, and as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The Group was in compliance with the above financial covenants as at 30 June 2021 and 31 December 2020.

The Group adopts robust and prudent treasury policies in financial management. Treasury management, financing and investment activities are all managed and monitored by the senior management of the Company, and all treasury activities of the Group are centralized. The Group regularly monitors its current and expected liquidity needs as well as compliance with bank loan agreements in order to maintain its sufficient cash reserves and flexibility in funding for meeting the Group's short-term and long-term liquidity needs.

The Group's business transactions were mainly carried out in HK$ and RMB. The Group's exposure to currency risk was attributable to the bank balances and debts which were denominated in currencies other than the functional currency of the entity to which these bank balances and debts were related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management regularly monitors the relevant foreign currency exposure and will consider taking appropriate measures to control the risk arising from significant exchange fluctuations. These will include hedging significant currency exposure and/or increasing the proportion of RMB-denominated borrowings of the Group should the higher interest costs be considered justifiable against the risk of exchange losses. The Group was not engaged in any hedging contract as at 30 June 2021 and 31 December 2020. As at 30 June 2021, non-RMB denominated debts accounted for 48% of the total debts of the Group (48% as at 31 December 2020).

## CHARGES ON ASSETS

As at 30 June 2021, there was no charge on assets by the Group (Nil as at 31 December 2020).

## CONTINGENT LIABILITIES

As at 30 June 2021, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,482.3 million (RMB1,486.6 million as at 31 December 2020) granted to associates, of which RMB1,427.0 million (RMB1,412.7 million as at 31 December 2020) had been utilized.

## ISSUE OF EQUITY SECURITIES

Pursuant to the placing, underwriting and subscription agreement dated 11 June 2018, the Company issued 450 million ordinary Shares at a price of HK$9.30 per Share in cash to CRH (Cement) Limited, the Company's immediate holding company. The gross funds raised was HK$4,185.0 million and the net proceeds, after deducting all professional fees and other out-of-pocket expenses, was approximately HK$4,180.3 million, representing a net issue price of approximately HK$9.29 per Share. The closing price as quoted on the Stock Exchange on 11 June 2018 was HK$10.32 per Share. Details of the placing and the top-up subscription were disclosed in the Company's announcements dated 11 June 2018 and 25 June 2018.

The Board considers that the abovementioned issue of Shares has strengthened the capital base of the Company. Details of the use of net proceeds are as follows:

| **Intended use of net proceeds** | **Amount intended to be utilized** | **Amount utilized as at 31/12/2020** | **Amount utilized during the Period** | **Amount unutilized as at 30/6/2021** | **Expected timeline of utilization** |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | |
| Development of prefabricated construction business | 1,672,000 | 572,100 | 140,700 | 959,200 | By 2022 |
| Development of aggregates business | 1,254,000 | 1,254,000 | – | – | Not applicable |
| Repayment of debts | 836,000 | 836,000 | – | – | Not applicable |
| General working capital | 418,279 | 418,279 | – | – | Not applicable |
| Total | 4,180,279 | 3,080,379 | 140,700 | 959,200 | |

Save as disclosed above, neither the Company nor any of its subsidiaries carried out any fund raising activities in respect of issue of equity securities during the Period.

## FUTURE PLAN AND CAPITAL EXPENDITURE

### Capital Expenditure

As at 30 June 2021, the outstanding capital expenditure for the Group's expansion plans to be invested was approximately HK$8,057.5 million. Details of these expansion plans are as follows:

| **Projects** | **Total capital expenditure for the project** *HK$ million* | **Expended as at 31/12/2020** *HK$ million* | **Expended during the Period** *HK$ million* | **Outstanding capital expenditure as at 30/6/2021** *HK$ million* |
|---|---|---|---|---|
| Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 $m^3$ in Zhanjiang City, Guangdong | 524.3 | 170.6 | 63.4 | 290.3 |
| Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 $m^3$ in Nanning City, Guangxi | 578.0 | 136.9 | 56.0 | 385.1 |
| Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 $m^3$ in Guigang City, Guangxi | 239.5 | 181.4 | 14.4 | 43.7 |
| Construction of a production plant for prefabricated construction components with design annual capacity of approximately 50,000 $m^3$ in Jiangmen City, Guangdong | 303.2 | 74.9 | 6.6 | 221.7 |
| Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 $m^3$ in Baise City, Guangxi | 256.8 | 33.3 | 0.3 | 223.2 |
| Construction of a production plant for aggregates with planned annual production capacity of approximately 2.0 million tons in Wuping County, Fujian | 470.1 | 224.1 | 30.3 | 215.7 |
| Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Shangsi County, Guangxi | 478.1 | 89.7 | 31.9 | 356.5 |
| Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Tianyang District, Guangxi | 474.7 | 102.8 | 21.2 | 350.7 |
| Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Weishan County, Yunnan | 435.6 | 126.1 | 2.4 | 307.1 |
| Construction of a production plant for aggregates with planned annual production capacity of approximately 30.0 million tons in Fengkai County, Guangdong | 6,367.7 | 2,743.7 | 1,482.4 | 2,141.6 |
| Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Dingan County, Hainan | 2,053.6 | 737.3 | 780.1 | 536.2 |
| Construction of a production plant for aggregates with planned annual production capacity of approximately 6.5 million tons in Wuxuan County, Guangxi | 904.7 | – | 349.3 | 555.4 |

| Projects | Total capital expenditure for the project<br>*HK$ million* | Expended as at 31/12/2020<br>*HK$ million* | Expended during the Period<br>*HK$ million* | Outstanding capital expenditure as at 30/6/2021<br>*HK$ million* |
|---|---|---|---|---|
| Construction of a production plant for aggregates with planned annual production capacity of approximately 9.8 million tons in Nanning City, Guangxi | 1,497.2 | – | 163.2 | 1,334.0 |
| Construction of a production line for inorganic engineered stones with planned annual production capacity of approximately 1.5 million $m^2$ in Dongguan City, Guangdong | 268.5 | – | 16.9 | 251.6 |
| Construction of two production lines for inorganic engineered stones with total planned annual production capacities of approximately 3.0 million $m^2$ in Laibin City, Guangxi | 373.6 | 25.6 | – | 348.0 |
| Construction of two production lines for tile adhesive with total planned annual production capacities of approximately 400,000 tons in Fengkai County, Guangdong | 161.9 | – | 54.7 | 107.2 |
| Construction of a construction waste disposal plant with design annual disposal capacity of approximately 250,000 tons, complemented with total annual production capacity of approximately 1,150,000 tons of manufactured sand and gravel, in Changjiang, Hainan | 132.5 | 45.6 | 55.4 | 31.5 |
| Acquisition of 100% equity interests of Dingan New Century Construction Industry Co., Ltd. | 231.7 | – | – | 231.7 |
| Construction of 3 concrete batching plants with total annual capacity of approximately 1.5 million $m^3$ of concrete | 163.1 | 28.1 | 8.7 | 126.3 |
| Total | 15,914.8 | 4,720.1 | 3,137.2 | 8,057.5 |

### Payment of Capital Expenditure

In addition to the foregoing capital expenditure, the Group had outstanding payment for the construction of production plants completed in the previous years, which have already been included under other payables in the condensed consolidated statement of financial position as at 30 June 2021. Total payments for capital expenditure of the Group are expected to be approximately HK$2,965.6 million in the second half of 2021 and HK$4,202.9 million in the year ending 31 December 2022, which will be financed by proceeds from previous placing of Shares and internally generated funds.

## STRATEGIES AND PROSPECTS

2021 is the opening year of the "Fourteenth Five-Year" Plan. The Chinese government persistently seeks progress amidst stability as its general keynote. With the theme of promoting high-quality development and with the main focus on deepening supply-side structural reforms, it accurately seizes the new development stage, fully and thoroughly implements the new development philosophy, accelerates the construction of a new development paradigm, precisely implements macro policies, maintains the continuity, stability and sustainability of macro policies and stabilizes expectations. According to the Report on the Work of the Government, the major expected target of economic and social development in 2021 is to achieve a GDP growth of above 6%.

Transportation is the key to a prosperous country and the foundation of a strong country. 2021 is the opening year to accelerate the construction of a world leader in transport. According to the work plan of China State Railway Group Co., Ltd., it is targeted to increase the total operational length of railways by approximately 3,700 km in 2021. The Ministry of Transport of China proposed the targets to increase the operational length of new intercity railways and regional railways by 3,000 km and the length of newly reconstructed highways by 25,000 km, and increase more than 30 civil airports within three years. China State Railway Group Co., Ltd. issued the “Outline for the Advanced Planning of Railways for World Leader in Transport in the New Era”, which aimed for the national railway network to reach approximately 200,000 km by 2035, among which, high-speed rails will amount to approximately 70,000 km, cities with a population of above 200,000 will achieve railway coverage, and cities with a population of above 500,000 will have access to high-speed rails.

The Chinese government persists in maintaining the position that “residential properties are not for speculation”, simultaneously adopts various measures based on local conditions, consolidates the main responsibilities of municipal government bodies, and stabilizes land prices, property prices and expectations in order to facilitate the balanced development of the real estate market and the real economy. The Chinese government curbs the demand for speculative investments and accelerates the cultivation and development of residential property rental market, which effectively increases the supply of affordable housing with key focuses on cities with large population inflow and high property prices, in order to strive to solve the housing problems of groups in need and new citizens.

In addition, the Chinese government will promote rural revitalization in all respects. In January 2021, the State Council issued the “No.1 Central Document” on the “Opinions on Promoting Rural Revitalization in All Respects and Accelerating Modernization of Agriculture and Rural Areas”, which proposed that during the “Fourteenth Five-Year” period, rural construction would still be the key focus of construction for socialist modernization. Deployments will be made in various scopes including rural highways, rural water supply and secured electricity supply in order to outline a clear roadmap for rural modernization. It targets to strive to basically complete the mission of renovating old communities in cities and towns built prior to the end of 2000 which require renovation by the end of the “Fourteenth Five-Year” period.

In terms of coordinated regional development strategy, China expedites infrastructural connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area (“Greater Bay Area”), and establishes a free trade port in Hainan to accelerate the construction of a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other.

According to the "Guangdong-Hong Kong-Macao Greater Bay Area (Inter-city) Railway Link Development Plan" approved by the National Development and Reform Commission of China, the total operational length of the railway network in operation and under construction in the Greater Bay Area is targeted to reach 4,700 km by 2025 and 5,700 km by 2035, covering 100% of cities above county level. Among which, the total operational length planned for construction in the near future is approximately 775 km, amounting to a total investment of approximately RMB474.1 billion. According to the "Guangdong Expressway Network Plan (2020-2035)", it is aimed to increase the total operational length of expressways in the province to approximately 15,000 km by 2035. This will form an expressway network with the Pearl River Delta as the core and with coastal cities, ports, airports and railway hubs as the focal points to support the in-depth cooperation in the development of the Guangdong-Hong Kong-Macao Greater Bay Area, lead the development of the east and west wings and coastal economic belts, and provide quick access to neighbouring provinces.

The gradual advancement of the development and construction of the Greater Bay Area and other regions will drive the regional demand for building materials such as cement and concrete in the medium to long term.

During the "Fourteenth Five-Year" period, the Group will position in the new development stage, thoroughly implement the new development philosophy and build a new development paradigm. We will strengthen, optimize and expand each business, continue to reinforce the three core strengths of the "leading market position in the region, innovation-driven development, lowest total costs", commit to enhancing efficiency and quality of operation and improving the management standards of environmental protection, safety and health. We will deepen brand marketing and the construction of sales channels, consolidate market share, strengthen the capability in research and development of new products, new technologies and new materials, and promote construction of digitalization and intelligentization for the creation of competitive advantage by differentiation. The Group will actively fulfil corporate social responsibility, promote co-processing by use of cement kilns and foster green development of the industry. In addition, the Group will proactively seize the opportunities in the development of the Greater Bay Area, accelerate the pace of transformation and innovation, and advance the sustainable development of the cement industry in China.

## CORPORATE GOVERNANCE

During the Period, the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules except that all non-executive Directors were not appointed for a specific term in respect of code provision A.4.1 of the Corporate Governance Code. Since all Directors are subject to re-election by shareholders of the Company 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 Company complies with the same level as that required under this provision. Pursuant to the code provision E.1.2, the Chairman of the Board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on Friday, 14 May 2021 due to other business engagements.

## 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 Period.

## REVIEW OF INTERIM REPORT

The interim report encompassing the condensed consolidated financial statements for the Period which were not audited has been reviewed by the Audit Committee of the Company.

## APPRECIATION

I would like to take this opportunity to thank the Directors, the management team and all employees for their dedication and hard work, which contributed to the high-quality development of the Group's business. On behalf of the Board, I would also like to express our gratitude to shareholders, customers, suppliers, business partners and other stakeholders for their persistent trust and unfailing support to the Group.

## PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the Period will be published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the official website for corporate communication of the Company (www.irasia.com/listco/hk/crcement/index.htm) in due course.

By order of the Board
**China Resources Cement Holdings Limited**
**JI Youhong**
*Chief Executive Officer*

Hong Kong, 13 August 2021

*As at the date of this announcement and after the retirement of Mr. ZHOU Longshan, the non-executive Directors are Mr. LI Fuli (Chairman), Mr. CHEN Ying, Mr. WANG Yan and Madam WAN Suet Fei; the executive Director is Mr. JI Youhong (Chief Executive Officer); and the independent non-executive Directors are Mr. IP Shu Kwan Stephen, Mr. SHEK Lai Him Abraham, Madam ZENG Xuemin and Mr. LAM Chi Yuen Nelson.*