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)

2018 INTERIM RESULTS ANNOUNCEMENT

	For the six months ended 30 June		
	2018 (unaudited)	2017 (unaudited)	**Increase**
Turnover *(HK$ million)*	**18,513.9**	13,188.4	40.4%
Profit attributable to owners of the Company *(HK$ million)*	**4,026.0**	1,639.8	145.5%
Basic earnings per share	**HK$0.615**	HK$0.251	
Interim dividend per share	**HK$0.275**	HK$0.115	
	As at 30/6/2018 (unaudited)	As at 31/12/2017 (audited)	**Increase (Decrease)**
Total assets *(HK$ million)*	**61,499.9**	56,526.6	8.8%
Equity attributable to owners of the Company *(HK$ million)*	**37,050.9**	30,309.0	22.2%
Net borrowings *(HK$ million) (note 1)*	**5,799.3**	11,707.3	(50.5)%
Net gearing ratio *(note 2)*	**15.7%**	38.6%	
Net assets per share – book *(note 3)*	**HK$5.31**	HK$4.64	

notes:

1. Net borrowings equal to total bank borrowings and unsecured medium term notes less cash and bank balances and pledged bank deposits.

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

3. Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at 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 2018 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	**2018**	2017
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**18,513,869**	13,188,384
Cost of sales		**(11,218,600)**	(9,292,790)
Gross profit		**7,295,269**	3,895,594
Other income		**315,549**	141,162
Selling and distribution expenses		**(919,083)**	(779,575)
General and administrative expenses		**(795,635)**	(939,971)
Exchange gain		**44,570**	148,713
Finance costs	*4*	**(346,812)**	(308,779)
Share of results of associates		**77,848**	(4,521)
Share of results of joint ventures		**151,656**	33,595
Profit before taxation	*5*	**5,823,362**	2,186,218
Taxation	*6*	**(1,795,479)**	(573,454)
Profit for the period		**4,027,883**	1,612,764
Attributable to:			
Owners of the Company		**4,025,976**	1,639,802
Non-controlling interests		**1,907**	(27,038)
		4,027,883	1,612,764
Basic earnings per share	*7*	**HK$0.615**	HK$0.251

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30/6/2018 HK$'000 (unaudited)	As at 31/12/2017 HK$'000 (audited)
Non-current assets			
Fixed assets		**30,067,311**	30,902,575
Prepaid lease payments		**2,793,440**	2,816,137
Investment properties		**131,062**	131,176
Intangible assets		**2,306,343**	2,335,214
Interests in associates		**5,540,183**	5,535,302
Interests in joint ventures		**1,565,441**	1,425,223
Deposits for acquisition of fixed assets		**702,212**	706,307
Deferred tax assets		**267,233**	256,361
Long term receivables		**425,099**	464,008
Pledged bank deposits		**62,146**	59,250
		43,860,470	44,631,553
Current assets			
Inventories		**2,136,461**	1,717,455
Trade receivables	*8*	**4,179,896**	2,593,819
Other receivables		**1,051,158**	854,752
Loan to a fellow subsidiary		**–**	718,214
Amounts due from associates		**529,748**	503,933
Amounts due from joint ventures		**4,232**	13,821
Taxation recoverable		**33,153**	108,033
Pledged bank deposits		**–**	928
Cash and bank balances		**9,704,744**	5,384,094
		17,639,392	11,895,049

	Notes	**As at 30/6/2018** ***HK$'000*** **(unaudited)**	As at 31/12/2017 *HK$'000* (audited)
Current liabilities			
Trade payables	*9*	**3,230,419**	3,374,633
Other payables		**4,241,518**	4,966,250
Taxation payable		**1,073,561**	443,893
Bank loans – amount due within one year		**6,457,755**	6,572,157
		15,003,253	15,356,933
Net current assets (liabilities)		**2,636,139**	(3,461,884)
Total assets less current liabilities		**46,496,609**	41,169,669
Non-current liabilities			
Bank loans – amount due after one year		**5,550,116**	6,990,479
Unsecured medium term notes		**3,558,300**	3,588,900
Other long term payables		**9,954**	13,491
Deferred tax liabilities		**145,927**	94,358
		9,264,297	10,687,228
		37,232,312	30,482,441
Capital and reserves			
Share capital	*10*	**698,294**	653,294
Reserves		**36,352,556**	29,655,675
Equity attributable to owners of the Company		**37,050,850**	30,308,969
Non-controlling interests		**181,462**	173,472
Total equity		**37,232,312**	30,482,441

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 properties, 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 2017, except for the adoption of new standards effective as of 1 January 2018. 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 new and 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.

HKFRS 9	*Financial instruments*
HKFRS 15	*Revenue from contracts with customers and the related amendments*
HK(IFRIC) – Int 22	*Foreign currency transactions and advance consideration*
Amendments to HKFRS 2	*Classification and measurement of share-based payment transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts*
Amendments to HKAS 28	*Investments in associates and joint ventures clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
Amendments to HKAS 40	*Transfers of investment property*

The application of the above new and 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 is recognised when the goods are transferred at a point in time.

The information of segment results is as follows:

For the six months ended 30 June 2018 (unaudited)

	Cement *HK$'000*	**Concrete** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	**15,571,256**	**2,942,613**	**–**	**18,513,869**
Inter-segment sales	**509,632**	**1,075**	**(510,707)**	**–**
	16,080,888	**2,943,688**	**(510,707)**	**18,513,869**

Inter-segment sales are charged at prevailing market prices.

	Cement *HK$'000*	**Concrete** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
RESULTS				
Segment results	**5,738,869**	**237,861**	**–**	**5,976,730**
Interest income				**54,606**
Exchange gain				**44,570**
Finance costs				**(346,812)**
Unallocated net corporate expenses				**(135,236)**
Share of results of associates				**77,848**
Share of results of joint ventures				**151,656**
Profit before taxation				**5,823,362**

For the six months ended 30 June 2017 (unaudited)

	Cement *HK$'000*	Concrete *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	10,895,010	2,293,374	–	13,188,384
Inter-segment sales	362,698	1,265	(363,963)	–
	11,257,708	2,294,639	(363,963)	13,188,384

Inter-segment sales are charged at prevailing market prices.

	Cement *HK$'000*	Concrete *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
RESULTS				
Segment results	2,306,061	141,860	–	2,447,921
Interest income				33,283
Exchange gain				148,713
Finance costs				(308,779)
Unallocated net corporate expenses				(163,994)
Share of results of associates				(4,521)
Share of results of joint ventures				33,595
Profit before taxation				2,186,218

4. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Bank loans, unsecured bonds, commercial paper and medium term notes	**346,569**	301,539
Loan from a fellow subsidiary	**–**	7,106
Other long term payables	**243**	134
	346,812	308,779

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Total staff costs (including Directors' emoluments)	**1,277,441**	1,162,841
(Reversal of allowance) allowance for doubtful debts	**(14,724)**	18,745
Amortisation of mining rights (included in general and administrative expenses)	**46,109**	41,567
Depreciation of fixed assets	**1,005,528**	898,089
Impairment of fixed assets	**–**	36,231
Impairment of goodwill	**–**	78,934
Operating lease payments in respect of		
– rented premises	**30,210**	22,747
– motor vehicles	**238,670**	176,020
Release of prepaid lease payments	**38,194**	35,311
Interest income	**(54,606)**	(33,283)

6. TAXATION

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**13,391**	14,791
Chinese Mainland Enterprise Income Tax	**1,742,060**	469,522
	1,755,451	484,313
Deferred taxation		
Hong Kong	**5,583**	(2,672)
Chinese Mainland	**34,445**	91,813
	40,028	89,141
	1,795,479	573,454

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 which is calculated at 25% on the taxable income of the group entities in the Chinese Mainland, and 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, which are calculated at 10%, for both periods.

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**4,025,976**	1,639,802

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**6,547,854,944**	6,532,937,817

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

8. TRADE RECEIVABLES

	As at 30/6/2018	As at 31/12/2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables from third parties	**4,152,587**	2,545,810
Trade receivables from related parties	**27,309**	48,009
	4,179,896	2,593,819

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 30/6/2018	As at 31/12/2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**3,807,238**	2,327,362
91 to 180 days	**212,429**	140,690
181 to 365 days	**160,229**	125,767
	4,179,896	2,593,819

9. TRADE PAYABLES

	As at 30/6/2018 HK$'000 (unaudited)	As at 31/12/2017 HK$'000 (audited)
Trade payables to third parties	**3,217,761**	3,366,942
Trade payables to related parties	**12,658**	7,691
	3,230,419	3,374,633

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 30/6/2018 HK$'000 (unaudited)	As at 31/12/2017 HK$'000 (audited)
0 to 90 days	**3,056,982**	3,219,897
91 to 180 days	**96,020**	78,484
181 to 365 days	**45,303**	34,337
Over 365 days	**32,114**	41,915
	3,230,419	3,374,633

10. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Shares of HK$0.10 each in the share capital of the Company ("Share(s)")		
Authorised:		
At 1 January 2017, 31 December 2017 and 30 June 2018	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2017 and 31 December 2017	6,532,937,817	653,294
Issuance of Shares on 25 June 2018	450,000,000	45,000
At 30 June 2018	6,982,937,817	698,294

On 25 June 2018, 450,000,000 Shares were allotted and issued at HK$9.30 per Share to CRH (Cement) Limited.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.275 per Share for the Period (2017: HK$0.115). The interim dividend, which amounts to approximately HK$1,920.3 million (2017: HK$751.3 million), will be distributed on or about Friday, 28 September 2018 to shareholders whose names appear on the register of members of the Company after the close of business on Friday, 31 August 2018. Such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 September 2018 to Friday, 7 September 2018, 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, 31 August 2018 with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

BUSINESS ENVIRONMENT

In the first half of 2018, in the face of a complex and rapidly changing external environment, the Chinese government persistently sought progress amidst stability as its general keynote by requiring high-quality development and strengthening supply-side structural reform. The national economy remained generally stable and was steadily trending upwards. According to the statistics published by the National Bureau of Statistics of China, in the first half of the year, China's gross domestic products ("GDP") grew by 6.8% over the corresponding period last year to RMB41.9 trillion. National fixed asset investments ("FAI") (excluding rural households) increased by 6.0% to RMB29.7 trillion over the corresponding period last year.

According to the statistics published by the respective provincial bureaux of statistics, in the first half of 2018, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi, where the Group has operations, reached RMB4.6 trillion, RMB876 billion, RMB1.5 trillion, RMB243 billion, RMB701 billion, RMB663 billion and RMB748 billion, representing increases of 7.1%, 6.2%, 8.2%, 5.8%, 9.2%, 10.0% and 6.8% respectively over the corresponding period last year. Meanwhile, according to the National Bureau of Statistics of China, the changes in FAI of the aforementioned provinces were 10.1%, 11.5%, 13.4%, -4.8%, 11.0%, 17.4% and -19.5% respectively as compared with the corresponding period last year.

National infrastructure investments kept growing in the first half of the year. According to the statistics published by the National Bureau of Statistics of China, national infrastructure investments (excluding the production and supply of electricity, heat, gas and water) increased by 7.3% in the first half of 2018 over the corresponding period last year. According to the statistics published by the National Railway Administration of China, FAI on national railway amounted to RMB313.0 billion in the first half of 2018, representing an increase of 0.1% over the corresponding period last year. According to the statistics published by the Ministry of Transport of China, in the first half of 2018, FAI on highways and waterways amounted to approximately RMB980.6 billion in total, representing an increase of 1.4% over the corresponding period last year, among which, FAI on highways increased by 1.0% to RMB906.6 billion. Infrastructure investment has laid the foundation for cement demand.

On the back of regulation and control policies on property, housing market in China has been stabilizing and the growth in real estate investment remained steadily accelerating. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2018, the floor space of commodity housing sold in China increased by 3.3% over the corresponding period last year to 770 million m^2 and the sales amount increased by 13.2% to RMB6.7 trillion. Real estate investment in China reached RMB5.6 trillion, representing an increase of 9.7% over the corresponding period last year. The floor space of houses newly started construction increased by 11.8% to 960 million m^2 while the floor space of houses completed decreased by 10.6% to 370 million m^2. As at the end of June 2018, the floor space under construction by the real estate developers nationwide reached 7,100 million m^2, representing an increase of 2.5% over the corresponding period last year. The land area purchased by real estate developers amounted to 110 million m^2, representing an increase of 7.2% over the corresponding period last year. The stability of the real estate market will be conducive to the steady development of the cement industry.

THE INDUSTRY

In the first half of 2018, the cement demand in China remained stable. Cement price maintained a stable upward trend due to the increased market concentration and the improved competitive landscape of the industry.

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2018, the total cement production in China amounted to approximately 997 million tons, representing a decrease of 0.6% from the corresponding period last year. According to the statistics of China Cement Association, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi were 76.2 million tons, 56.1 million tons, 40.6 million tons, 9.4 million tons, 57.8 million tons, 51.8 million tons and 15.0 million tons, representing increases of 7.0%, 9.0%, 9.1%, 5.4%, 4.9%, 9.6% and 0.2% respectively as compared with the corresponding period last year.

According to the statistics of China Cement Association, in the first half of 2018, there were four new clinker production lines nationwide with new clinker production capacity of 7.2 million tons in total, which were located in Guizhou, Jiangxi and Heilongjiang respectively. During the Period, there were no new clinker production lines in Guangdong and Guangxi.

The Chinese government demanded comprehensive reinforcement of ecological and environmental protection by environmental law enforcement and intensive inspections. Supervisions on energy saving, environmental protection, safety and health are strengthened. These measures are beneficial to the sustainable development of the cement industry.

In June, the State Council of China issued national policies including the "Three-Year Action Plan for Winning the Blue Sky Defense Battle", which requires the cement industry to continuously eliminate excess capacity and strictly prohibit expansion of production capacity. Only new production capacity of definite necessity and in an equivalent or a lesser quantity as compared with the replaced production capacity can be added. In addition, in order to help the cement industry to eliminate obsolete capacity as well as strengthen the prevention and control of pollution, the government proposed a series of measures to expedite relocation, transformation, or closure and exit of enterprises in heavy polluted industries such as cement and chemical enterprises in urban built-up areas, legally shut down open-pit mines with indiscriminate mining and abusive excavation which pollute the environment and destroy the ecosystem, strengthen comprehensive dust control, and steadily develop prefabricated construction with adaptions to local environment.

Regarding energy saving and emission reduction, the Chinese government aims to reduce the total emissions of sulphur dioxide and nitrogen oxides in China by over 15% and the PM2.5 concentrations in cities at prefectural level or above, which failed to meet the national standards, by over 18% respectively by 2020 as compared with 2015. In major regions such as the Beijing-Tianjin-Hebei and surrounding areas, the Yangtze River Delta region and the Fenhe and Weihe Plain (Shanxi, Shaanxi, Henan), enterprises in major industries such as steel, coking, building materials, foundries, non-ferrous metals and chemical industries shall implement off-peak production during heating season and special emission limits for air pollutants including sulphur dioxide, nitrogen oxides and particulate matters.

In the first half of 2018, the first batch of central environmental protection inspectors completed all the "revisit" inspection work at ten provinces (districts) including Hebei, Inner Mongolia, Heilongjiang, Jiangsu, Jiangxi, Henan, Guangdong, Guangxi, Yunnan and Ningxia. Among which, cases were filed for 5,709 enterprises, which were penalized and fined for RMB511 million in total and 464 persons were held under administrative and criminal detention. In addition, the Ministry of Ecology and Environment of China will conduct intensive inspections in major regions for the Blue Sky Defense Battle from June 2018 to April 2019 for checking industrial enterprises' installation and operation of facilities for environmental protection, their compliance with emission levels, as well as the comprehensive rectification and control in all respects such as enterprises incompliant with the national or provincial industrial policies or local real estate development strategies which failed to comply with emission standards or other legal requirements, open-pit mines and flying dust.

In terms of mining, following the joint publication of the "Implementation Opinions on Accelerating Construction of Green Mines" by six ministries including the Ministry of Land and Resources and the Ministry of Finance of China last year, the Ministry of Natural Resources of China released nine industry standards including the "Green Mine Construction Specification of Cement Limestone Industry" in June this year in order to provide technical and managerial support for the development of green mines. Green mines refer to mines with eco-friendly mining areas, scientific excavation, highly effective use of resources, informationized and digitalized management, and harmonious integration of mining areas with local communities. The Chinese government requires industrial mines to accelerate transformations and upgrades, and newly built mines to comply with all the requirements of green mine construction. Mines included in the green mine register are entitled to benefit from various supporting policies such as mineral resources, land and financial support.

With regard to occupational health and safety, the Chinese government has been conducting investigations and prosecutions from April to October this year with a focus on the rectification status of occupational disease hazards. Illegal acts are penalized and rectifications are required to be completed within a time limit. Penalties or suspensions of production are imposed on enterprises failing to complete the requisite rectifications and they will be blacklisted. Enterprises with obsolete technology or serious hazards which are unable to rectify will be shut down according to law. Moreover, the Work Safety Committee of the State Council required cement enterprises to strictly implement production safety accountability systems, promote corporate production safety standardization, vigorously eliminate unsafe obsolete capacity and expedite the closure and exit of small-scale mines, chemical, cement and steel enterprises which do not comply with the requirements of production safety.

On the other hand, the Chinese government actively promotes the development of prefabricated construction. A prefabricated building is a building in which some or all components are prefabricated at factories and then assembled at the work site. Compared to traditional construction, prefabricated construction can reduce construction waste, energy consumption, noise and dust pollution during construction, which will help to improve standards of quality and safety. According to the "Thirteenth Five-Year Action Plan for Prefabricated Construction" issued by the Ministry of Housing and Urban-Rural Development of China, the government aimed at increasing the proportion of prefabricated buildings to newly constructed buildings in China to over 15% by 2020, among which, the targeted proportion in the major regions (Pearl River Delta, Yangtze River Delta, Beijing-Tianjin-Hebei) shall exceed 20%. Over 500 demonstration projects and over 30 technology innovation bases in more than 50 demonstration cities will be developed.

The government of Shenzhen City, Guangdong, released the "Special Plan for Prefabricated Construction Development in Shenzhen City (2018-2020)" in March this year. The Plan aims to increase the proportion of floor space of prefabricated buildings in the city to over 30% of floor space of newly constructed buildings by 2020, among which, the targeted proportion of floor space of prefabricated construction projects invested by the government will exceed 50%. Nanning City, Liuzhou City, Hezhou City and Yulin City are classified as the pilot cities of AR level for prefabricated construction by the Guangxi government. In January this year, the "Plan for Prefabricated Construction Development in Nanning City (2017-2020)" was published by the government of Nanning City, which aims to increase the proportion of prefabricated buildings in the City to over 20% of all newly constructed buildings by 2020. Developers of prefabricated construction projects in Guangdong and Guangxi are entitled to benefit from preferential policies such as award of additional floor space for construction and extension on the implementation scope of pre-sale. The Chinese government's vigorous promotion of prefabricated construction will foster the transformation and upgrade of the construction industry and bring about new development opportunities for the building materials industry.

TRANSFORMATION AND INNOVATION

The Group has always been fulfilling corporate social responsibility and supporting the national policies of energy saving and emission reduction. Technological advancements for environmental protection and lean management are implemented to reduce energy consumption and strictly control emission of pollutants. Co-processing of municipal solid waste ("Municipal Waste"), urban sludge ("Urban Sludge") and hazardous industrial waste ("Hazardous Waste") by use of cement kilns ("Co-Processing") are actively promoted in order to stimulate the mutual sustainable development of the corporate and the society.

In the first half of 2018, the Group's continuous efforts in energy saving, environmental protection and production safety were recognized by the industry and the society. These include:

- In February 2018, the limestone mines for cement production at Dingxiang Hill of China Resources Cement (Guigang) Limited and the limestone mines at Shiling Tou, Lianshan Town of China Resources Cement (Fuchuan) Limited were included in the register of the first batch of green harmonious mines by the Department of Land and Resources of Guangxi;

- In April 2018, the Tangmu quarry at Liangtang Town of China Resources Cement (Luoding) Limited was included in the register of the first batch of provincial-level green mines by the Department of Land and Resources of Guangdong;

- In May 2018, China Resources Cement Holdings Limited was awarded the "EcoChallenger" of "BOCHK Corporate Environmental Leadership Awards 2017" by the Federation of Hong Kong Industries;

- In June 2018, China Resources Cement (Shangsi) Limited was shortlisted as an energy-efficient "pace-setter" in major energy-consuming industries in 2017 jointly published by the Ministry of Industry and Information Technology of China and the State Administration for Market Regulation.

The Group believes that innovation is the core momentum for long-term corporate development. In June 2018, the Group entered into a strategic co-operation agreement with Siemens Ltd., China whereby the parties will strengthen co-operation in the aspects of electrification, automation and digitization, jointly research the application of intelligent manufacturing in the cement industry and explore solutions to energy saving, quality improvement and labour productivity enhancement.

Given the government's encouragement on the development of prefabricated construction in combination with the strategic plan for extension of industry chain, prefabricated construction business will be one of the key new businesses for the Group's development in the future. The Group established a joint venture in Guangdong, namely DongGuan RunYang United Intelligent Manufacturing Company Limited, and had planned to build two production plants for prefabricated construction components in Nanning City, Guangxi, and Zhanjiang City, Guangdong. In the future, the Group will actively promote the implementation of prefabricated construction projects in other cities in Guangdong and Guangxi.

CAPACITY UTILIZATION

The utilization rates of the Group's cement, clinker and concrete production lines during the Period were 96.7%, 108.5% and 38.0% as compared with 87.2%, 105.9% and 34.8% respectively for the corresponding period last year.

COST MANAGEMENT

Operational Management

In the first half of 2018, the Group continued to gauge the performance indicators of production and operation, refine and analyze operational indicators, and strengthen internal benchmark management to further enhance operational efficiency.

The Group is committed to promoting key projects for energy saving and technological advancement as well as implementing lean management. Among which, through its independent innovation, the Group has successfully solved the technical difficulties in controlling water inrush into the limestone mine of the cement production plant in Pingnan caused by cave mining. The appraisal committee consisting of nine renowned experts (four of them were scholars from the Chinese Academy of Engineering) accredited the technological results of this project as an "achievement of world-class pioneer standard". In addition, ceramic ball technology has been used at the production plants in Guigang and Jinjiang, which helps to reduce power consumption. The project for reducing repair cost of mining truck tyres has also been extended to all the production plants of the Group. On the other hand, the Group has also been actively promoting the project for technological advancement in digital cement bagging machines. As of the end of June 2018, the Group has completed the technological advancement, upgrade and reform of 104 cement bagging machines in total. After the technological advancement, the precision in weighing and the operational efficiency of the bagging machines have been enhanced, which further increases economic benefits.

Procurement Management

In the first half of 2018, the Group purchased a total of approximately 5.22 million tons of coal (4.84 million tons in the first half of 2017), representing an increase of approximately 7.8% over the corresponding period last year; among which, approximately 79% and 21% were sourced from northern China and neighbouring areas of our production plants respectively (65%, 19% and 16% from northern China, neighbouring areas of our production plants and Australia respectively in the first half of 2017). The proportion of direct procurement from coal producers increased to approximately 84% (75% in the first half of 2017). In the future, the Group will continuously strengthen co-operation with large-scale domestic coal suppliers, adjust the proportion of imported coal according to the national policy on coal import and maintain the procurement channels of imported coal in order to secure a stable supply of high-quality coal.

The Group is dedicated to streamlining the supplier management system. A supplier relationship management system has been independently developed, which enables the Group to manage all procurement activities and suppliers online so as to optimize supplier management strategies and business workflow for improving the procurement efficiency. In the first half of 2018, the Group completed the first comprehensive optimization of the supplier relationship management system and achieved 35 optimization items including control on bidding time and standardization of contract templates, which have further improved the business processing workflow and substantially reduced the processing time. In addition, the "Sunshine Procurement" has been regarded as the Group's primary principle of procurement practice. All personnel entering the procurement system have to participate in the "Sunshine Declaration" ceremony and thereafter the integrity education and training twice a year, in order to ensure the openness and transparency of all procurement information as well as the integrity of and compliance with all procurement practices.

Logistics Management

Logistics management is one of the Group's key measures in maintaining its market competitiveness. In the first half of 2018, the total social logistics costs were on a rising trend due to the strict control on vehicle overloading, environmental protection inspections and increasing energy costs. During the Period, the Group actively organized logistics research and tenders and optimized the layout of silo terminals. The Group also promoted innovative ways such as the mode of delivery by self-unloading ships along rivers in order to enhance the requirements of environmental protection and reduce the impact of rising logistics costs.

In the first half of 2018, the annual shipping capacity of the Group along the Xijiang River was approximately 33.4 million tons, which secures stable and continuous logistics capabilities for the Group's business development. In addition, the Group controlled the operations of 41 silo terminals with annual capacity of approximately 28.4 million tons, which are mainly located in the Pearl River Delta Region of Guangdong. This consolidates the Group's leading market position in Guangdong.

The Group is dedicated to providing excellent services to customers and continuously enhancing the standards of logistics digitalization. The Group's "Smart Card" system has been launched at four cement production plants of the Group, which significantly increases delivery efficiency. In addition, the Group has rolled out its mobile application for placing sales orders of cement products in all the regions at which the Group has operations. 47.7% of the total sales orders delivered by truck were placed through the mobile application.

BRAND BUILDING

In the first half of 2018, the Group proactively launched the "Brand Building Year" development strategy. The strategy aims to enhance the brand image and reputation through standardizing brand management, designing brand image promotion and enriching modes of brand promotion. Incorporating the themes of our study grants at Runfeng brand anniversary, the Group organized more than 30 brand promotion events, which were complemented with a variety of items on sale and brand promotional materials. In addition, the Group further promoted franchise stores of the brand image and co-operation schemes with key users for intensifying brand penetration to target customers such as distributors, retail stores and key users.

SUSTAINABLE DEVELOPMENT

Energy Saving and Emission Reduction

The Group proactively supports the national policies of environmental protection on energy saving and emission reduction. All the clinker production lines of the Group have been equipped with residual heat recovery generators, denitration systems and bag filters. In addition, the Group upgraded the existing desulphurization systems according to their operational situation by introducing composite desulphurization systems. As of the end of June 2018, the Group has completed the construction of 11 sets of composite desulphurization systems in total. Our emission levels of nitrogen oxides, sulphur dioxide and particulate matters are lower than the national standard limits of pollutant emissions, placing the Group in a leading position in the cement industry. On the other hand, the Group achieved reduction of energy consumption and composite utilization of resources through optimization of the production prescription and effective use of resources such as industrial waste and waste limestone.

Co-Processing

The Group is dedicated to transformation for environmental protection by proactive advocate of co-processing projects by use of cement kilns for fostering sustainable development of the industry. Following the completion of construction and the commencement of operations of the Municipal Waste Co-Processing project in Binyang County, Guangxi with daily processing capacity of 300 tons, the Urban Sludge Co-Processing project in Nanning City, Guangxi with daily processing capacity of 300 tons and the Urban Sludge Co-Processing project of a joint venture in Guangzhou City, Guangdong with daily processing capacity of 300 tons, the construction of the Hazardous Waste Co-Processing project in Changjiang County, Hainan with annual processing capacity of approximately 30,000 tons was completed and commenced trial operations in February 2018.

In addition, the Group's Municipal Waste Co-Processing projects in Tianyang County, Guangxi with daily processing capacity of 500 tons and in Midu County, Yunnan with daily processing capacity of 300 tons, as well as the Municipal Waste Co-Processing project of an associate in Fengqing County, Yunnan with daily processing capacity of 300 tons, have commenced trial operations.

Production Safety

The Group keeps improving the management system and strengthening safety management of counterparties, and proactively conducts supervision and inspection works. In the first half of 2018, the Group promulgated and implemented the "Environment, Health and Safety ("EHS") Incident Accountability Ordinance of China Resources Cement" and the "EHS Accountability System of Roles at China Resources Cement". The EHS accountability assessment system is also continuously improved. In order to enhance production safety, the Group persistently explores and applies new technologies in respect of management of silo clearing, construction of workshops for prefabricated materials of explosives, use and promotion of mixed explosives, commuter vehicle monitor system and dust control. In the first half of the year, the Group conducted safety inspections on the mines of 8 production plants, on-site supervision on the repairs and maintenance as well as management of counterparties at 9 cement production plants, and inspections and assistance to the production lines of 17 concrete plants.

The Group is committed to production safety standardization and raising the overall standards of safety management through continuous improvement on fundamental management and innovative management models. The Group has 217 specialized safety management personnel, including 58 registered safety engineers, representing increases of 12 and 14 respectively as compared with the end of 2017. As of the end of June 2018, 25 cement production plants of the Group have passed the on-site assessments as the First-Class Enterprise in National Production Safety Standardization.

In addition, the Group pays keen attention to safety training. In the first half of the year, the aggregate duration of training for staff amounted to 184,600 hours, whereas that for counterparties amounted to 30,500 hours. 492 emergency drills were conducted with 8,773 participants in attendance. During the Production Safety Month, 821 safety activities, including Safety Open Day, Road Safety Promotion Week, EHS Knowledge Competitions, safety training and video learning, were organized at each major region and production plant with 66,709 participants in attendance. Safety activities have effectively encouraged all staff members to participate in safety management, aroused corporate safety culture, and implanted safety management in staff, families and society.

INNOVATION, RESEARCH AND DEVELOPMENT

Capability of Research and Development

As of the end of June 2018, the laboratory of the Group's Research and Development Centre had 42 specialized employees, including 33 research and development ("R&D") personnel. 3 of them hold doctoral degrees and 14 of them hold master's degrees. 5 of them are senior engineers, including 1 professorate senior engineer.

In addition, the Group applies for patent licenses for its various R&D achievements. In the first half of 2018, the Group was newly granted 12 patent licenses, among which, 1 was invention and 11 were utility models. The patents mainly included equipment and systems for energy saving, emission reduction and enhancement of production and operation efficiency, as well as new materials. As of the end of June 2018, the Group held 122 patent licenses, including 16 inventions and 106 utility models.

In the first half of 2018, the laboratory of the Group's Research and Development Centre provided systematic checks, tests and diagnosis on the quality of production workmanship for production plants including Fengkai, Huizhou and Luoding, Guangdong. Workmanship quality has been improved through optimizing major oxide ratio of clinker, optimizing the workmanship of raw materials grinding, and diagnosis of thermal engineering, all of which were conducive to further reducing energy consumption at production and improving product quality. In addition, in the first half of 2018, the laboratory of Research and Development Centre provided 833 checks and tests for the Group's production plants, effectively supporting lean operations of production plants.

During the Period, the Group conducted R&D on numerous new products and new technologies to meet the needs of different markets and customers. Among which, the "Wang Pai Gong Jiang 2.0" product could replace ceramic tile adhesives. In February this year, the Group launched masonry cement M22.5 in Shanxi with a focus on the renovation market. The Group, in co-operation with China Building Materials Academy, South China University of Technology, CCCC Fourth Harbor Engineering Co., Ltd. and other partners, jointly developed high corrosion-resistant cement for marine engineering. This project is progressing smoothly. In addition, the Group launched R&D and production of low-calcium clinker, as well as the development of various new products and new technologies such as concrete mineral admixture, coal combustion characteristic analysis and Ultra High Performance Concrete.

All-Staff Innovation

The Group is fully aware of the importance of strategic innovation development for the transformation and upgrade of the traditional cement companies. The Group continuously improves its innovation system, creating an atmosphere of innovation to encourage all-staff innovation through organizing innovation competitions and enriching innovation activities. In April 2018, the Group held the annual Innovation Conference to share the innovation achievements with our staff. At the same time, the Group makes full use of its innovation platform to lead interactions for all-staff innovation and unleash enthusiasm for innovation. As of the end of June, more than 5,000 creative ideas have been collected cumulatively, including innovation projects such as innovative technological advancement of mobile dust collection systems, improvement of the fourth-generation clinker grate cooler chambers and development for production of desulphurization reagent.

EXTENSION OF INDUSTRY CHAIN

Given the government's encouragement on the development of prefabricated construction, and in combination with the needs for extension of industry chain and future development of the Group, prefabricated construction business will be one of the key new businesses for the Group's development in the future.

The Group and Shenzhen Capol International & Associates Co., Ltd. established a joint venture in Guangdong, namely DongGuan RunYang United Intelligent Manufacturing Company Limited, which is held as to 49% by the Group. With design annual production capacity of precast concrete components of approximately 40,000 m^3, the joint venture is dedicated to providing customers with systematic solutions to prefabricated construction which integrate product design, production, manufacturing, construction and installation.

The Group is also proactively working with local governments in Guangdong and Guangxi to explore opportunities for the development of prefabricated construction business.

In May 2018, the Group successfully won the bid for an industrial land in the Wuhe Lingang Industrial Park, Yongning District, Nanning City, Guangxi, for the production of prefabricated construction components. The project is planned to cover the total land area of approximately 200,000 m^2 with design annual production capacity of approximately 400,000 m^3. The area of the industrial land acquired this time is approximately 110,000 m^2. Construction is expected to commence in the first half of 2019.

In July 2018, the Group successfully won the bid for an industrial land in the Lingbei Industrial Park, Suixi County, Zhanjiang City, Guangdong, designated for the project of a modernized factory of prefabricated construction components. The project is planned to cover the total land area of approximately 210,000 m^2 with design annual production capacity of approximately 400,000 m^3. The area of the industrial land acquired this time is approximately 180,000 m^2. Construction is expected to commence in the first half of 2019.

In addition, the Group is exploring opportunities to develop the aggregate business in the regions at which the Group has operations. In the future, the Group will fully utilize the synergetic advantages in its businesses of cement, concrete, aggregate and prefabricated construction to achieve integrated business development and further strengthen the Group's core competitiveness.

EMPLOYEES

General Information

As at 30 June 2018, the Group employed a total of 20,362 full-time employees (20,592 as at 31 December 2017) of whom 156 were based in Hong Kong (159 as at 31 December 2017) and the remaining 20,206 were based in the Chinese Mainland (20,433 as at 31 December 2017). A breakdown of our employees by function is set out as follows:

	As at 30 June 2018	As at 31 December 2017
Management	**391**	390
Finance and administration	**2,936**	2,886
Production and technical	**14,189**	14,710
Quality control	**1,938**	1,897
Sales and marketing	**908**	709
Total	**20,362**	20,592

Among our 391 senior and middle-level managerial staff (390 as at 31 December 2017), 89% are male (89% as at 31 December 2017) and 11% are female (11% as at 31 December 2017), 73% possess university degrees or above (65% as at 31 December 2017), 23% have received post-secondary education (28% as at 31 December 2017) and their average age is about 46 (46 as at 31 December 2017). We offer our employees remuneration packages mainly on the basis of individual performance and experience and also having regard to common practice in the industry, including basic wages, allowance, performance related bonuses and other staff benefits. The Company has established a long term award scheme whereby eligible employees of the Group may be granted cash benefits.

Staff Development

The Group attaches great importance to the career development of its employees. Multiple paths have been built for their career progression, and job appraisals for the professional series have been conducted in order to provide security of talents for achieving strategic goals and steady development of the Company. In the first half of 2018, through series of special training projects in leadership, professional capabilities and technical capabilities, China Resources Cement College continuously promoted building teams with three types of talents, namely, "knowledge, innovation and skill". A total of 34 training courses were organized with 1,650 participants, representing an increase of 74.3% over the corresponding period last year.

During the Period, in order to incentivize and cultivate a team of excellent and talented trainers, the Group organized an event for the appraisal and accreditation of its outstanding courses and lecturers for 2017. A total of 14 lecturers were accredited as outstanding lecturers, and 8 courses were accredited as outstanding courses.

In the first half of 2018, the Group continued to optimize the information system for staff training and the i-learning online learning platform. In addition, since the launch of the mobile training application last year, the Group has been promoting course development on the mobile application and encouraging staff's initiatives to self-study and train through the mobile application platform. As of the end of 30 June 2018, a total of 433 courses had been developed on the mobile training application, with a total of 8,134 users.

REVIEW OF OPERATIONS

Turnover

The consolidated turnover for the Period amounted to HK$18,513.9 million, representing an increase of 40.4% from HK$13,188.4 million for the corresponding period last year. An analysis of segmental turnover by product is as follows:

	For the six months ended 30 June					
	2018			2017		
	Sales volume *'000 tons/m³*	**Average selling price** *HK$ per ton/m³*	**Turnover** *HK$'000*	Sales volume *'000 tons/m³*	Average selling price *HK$ per ton/m³*	Turnover *HK$'000*
Cement	**38,063**	**391.4**	**14,897,227**	33,608	294.6	9,901,588
Clinker	**2,058**	**327.5**	**674,029**	4,003	248.2	993,422
Concrete	**6,949**	**423.5**	**2,942,613**	6,175	371.4	2,293,374
Total			**18,513,869**			13,188,384

During the Period, our external sales volume of cement, clinker and concrete increased by 4.5 million tons, decreased by 1.9 million tons and increased by 774,000 m^3, representing an increase of 13.3%, a decrease of 48.6% and an increase of 12.5% respectively from the corresponding period last year. During the Period, approximately 70.8% of the cement products we sold were 42.5 or higher grades (68.3% for the corresponding period in 2017) and approximately 40.7% were sold in bags (46.2% for the corresponding period in 2017). Internal sales volume of cement for our concrete production was 1.4 million tons (1.3 million tons for the corresponding period in 2017), representing 3.6% of the total volume of cement sold (3.7% for the corresponding period in 2017).

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

	For the six months ended 30 June					
	2018			2017		
Province/Autonomous Region	**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	**14,427**	**430.8**	**6,215,529**	13,546	307.9	4,170,332
Guangxi	**11,885**	**353.4**	**4,199,808**	9,794	265.5	2,600,339
Fujian	**4,554**	**395.9**	**1,802,798**	3,593	268.7	965,401
Hainan	**2,330**	**439.3**	**1,023,499**	2,411	368.0	887,288
Yunnan	**2,668**	**364.3**	**971,933**	2,558	324.1	829,168
Guizhou	**1,133**	**336.5**	**381,198**	836	259.1	216,604
Shanxi	**1,066**	**283.7**	**302,462**	870	267.2	232,456
Total	**38,063**	**391.4**	**14,897,227**	33,608	294.6	9,901,588

The average selling prices of cement, clinker and concrete for the Period were HK$391.4 per ton, HK$327.5 per ton and HK$423.5 per m^3, representing increases of 32.9%, 32.0% and 14.0% respectively from the corresponding period last year. The average selling prices of our products were stable throughout the Period.

Costs of sales

The consolidated cost of sales of the Group comprised coal, electricity, materials and other costs, which represented 34.8%, 12.3%, 31.5% and 21.4% of the cost of sales respectively for the Period (32.4%, 13.3%, 31.3% and 23.0% for the corresponding period in 2017 respectively). As for cement products, coal, electricity, materials and other costs represented 40.9%, 14.5%, 21.3% and 23.3% of its costs respectively for the Period (37.8%, 15.6%, 21.8% and 24.8% for the corresponding period in 2017 respectively). Materials cost is the major component of the cost of sales of concrete, representing 91.6% of the cost of sales of concrete for the Period (90.3% for the corresponding period in 2017).

The average price of coal we purchased for the Period was approximately HK$800 per ton, representing an increase of 14.6% from the average price of HK$698 per ton for the corresponding period last year, while the average thermal value of coal decreased by 0.7% to 5,235 kcal per kg. During the Period, our unit coal consumption slightly increased to 147.6 kg per ton of clinker produced from the average of 146.4 kg for the corresponding period in 2017. Our standard coal consumption increased to 106.6 kg per ton of clinker for the Period from the average of 106.4 kg for the corresponding period last year. As a result of the increase in coal price and coal consumption, our average coal cost of production for the Period increased by 15.5% to HK$118.0 per ton of clinker produced from HK$102.2 for the corresponding period in 2017.

Our average electricity cost increased by 4.4% from HK$31.8 per ton of cement to HK$33.2 for the Period. Had the effect of the increase in exchange rate been excluded, the average electricity cost would have decreased by 4.2% from the corresponding period last year. During the Period, we enjoyed the benefits of lower electricity tariff for a total of 1,882.1 million kwh of electricity consumed, which accounted for 59.9% of the total electricity consumption for the production of cement products, and saved HK$100.3 million under direct power supply agreements and price bidding arrangements. We managed to improve our electricity consumption to 73.8 kwh per ton of cement for the Period (74.6 kwh for the corresponding period in 2017), representing a cost saving of approximately HK$19.8 million (HK$27.2 million for the corresponding period in 2017). Our residual heat recovery generators generated 996.7 million kwh of electricity for the Period, representing an increase of 3.6% over 962.5 million kwh in the corresponding period last year. The electricity generated during the Period accounted for approximately 31.7% of our required electricity consumption (32.9% for the corresponding period in 2017) and we achieved a cost saving of approximately HK$512.4 million for the Period (HK$473.6 million for the corresponding period in 2017).

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$503.0 million, representing an increase of 12.7% from HK$446.5 million for the corresponding period last year.

Gross profit and gross margin

The consolidated gross profit for the Period was HK$7,295.3 million, representing an increase of 87.3% from HK$3,895.6 million for the corresponding period last year and the consolidated gross margin was 39.4%, representing an increase of 9.9 percentage points from 29.5% for the corresponding period last year. The increases in consolidated gross profit and gross margin for the Period were mainly attributable to the higher selling prices of our products compared to the corresponding period last year. The gross margins of cement, clinker and concrete for the Period were 42.3%, 37.0% and 25.1%, as compared with 31.0%, 23.1% and 26.0% respectively for the corresponding period last year.

Other income

Other income for the Period was HK$315.5 million, representing an increase of 123.5% from HK$141.2 million for the corresponding period last year. This was mainly due to increases in government incentives, sales of scrap and raw materials and interest income by HK$107.8 million, HK$32.0 million and HK$21.3 million respectively as compared with the corresponding period last year.

Selling and distribution expenses

Selling and distribution expenses for the Period were HK$919.1 million, representing an increase of 17.9% from HK$779.6 million for the corresponding period last year. As a percentage to consolidated turnover, selling and distribution expenses decreased to 5.0% for the Period from 5.9% for the corresponding period last year.

General and administrative expenses

General and administrative expenses for the Period were HK$795.6 million, representing a decrease of 15.4% from HK$940.0 million for the corresponding period last year. During the Period, there was a reversal of allowance for doubtful debts in the amount of HK$14.7 million (allowance for doubtful debts in the amount of HK$18.7 million for the corresponding period in 2017). During the corresponding period last year, an impairment of goodwill and an impairment of fixed assets in the amounts of HK$78.9 million and HK$36.2 million were made respectively. As a percentage to consolidated turnover, general and administrative expenses decreased to 4.3% for the Period from 7.1% for the corresponding period last year.

Exchange gain

An exchange gain of HK$44.6 million was generated from non-RMB denominated net borrowings of the Group mainly due to the appreciation of RMB against other currencies during the Period (HK$148.7 million for the corresponding period in 2017).

Share of results of associates

The associates of the Group contributed a profit of HK$77.8 million for the Period (loss of HK$4.5 million for the corresponding period in 2017) of which loss of HK$18.8 million, profit of HK$28.5 million and profit of HK$66.5 million (profit of HK$8.5 million, loss of HK$21.5 million and profit of HK$8.4 million for the corresponding period in 2017) were attributable to the Group's associates operating in Inner Mongolia, Fujian and Yunnan respectively. During the Period, the performance of our associates operating in Inner Mongolia deteriorated mainly due to the slacked market demand as compared with the corresponding period last year. The better performance of our associates operating in Fujian and Yunnan was mainly attributable to the improved competitive landscape.

Share of results of joint ventures

Our joint ventures principally operating in Guangzhou area contributed a profit of HK$151.7 million for the Period (HK$33.6 million for the corresponding period in 2017). The improved performance of the joint ventures was mainly attributable to the higher selling prices of cement products in Guangdong during the Period, which was in line with the Group's operation in the vicinity.

Taxation

The effective tax rate of the Group for the Period was 30.8%, as compared with 26.2% for the corresponding period last year. Had the effect of the results of associates and joint ventures, the exchange gain, 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 25.8% (28.6% for the corresponding period in 2017).

Net margin

Net margin of the Group for the Period was 21.8%, which was 9.6 percentage points higher than that of 12.2% for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 30 June 2018	As at 31 December 2017
	'000	*'000*
HK$	**3,777,016**	268,075
RMB	**5,047,115**	4,324,284
US$	**439**	383

As at 30 June 2018, the Group's banking facilities amounted to HK$4,300.0 million and RMB14,950.0 million, of which RMB8,451.5 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK$12,007.9 million equivalent (HK$13,562.6 million equivalent as at 31 December 2017) comprised loans in the following currencies:

	As at 30 June 2018	As at 31 December 2017
	'000	*'000*
HK$	**4,300,000**	4,300,000
RMB	**6,498,500**	7,220,000
US$	**–**	80,000

The bank loans are repayable as follows:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
Within one year	**6,457,755**	6,572,157
After one year but within two years	**895,980**	4,394,721
After two years but within five years	**4,654,136**	2,595,758

The bank loans of the Group as at 30 June 2018 and 31 December 2017 were unsecured.

As at 30 June 2018, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$7,707.9 million and HK$4,300.0 million respectively (HK$8,637.3 million and HK$4,925.3 million as at 31 December 2017).

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 2018.

Under the terms of certain agreements for total banking facilities of HK$10,171.2 million equivalent with expiry dates from October 2018 to December 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$10,171.2 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Group as at 30 June 2018, calculated by dividing net borrowings by equity attributable to owners of the Company, was 15.7% (38.6% as at 31 December 2017).

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 2018 and 31 December 2017. As at 30 June 2018, non-RMB denominated debts accounted for 28% of the total debts of the Group (29% as at 31 December 2017).

CHARGES ON ASSETS

As at 30 June 2018, there was no charge on assets by the Group (Nil as at 31 December 2017).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,701.4 million (RMB1,715.6 million as at 31 December 2017) granted to associates, of which RMB1,570.9 million (RMB1,666.6 million as at 31 December 2017) had been utilized.

ISSUE FOR CASH OF EQUITY SECURITIES

Pursuant to the placing, underwriting and subscription agreement dated 11 June 2018, CRH (Cement) Limited placed 450 million Shares at a price of HK$9.30 per Share to no less than six independent placees and thereafter subscribed, was allotted and issued 450 million ordinary Shares at a price of HK$9.30 per Share by the 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 placing and top-up subscription will strengthen 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 utilised**	**Amount utilised during the Period**	**Expected timeline of utilisation**
	HK$'000	*HK$'000*	
Development of prefabricated construction business	1,672,000	–	From 2018 to 2020
Development of aggregate business	1,254,000	–	By 2020
Repayment of debts	836,000	600,000	From 2018 to the first half of 2019
General working capital of the Group	418,279	418,279	Not applicable
Total	4,180,279	1,018,279	

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 2018, the Group had outstanding capital expenditure for production plants under construction in the amount of HK$2,173.1 million. Details of these production plants are as follows:

Projects	**Total capital expenditure for the project**	**Expended as at 31 December 2017**	**Expended during the Period**	**Outstanding capital expenditure as at 30 June 2018**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Construction of production lines in Anshun City, Guizhou, with total annual capacities of 2.0 million tons of cement and 1.4 million tons of clinker	1,464.1	355.7	37.3	1,071.1
Construction of a production plant for prefabricated construction components with design annual capacity of 400,000 m^3 in Zhanjiang City, Guangdong	479.5	–	34.5	445.0
Construction of a production plant for prefabricated construction components with design annual capacity of 400,000 m^3 in Nanning City, Guangxi	544.0	–	16.1	527.9
Construction of five concrete batching plants with total annual capacity of 2.7 million m^3	158.4	26.7	2.6	129.1
Total	2,646.0	382.4	90.5	2,173.1

Payment of capital expenditure

In addition to the capital expenditure on the production plants under construction, 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 2018. Total payments for capital expenditure of the Group are expected to be approximately HK$854.3 million in the second half of 2018 and HK$1,423.1 million in the year ending 31 December 2019, which will be financed by proceeds from placing of Shares and internally generated funds.

Apart from the foregoing, the Group has planned and intended capital expenditures for the development of prefabricated construction business in the amount of approximately HK$699.1 million and for the development of aggregate business in the amount of approximately HK$1,254.0 million respectively, which will be financed by proceeds from placing of Shares.

STRATEGIES AND PROSPECTS

2018 is the critical year in transition between the first and second halves of the "Thirteenth Five-Year" Plan in China. The Chinese government will promote development of high quality and intensify supply-side structural reform. The government is determined in winning the "Top Three Tough Battles", namely, prevention and resolution to substantial risks, targeted poverty alleviation and the Blue Sky Defense Battle for pollution prevention, thus fostering a stable and healthy economic development. According to the Report on the Work of the Chinese government, the targeted GDP growth in 2018 is approximately 6.5%.

In terms of construction of transportation infrastructure, according to the Report on the Work of the Chinese government, in 2018, the targeted FAI on railways will reach RMB732.0 billion and the targeted FAI on highways and waterways will reach approximately RMB1.8 trillion. According to the statistics published by the Ministry of Transport of China, during the "Thirteenth Five-Year" period, the total investments in transportation will reach RMB15 trillion, representing an increase of approximately 20% from RMB12.5 trillion during the "Twelfth Five-Year" period. Among which, the investments in railways, highways and waterways will be RMB3.5 trillion, RMB7.8 trillion and RMB0.5 trillion respectively.

As of the end of 2017, the total operational length of railways in China reached approximately 127,000 km, among which, high-speed railways accounted for 25,000 km, while the total operational length of highways reached approximately 4,770,000 km. According to the "Thirteenth Five-Year Plan on the Development of Modern Complex Transportation System" issued by the State Council of China, it is targeted that by 2020, the total operational length of railways in China will reach approximately 150,000 km, among which, that of high-speed railways will reach approximately 30,000 km, and the total operational lengths of highways and urban rail transit will reach 5,000,000 km and 6,000 km respectively.

In respect of real estate, the Chinese government insists on the position that "houses are for the purpose of living and not speculation" and carries out more severe measures to suppress housing price hike, which has had certain impact on the real estate market. Meanwhile, in order to promote the long-term stable and healthy development of the property market, the government implements differentiated regulations and controls, supports the demand for owner-occupiers' dwellings, cultivates the residential property tenancy market, increases the protection from public rental housing. In addition, the Chinese government promotes new-type urbanization and accelerates the grant of urban residency to rural migrants. Strategies for rural revitalization will be implemented to improve infrastructure for water supply, power supply and information technology. The government plans to build and renovate 200,000 km of rural roads in 2018, and aims to achieve the completion of construction of tarmac and cement roads at rural towns and administrative villages with the necessary conditions by the end of 2019. It is also targeted that, by 2020, impoverished regions will be basically connected to the main national highways, and county seats with the necessary conditions will be connected to roads of Grade II or above.

In terms of regional development, the Chinese government is supportive of the construction of the Guangdong-Hong Kong-Macau Greater Bay Area. In May 2018, the State Council issued the "Further Deepening the Reform and Opening-up of China (Guangdong) Pilot Free Trade Zone" to create a pioneer zone for a new open economic system, a top-class externally open gateway hub and a demonstration zone for greater co-operation in the Guangdong-Hong Kong-Macau Greater Bay Area. In April 2018, the State Council issued the "Guiding Opinions on Supporting Hainan for Comprehensively Deepening Reform and Opening-up" which plans to build a pilot free trade zone and a Chinese-style free trade port in Hainan. The construction of the Greater Bay Area will raise the competitiveness of the Pan Pearl River Delta Region, radiating to the neighbouring provinces such as Guangxi and Hainan, and drive the regional demand for building materials such as cement and concrete in the medium to long term.

Looking ahead, under the supply-side structural reform and strict policies on environmental protection in China, the cement industry will encounter new opportunities and challenges. Positioning in Southern China, the Group will seek business opportunities and proactively seize the opportunities in the construction of Guangdong-Hong Kong-Macau Greater Bay Area and the development of the prefabricated construction industry. During the "Thirteenth Five-Year" period, the Group will continue to strive for the lowest total cost with a leading market position in the region through the control, conversion and distribution of resources. Meanwhile, the Group will proactively fulfil corporate social responsibility, promote waste co-processing projects by use of cement kilns, and strengthen brand building in terms of marketing. The Group will further enhance the capability in R&D of products, technologies and materials in order to drive for further development with innovation and create competitive advantage by differentiation. In the future, the Group will actively promote transformation for environmental protection, explore opportunities of upstream and downstream expansion in the industry, seek strategic co-operation with domestic and international leading cement enterprises for joint promotion of 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. 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 corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

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 has been reviewed by the Audit Committee of the Company.

APPRECIATION

I would like to thank the Directors, the management team and all employees for their dedication and hard work which contributed to the significant improvement of the Group's business. On behalf of the Board, I would also like to express our sincere thanks to shareholders, clients, suppliers, business partners and other stakeholders for their continuing trust and unfailing support.

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
ZHOU Longshan
Chairman

Hong Kong, 10 August 2018

As at the date of this announcement, the executive Directors are Mr. ZHOU Longshan, Mr. JI Youhong and Mr. LAU Chung Kwok Robert; the non-executive Directors are Mr. CHEN Ying, Mr. WANG Yan, Madam WAN Suet Fei and Mr. JING Shiqing; 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.