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)

2020 ANNUAL RESULTS ANNOUNCEMENT

	2020	2019	**Increase**
Turnover *(HK$ million)*	**40,086.9**	38,955.6	2.9%
Profit attributable to owners of the Company *(HK$ million)*	**8,959.9**	8,617.5	4.0%
Basic earnings per share	**HK$1.283**	HK$1.234	
Proposed final dividend per share	**HK$0.34**	HK$0.335	
	As at 31/12/2020	As at 31/12/2019	**Increase**
Total assets *(HK$ million)*	**68,532.5**	61,170.9	12.0%
Equity attributable to owners of the Company *(HK$ million)*	**49,626.8**	41,979.7	18.2%
Gearing ratio *(note 1)*	**13.8%**	18.9%	
Net assets per share – book *(note 2)*	**HK$7.11**	HK$6.01	18.3%

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 year.

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Turnover	*3*	**40,086,867**	38,955,561
Cost of sales		**(24,450,839)**	(23,298,019)
Gross profit		**15,636,028**	15,657,542
Other income	*4*	**730,567**	603,380
Change in fair value of an investment property		**(10,000)**	5,000
Selling and distribution expenses		**(1,796,146)**	(1,986,672)
General and administrative expenses		**(3,193,357)**	(2,328,548)
Exchange gain (loss)		**103,629**	(36,509)
Finance costs	*5*	**(273,906)**	(453,634)
Share of results of associates		**425,529**	326,689
Share of results of joint ventures		**270,919**	220,998
Profit before taxation	*6*	**11,893,263**	12,008,246
Taxation	*7*	**(2,863,667)**	(3,313,881)
Profit for the year		**9,029,596**	8,694,365
Other comprehensive income (expense):			
Items that will not be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**3,015,479**	(934,817)
Change in fair value of other investment		**(24,902)**	(39,114)
Item that will be subsequently reclassified to profit or loss:			
Share of other comprehensive (expense) income of associates		**(20,209)**	26,908
Other comprehensive income (expense) for the year		**2,970,368**	(947,023)
Total comprehensive income for the year		**11,999,964**	7,747,342

	Note	**2020**	2019
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**8,959,865**	8,617,503
Non-controlling interests		**69,731**	76,862
		9,029,596	8,694,365
Total comprehensive income for the year attributable to:			
Owners of the Company		**11,906,742**	7,676,111
Non-controlling interests		**93,222**	71,231
		11,999,964	7,747,342
Basic earnings per share	*8*	**HK$1.283**	HK$1.234

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Fixed assets		**28,485,137**	27,080,617
Right-of-use assets		**3,410,139**	2,922,031
Investment property		**120,000**	130,000
Other investment		**72,295**	97,197
Intangible assets		**2,702,986**	2,461,792
Interests in associates		**6,635,957**	6,580,670
Interests in joint ventures		**1,563,639**	1,426,602
Deposits for acquisition of assets		**4,028,926**	1,031,817
Deferred tax assets		**375,578**	219,766
Long term receivables		**288,511**	260,553
Pledged bank deposits		**273,573**	216,985
		47,956,741	42,428,030
Current assets			
Inventories		**1,853,151**	1,509,704
Trade receivables	*10*	**2,991,597**	2,386,126
Other receivables		**1,065,768**	1,129,719
Loan to a fellow subsidiary		**477,957**	–
Loan to an intermediate holding company		**832,139**	805,240
Taxation recoverable		**9,362**	64,203
Pledged bank deposits		**118,816**	–
Cash and bank balances		**13,226,924**	12,847,838
		20,575,714	18,742,830
Current liabilities			
Trade payables	*11*	**3,723,079**	3,174,237
Other payables		**5,604,670**	5,080,770
Taxation payable		**1,349,896**	1,770,521
Unsecured medium term notes		**3,564,480**	–
Bank loans – amount due within one year		**–**	1,297,954
		14,242,125	11,323,482
Net current assets		**6,333,589**	7,419,348
Total assets less current liabilities		**54,290,330**	49,847,378

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Bank loans – amount due after one year	**3,300,000**	3,279,151
Unsecured medium term notes	**–**	3,349,050
Other long term payables	**543,508**	448,828
Deferred tax liabilities	**422,989**	504,171
	4,266,497	7,581,200
	50,023,833	42,266,178
Capital and reserves		
Share capital	**698,294**	698,294
Reserves	**48,928,528**	41,281,378
Equity attributable to owners of the Company	**49,626,822**	41,979,672
Non-controlling interests	**397,011**	286,506
Total equity	**50,023,833**	42,266,178

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and by the Hong Kong Companies Ordinance.

The 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 have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has adopted the conceptual framework for financial reporting 2018 and the following revised HKFRSs for the first time in the current year:

Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform
Amendment to HKFRS 16	Covid-19-related rent concessions (early adopted)
Amendments to HKAS 1 and HKAS 8	Definition of material

The application of the conceptual framework for financial reporting 2018 and the revised standards has had no material impact on the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 3	Reference to the conceptual framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or contribution of assets between an investor and its associate or joint venture[5]
HKFRS 17 and amendments to HKFRS 17	Insurance contracts[3]
Amendments to HKAS 1	Classification of liabilities as current or non-current[4]
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use[2]
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, illustrative examples accompanying HKFRS 16, and HKAS 41[2]

[1] *Effective for annual periods beginning on or after 1 January 2021.*

[2] *Effective for annual periods beginning on or after 1 January 2022.*

[3] *Effective for annual periods beginning on or after 1 January 2023 and as a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.*

[4] *Effective for annual periods beginning on or after 1 January 2023 and as a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause was revised in October 2020 to align the corresponding wording with no change in conclusion.*

[5] *Effective for annual periods beginning on or after a date to be determined.*

The Directors do not anticipate that the application of new and revised HKFRSs and Interpretations will have material impact on the consolidated financial statements of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Segment information has been identified on the basis of different products in internal management reports which are prepared in accordance with accounting policies conformed with 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 as follows:

Cement – manufacture and sale of cement and related products

Concrete – manufacture and sale of concrete and related products

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

Segment results represent the profits earned by each segment without allocation of central administration costs, Directors' salaries, share of results of associates 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 year ended 31 December 2020

	Cement *HK$'000*	**Concrete** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	**33,530,575**	**6,556,292**	**–**	**40,086,867**
Inter-segment sales	**1,055,962**	**1,616**	**(1,057,578)**	**–**
	34,586,537	**6,557,908**	**(1,057,578)**	**40,086,867**

Inter-segment sales are charged at prevailing market prices.

	Cement *HK$'000*	**Concrete** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
RESULTS				
Segmental results	**11,627,746**	**455,033**	**–**	**12,082,779**
Interest income				**199,591**
Exchange gain				**103,629**
Finance costs				**(273,906)**
Unallocated net corporate expenses				**(915,278)**
Share of results of associates				**425,529**
Share of results of joint ventures				**270,919**
Profit before taxation				**11,893,263**

For the year ended 31 December 2019

	Cement *HK$'000*	Concrete *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	32,044,266	6,911,295	–	38,955,561
Inter-segment sales	1,046,006	2,193	(1,048,199)	–
	33,090,272	6,913,488	(1,048,199)	38,955,561

Inter-segment sales are charged at prevailing market prices.

	Cement *HK$'000*	Concrete *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
RESULTS				
Segmental results	11,790,468	463,821	–	12,254,289
Interest income				149,527
Exchange loss				(36,509)
Finance costs				(453,634)
Unallocated net corporate expenses				(453,114)
Share of results of associates				326,689
Share of results of joint ventures				220,998
Profit before taxation				12,008,246

4. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Government incentives	**133,172**	125,914
Interest income	**199,591**	149,527
Sales of raw materials and scrap	**153,225**	134,339
Service income	**4,197**	3,995
Rental income	**55,253**	54,709
Compensation received from insurance	**6,412**	17,365
Compensation received from suppliers and customers	**24,235**	21,373
Gain on disposal of right-of-use assets	**5,942**	12,725
Gain on disposal of an investment property	**–**	5,517
Gain on disposal of subsidiaries	**46,236**	550
Others	**102,304**	77,366
	730,567	603,380

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interests on:		
Bank loans and unsecured medium term notes	**250,250**	430,056
Provision for environmental restoration	**16,201**	15,486
Lease liabilities	**7,455**	8,092
	273,906	453,634

6. PROFIT BEFORE TAXATION

	2020	2019
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**10,566**	19,207
Pension costs and mandatory provident fund contributions for staff, excluding Directors	**97,702**	294,814
Other staff costs	**3,541,318**	3,345,564
Total staff costs	**3,649,586**	3,659,585
Allowance for doubtful debts	**55,213**	16,953
Allowance (reversal of allowance) for doubtful debts of other receivables	**111,594**	(1,183)
Amortization of mining rights (included in general and administrative expenses)	**126,215**	117,422
Auditor's remuneration	**5,026**	4,366
Depreciation of fixed assets	**1,882,889**	1,888,494
Depreciation of right-of-use assets	**126,659**	120,366
Impairment of fixed assets	**206,705**	55,867
Impairment (reversal of impairment) of inventories	**19,057**	(5,929)
Impairment of mining rights	**15,950**	–
Impairment of interest in an associate	**537,958**	–
Loss (gain) on disposal of fixed assets	**36,315**	(2,152)
Gain on disposal of right-of-use assets	**(5,942)**	(12,725)
Gain on disposal of an investment property	**–**	(5,517)
Gain on disposal of subsidiaries	**(46,236)**	(550)
Short term lease payments	**14,402**	17,702
Variable lease payments – motor vehicles	**545,055**	533,025

7. TAXATION

	2020	2019
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**11,328**	9,236
Chinese Mainland Enterprise Income Tax	**3,080,714**	3,147,143
	3,092,042	3,156,379
(Overprovision) underprovision in prior years		
Hong Kong Profits Tax	**(154)**	(118)
Chinese Mainland Enterprise Income Tax	**13,453**	4,155
	13,299	4,037
Deferred taxation		
Hong Kong	**396**	(7,386)
Chinese Mainland	**(242,070)**	160,851
	(241,674)	153,465
	2,863,667	3,313,881

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

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 years, the withholding tax calculated at 5% (2019: 10%) on dividends in the Chinese Mainland, and the deferred tax calculated at 5% (2019: 10%) on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong. Such changes in tax rates contributed to a decrease of approximately HK$474.2 million in taxation during the year.

8. EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to the owners of the Company for the purpose of basic earnings per share	**8,959,865**	8,617,503

	2020	2019
Number of shares		
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.

9. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividends recognized as distribution during the year:		
2020 Interim – HK$0.275 per share (2019: HK$0.26 per share)	**1,920,308**	1,815,564
2019 Final – HK$0.335 per share (2018: HK$0.273 per share)	**2,339,284**	1,906,342
	4,259,592	3,721,906

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2020 of HK$0.34 per share (HK$0.335 per share in respect of the year ended 31 December 2019) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The total amount of HK$2,374,199,000 (2019: HK$2,339,284,000) of the proposed final dividend, calculated based on the Company's number of shares issued at the date of this announcement, is not recognized as a liability in the consolidated statement of financial position.

10. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables from third parties	**2,965,209**	2,384,112
Trade receivables from related parties	**26,388**	2,014
	2,991,597	2,386,126

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 31 December	
	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**2,340,218**	1,843,340
91 to 180 days	**296,002**	235,830
181 to 365 days	**246,098**	227,782
Over 365 days	**109,279**	79,174
	2,991,597	2,386,126

11. TRADE PAYABLES

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Trade payables to third parties	**3,599,367**	3,157,563
Trade payables to related parties	**123,712**	16,674
	3,723,079	3,174,237

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 31 December	
	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**3,581,856**	3,112,055
91 to 180 days	**112,027**	33,877
181 to 365 days	**11,283**	11,925
Over 365 days	**17,913**	16,380
	3,723,079	3,174,237

BUSINESS ENVIRONMENT

In 2020, in the face of the challenging and complex domestic and international environment, as well as the severe impact of the novel coronavirus epidemic, the Chinese government introduced a series of policies and measures to promote continuous economic recovery and high-quality development. According to the statistics published by the National Bureau of Statistics of China, in 2020, China's gross domestic product ("GDP") grew by 2.3% year-on-year to RMB101.6 trillion, and national fixed asset investments ("FAI") (excluding rural households) increased by 2.9% year-on-year to RMB51.9 trillion.

According to the statistics published by the National Bureau of Statistics of China, in 2020, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi, where the Group has business operations, reached RMB11.1 trillion, RMB2.2 trillion, RMB4.4 trillion, RMB553.0 billion, RMB2.5 trillion, RMB1.8 trillion and RMB1.8 trillion respectively, representing year-on-year increases of 2.3%, 3.7%, 3.3%, 3.5%, 4.0%, 4.5% and 3.6% respectively. The year-on-year changes in FAI of the aforementioned provinces were 7.2%, 4.2%, –0.4%, 8.0%, 7.7%, 3.2% and 10.6% respectively.

According to the statistics published by the National Bureau of Statistics of China, in 2020, national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) increased by 0.9% 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 2020 amounted to approximately RMB2.6 trillion in total, representing an increase of 10.4% year-on-year, which exceeded the annual target of RMB1.8 trillion. FAI on railways amounted to approximately RMB781.9 billion, representing a decrease of 2.6% year-on-year. According to the Ministry of Transport of China, it is estimated that by the end of 2020, the total operational length of railways in China will reach 146,000 km, among which, the total operational lengths of high-speed rails, highways and urban rail transit will reach approximately 38,000 km, approximately 5.1 million km and approximately 7,000 km respectively, meeting or exceeding the targets of the "Thirteenth Five-Year" Plan.

According to the statistics published by the National Bureau of Statistics of China, in 2020, the floor space of commodity housing sold in China increased by 2.6% year-on-year to 1,760 million m^2 and the sales amount increased by 8.7% year-on-year to RMB17.4 trillion. Real estate investment in China reached RMB14.1 trillion, representing a year-on-year increase of 7.0%. Among which, the floor space of houses newly started construction decreased by 1.2% year-on-year to 2,240 million m^2 while the floor space of houses completed decreased by 4.9% year-on-year to 910 million m^2. As of the end 2020, the floor space under construction by the real estate developers nationwide reached 9,270 million m^2, representing a year-on-year increase of 3.7%.

In addition, the Chinese government promoted new-type urbanization and urban-rural integrative development, and actively advocated policies for rural revitalization. According to the statistics published by the Ministry of Housing and Urban-Rural Development of China, in 2020, 40,300 old communities in cities and towns nationwide newly started renovation, which exceeded the annual target of 39,000. In 2020, the goal for connecting townships and administrative villages with the necessary conditions with passenger vehicles was essentially achieved, and newly built and re-built rural roads reached 269,000 km.

The stable development of infrastructure construction and the real estate market, as well as the steady progress of urbanization and rural construction, 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 2020, the total cement production in China amounted to approximately 2,380 million tons, representing a year-on-year increase of 1.6%. According to the statistics of the China Cement Association, during the year, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi were approximately 170.0 million tons, 120.0 million tons, 97.0 million tons, 18.4 million tons, 130.0 million tons, 110.0 million tons and 53.9 million tons respectively, representing year-on-year changes of approximately 1.5%, 1.3%, 2.7%, –8.9%, 0.8%, –1.4% and 6.7% respectively.

According to the statistics of the China Cement Association, in 2020, there were 26 new clinker production lines nationwide with new annual clinker production capacity of approximately 39.4 million tons in total. According to the statistical information of the Company, in our major operating regions, there were 1 new clinker production line in Guangdong with new annual clinker production capacity of approximately 3.1 million tons and 4 new clinker production lines in Guangxi with new annual clinker production capacity of approximately 5.6 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 regulates the policies for capacity replacement and off-peak production, strengthens response to climate change, and improves the standards of production safety and occupational health to foster the high-quality and sustainable development of the cement industry.

In December 2020, the Ministry of Industry and Information Technology of China publicly solicited comments on the "Measures for Implementing Capacity Replacement in the Cement and Glass Industries (Revised Draft)", which specified the requirements of clinker indicators for capacity replacement and required the capacity replacement ratios of cement and clinker construction projects located in key areas and non-key areas for air pollution prevention and control to be 2:1 and 1.5:1 respectively. This will further improve capacity replacement policies in the cement and glass industries. In addition, the Ministry of Industry and Information Technology and the Ministry of Ecology and Environment of China jointly issued the "Notice on Further Implementation of Regular Off-Peak Production in the Cement Industry", which proposed that all cement and clinker production lines should be subject to off-peak production and promoted regular national off-peak production in terms of location and duration in the cement industry. Among which, off-peak production in the northern region should mainly occur from November every year to March of the following year, and off-peak production in other regions should be executed upon integrating local conditions during the Chinese New Year, hot summers, rainy seasons and major events.

In July 2020, the Ministry of Ecology and Environment of China issued the "Technical Guidelines for Emergency Emission Reduction in Key Industries in Heavy Pollution Weather (2020 Revised Edition)". The cement industry will implement classified management and control of cement and clinker enterprises according to indicators such as standards of corporate equipment, technology for treating and managing pollution, and emission limits. Among which, the emission concentrations of particulate matters, sulphur dioxide and nitrogen oxides of cement kilns and residual heat utilization systems at kiln rears for the enterprises with the most stringent standards shall be no more than 10, 35 and 50 mg/m^3 respectively.

In September 2020, the Chinese government proposed to strive for peaking carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060. In January 2021, the Ministry of Ecology and Environment of China issued the "Guiding Opinions on Organizing and Strengthening Relevant Works of Responding to Climate Change and Ecological Environmental Protection" and the "Administrative Measures for Carbon Emissions Rights Trading (Trial)", which proposed key industries including steel, building materials, non-ferrous metals, chemicals, petrochemicals, power and coal industries to set specific targets and formulate action plans for peaking carbon emissions, accelerate the construction of the national carbon emissions trading market, and control and reduce greenhouse gases emissions by utilizing market mechanisms. The "Administrative Measures for Carbon Emissions Rights Trading (Trial)", which had come into effect on 1 February 2021, specified key greenhouse gases emission units, allocation and settlement of carbon emissions quota, which will help to regulate the national carbon emissions trading and relevant activities.

The Chinese government attaches great importance to production safety and occupational health. In April, the Work Safety Committee of the State Council of China issued the "Three-year Action Plan for Special Rectifications of National Work Safety", which planned to launch special safety rectifications in nine industrial sectors of hazardous chemicals, coal mines, non-coal mines, firefighting, road transportation, transportation and fishing vessels, urban construction, functional regions such as industrial parks, and hazardous waste.

In addition, the Chinese government actively promotes intelligent manufacturing in the building materials industry. In September 2020, the Ministry of Industry and Information Technology of China released the "Action Plan for the Digital Transformation of Intelligent Manufacturing in the Building Materials Industry (2021-2023)", which aimed at nominating 6 excellent intelligent manufacturing enterprises, setting up 50 intelligent factories in the building materials industry and creating 20 digital mines by 2023. Relevant standards will be revised to set up innovation platforms for promoting substantial enhancement in the standards of digitalization, cyberization and intelligentization in the building materials industry and continuously improving operating costs, production efficiency and service standards.

In terms of aggregates, the Chinese government strengthened management of rivers and lakes, and regulated gravel mining and management of mine resources. Fifteen departments including the National Development and Reform Commission of China issued the "Guiding Opinions on Promoting the Healthy and Orderly Development of the Gravel Industry" in March, which proposed to advance the high-quality development of the manufactured gravel industry, optimize the layout of manufactured gravel exploration, accelerate the formation of high-quality production capacity of manufactured gravel, while strengthening the comprehensive rectification and utilization of sand mining in rivers at the same time and promoting the gradual and orderly mining and utilization of sea sand. The Chinese government also proposed the goal of forming a relatively comprehensive and reasonable security mechanism for the supply of manufactured gravel and increasing the proportion of production capacity from ultra-large-scale manufactured gravel enterprises with annual production capacity of at least 10 million tons to 40% by 2025. The gradual improvement of policies and regulations in the gravel industry and the gradual increase in concentration level of large enterprises will foster the healthy and orderly development of the industry.

In addition, the Chinese government actively promotes the development of green construction and industrialization of the construction industry. 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 floor space of prefabricated buildings to newly constructed buildings in China to over 15% by 2020, among which, the target proportion in the key development areas (Pearl River Delta, Yangtze River Delta, Beijing-Tianjin-Hebei) shall exceed 20%. According to the statistics of the Centre of Science and Technology Industrial Development of the Ministry of Housing and Urban-Rural Development of China, in 2019, 420 million m^2 of prefabricated buildings newly started construction nationwide, representing an increase of 45% year-on-year and accounting for approximately 13.4% of the floor space of newly constructed buildings.

In 2016, the Chinese government proposed to strive for increasing the proportion of prefabricated buildings to newly constructed buildings to 30% in approximately ten years' time. According to the plan of the Guangdong government, nine cities in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") had been classified as key development areas, among which, the proportion of floor space of prefabricated buildings in Shenzhen Municipality and Guangzhou City is targeted to exceed 50% by 2025. The Guangxi government had classified Nanning City, Liuzhou City, Hezhou City and Yulin City as the Autonomous Region of China ("AR")-level pilot cities for prefabricated construction. Among which, the proportion of floor space of prefabricated buildings in Nanning City and Liuzhou City is targeted to exceed 30% by 2025. The Department of Industry and Information Technology of Guangxi issued "Certain Measures to Support the Development of the New-Type Prefabricated Building Materials Industry in Guangxi" in March, striving to increase the proportion of floor space of prefabricated buildings to newly constructed buildings in the region to 30% in approximately ten years' time.

TRANSFORMATION AND INNOVATION

In 2020, the Group actively seized the opportunities for extension along the industry chain to fully leverage on the synergetic advantages of cement, concrete, aggregates, new materials and prefabricated construction businesses for promoting industrial integrative development. The Group established the New Business Office to coordinate the development and planning of new business projects, and set up new business departments in Guangdong and Guangxi to expedite regional market research, project acquisition and construction works.

In terms of aggregates, since 2020, the Group newly acquired the mining rights of six aggregates quarries located in Fengkai County of Guangdong, Shangsi County, Tianyang District and Wuxuan County of Guangxi, Dingan County of Hainan and Weishan County of Yunnan respectively, with resource reserves of approximately 922.0 million tons in total and planned annual production capacity of approximately 51.0 million tons in total, which had further enriched the Group's reserves of aggregates resources.

Regarding engineered stones, during the year, the Group actively developed new inorganic engineered stone products, launched strategic cooperation with real estate developers, entered into agreements for numerous construction projects, and expanded the engineered stone business. 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, and will become the controlling shareholder of DongGuan Universal Classical Material Ltd. ("Universal Classical"). In the future, we will jointly develop the engineered stone business.

With regards to prefabricated construction, in 2020, the Group acquired lands for prefabricated construction projects located in Jiangmen City, Guangdong, Laibin City and Baise City, Guangxi, with design annual production capacity of precast concrete components of approximately 450,000 m^3 in total. In addition, the Guigang Runhe project had started trial production in June 2020, and had now obtained orders for residential projects from various regions including Guangdong, Guangxi, and Hainan.

In addition, in April 2020, the Group obtained a franchise license for the resourceful utilization of construction waste in Changjiang Li Autonomous County ("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 planned to complete construction and commence operation by the end of 2021. Following completion of construction, the project will help to improve the local urban environment, promote energy saving and emission reduction, reduce the consumption of natural resources, and promote green development in the industry.

Digital transformation is one of the important strategic development directions for the transformation and innovation of the Group. Based on the existing foundation of informatization, the Group continuously advances high-quality development with strong focuses on expanding intelligent manufacturing, intelligent logistics and smart marketing. In July 2020, the Group, CITIC Holdings Co., Ltd., subsidiary of Foxconn Industrial Internet Co., Ltd. and other entities jointly set up the joint venture Shenzhen CRF Digital Technology Co., Ltd., which is dedicated to creating intelligent manufacturing solutions and digital platforms for the industries of automobile parts and building materials including cement. During the year, the "Ten Million Level Project of China Resources Cement for Commercial Use of 5G Industrial Internet" jointly applied by China Telecom and the Company was awarded the Grade 1 prize of the Third "Blooming Cup", jointly hosted by the China Academy of Information and Communications Technology, the IMT-2020 (5G) Promotion Group and the China Communications Standards Association with the guidance of the Ministry of Industry and Information Technology of China.

The Group places strong emphasis on corporate social responsibility, and proactively responds to the Chinese government's policies on energy saving and emission reduction. In 2020, the Group's unfailing efforts in sustainable development were recognized by the industry and society. These include:

- In June, China Resources Cement (Hepu) Limited and China Resources Cement (Guigang) Limited were included in the register of the third batch of Green Manufacturing in Guangxi by the Department of Industry and Information Technology of Guangxi; China Resources Cement (Yongding) Limited, China Resources Cement (Longyan Caoxi) Limited and China Resources Cement (Longyan Yanshi) Limited were included in the register of the third batch of Green Manufacturing in Fujian by the Department of Industry and Information Technology of Fujian;

- In October, China Resources Cement (Guigang) Limited was included in the register of the fifth batch of Green Manufacturing by the Ministry of Industry and Information Technology of China;

- In October, the mine of China Resources Cement (Hepu) Limited was included in the register of AR-level green mines by the Department of Natural Resources of Guangxi;

- In October, China Resources Cement Holdings Limited was honoured with the Guangdong-Hong Kong-Macao Bay Area Environmental Leadership Recognition Award, and China Resources Cement (Fengkai) Limited and China Resources Cement (Tianyang) Limited were both honoured with the EcoChallenger in the "BOCHK Corporate Environmental Leadership Awards 2019" by the Federation of Hong Kong Industries;

- In November, the mine of China Resources Cement (Shangsi) Limited was included in the register of AR-level green mines by the Natural Resources Department of Guangxi;

- In December, China Resources Cement (Wuxuan) Limited and China Resources Cement (Lianjiang Fengcheng) Limited were both honoured with the "Hong Kong Green Awards 2020 – Environmental, Health and Safety Award (Large Corporation) – Silver" by the Green Council of Hong Kong;

- In December, the mines of China Resources Cement (Wuxuan) Limited and China Resources Cement (Jinsha) Limited passed the 2020 selection as green mines by the Ministry of Natural Resources of China; the mine of China Resources Cement (Luchuan) Limited was included in the register of AR-level green mines by the Natural Resources Department of Guangxi;

- In December, China Resources Cement Holdings Limited was honoured with the "Leading Enterprise Award" (market capitalization over HK$20 billion) and the "Leading Environmental Initiative Award" (the green mine project in Heqing, Yunnan) of the "ESG Leading Enterprise Awards 2020" by Bloomberg Businessweek.

PRODUCTION CAPACITY

New Production Plants

In February 2020, the Group completed the construction of one clinker production line with annual production capacity of approximately 1.4 million tons and two cement grinding lines with total annual production capacity of approximately 2.0 million tons in Anshun City, Guizhou. During the year, the Group added one concrete batching plant and shut down two concrete batching plants. The total annual concrete production capacity decreased by approximately 0.9 million m^3 compared to the end of 2019.

Capacity Utilization

The utilization rates of the Group's cement, clinker and concrete production lines in 2020 were 101.1%, 112.6% and 37.5% as compared with 102.1%, 112.7% and 39.2% respectively for 2019.

COST MANAGEMENT

Operational Management

In 2020, the Group continued to deepen production and operation management. The Group continued to improve operational indicators such as coal consumption and energy consumption by adhering to a goal-oriented approach and through benchmark management, early warning of abnormal indicators and urge for improvement of laggard indicators. The Group enhanced the mechanism for technological assistance, further promoted the application of new technologies, new equipment, new materials and innovation achievements, advanced the practical transformation of innovation achievements, and strived to drive for raising the operational standards of each production plant.

The Group conscientiously implements the management theme of "reform and innovation for quality development" with the construction of excellent operational system as the cardinal line and with the focus on benchmarking "world-class" companies, and continues to launch in-depth work on lean management. During the year, the Group carried out water treatment work at the limestone mines of the cement production plants located in Lianjiang, Guangdong and Hepu, Guangxi. In order to reduce consumption of electricity and water, the Group promoted the technologies for highly effective energy-saving fans, magnetic suspension high-speed centrifugal blowers and zero-discharge of wastewater at various production plants. The Group also formulated plans for upgrade of cement production plants and concrete batching plants, and promoted the achievement of relevant goals by comprehensive application of lean management projects and key technological advancement. In addition, through management evaluation, the Group advanced operational excellence, implemented closed-loop management and regularly tracked the completion status of rectifications of production plants to raise the standards of operations and management of plants and fully foster the plants' enhancement on star-grading standards.

Procurement Management

In 2020, the overall supply of the coal market was initially loose before becoming tighter. Through stable long-term strategic cooperation with suppliers, the Group had effectively reduced coal procurement costs. During the year, the Group purchased a total of approximately 10.2 million tons of coal (approximately 10.1 million tons of coal in 2019), among which, approximately 76%, 23% and 1% were sourced from northern China, neighbouring areas of our production plants and Australia respectively (80%, 20% and 0% in 2019). The proportion of direct procurement from coal producers was approximately 79% (82% in 2019). In the future, the Group will continuously strengthen the cooperation with large-scale domestic coal suppliers and adjust 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 terms of other raw materials, 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 and Guangxi, and increased the usage amount of self-produced gravel in order to raise the standards 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

Logistics management is one of the Group's key measures in maintaining its market competitiveness. In 2020, affected by the exemption of expressway toll fees and lower oil prices, logistics costs were on an overall steady downward trend. During the year, based on the market characteristics of each operating region, the Group actively carried out tendering for logistics transportation, organized two-way logistics, optimized the transportation routes of tanker vessels and initiated joint shipment by railway in order to reduce logistics costs.

In 2020, the annual shipping capacity of the Group along the Xijiang River was approximately 36.3 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 year, the Group controlled the operations of 35 silo terminals with annual capacity of approximately 34.3 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 2020, the Group actively explored customer needs and strengthened marketing efforts for products such as "Wang Pai Gong Jiang" renovation cement, cement for nuclear power stations and Portland cement for roads, through the launch of thematic activities and advertising. Among which, cement for nuclear power stations had been used in nuclear power projects in Guangdong, Fujian and Zhejiang, and is planned to be promoted to the Hainan market. Trial promotions were rolled out in Fujian for Portland cement for roads with strong crack resistance and good wear resistance in order to manufacture cement products which are more suitable for airport runway projects.

Brand Building

Since 2016, the Group comprehensively built its national unified brand "Runfeng Cement". In order to enhance brand awareness, the Group formulated annual brand business promotion plan and created special theme activities of "6.28 Runfeng Brand Anniversary Celebration". In March 2020, the Group engaged the "World Brand Lab" to evaluate the brand value of Runfeng Cement. The final report showed that the brand value of Runfeng Cement in 2020 was RMB51,958 million.

During the year, the Group continued to intensively work on the construction and management of brand image, launched trademark protection and monitoring, comprehensively surveyed on the sales and marketing situation of brand image franchise stores, optimized the management of franchise stores, built a standardized environment for Internet search and expanded brand promotion channels. On 28 June 2020, the Group adopted the "Cloud Streaming" format for holding its brand anniversary event for the first time to enhance brand awareness and optimize brand image in a new form. In June 2020, the first brand flagship store of Runfeng Cement built by the Group in Yunnan was officially opened and had now become a centre for brand image display and exchange study.

SUSTAINABLE DEVELOPMENT

Green Mines

The Group places strong emphasis on treatment and management of mines. Ecology, environmental protection, safety and intensive utilization of resources are the primary focus of our work. We confirm the work approach of scientific planning, reasonable mining, resources conservation, promotion of harmonious development between human beings and the nature as well as green, ecologically and environmentally friendly mining enterprise. Restoration of mines is included in the production, operation and long-term development plans of the Group.

As of the end of 2020, a total of 22 mines at 16 plants among 27 cement and clinker production plants of the Group had been included as provincial-level and 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 promotes green production. The average emission concentrations of nitrogen oxides, sulphur dioxide and particulate matters of each cement and clinker production plant of the Group are lower than the national standard limits of pollutant emissions. Meanwhile, the Group had been continuously seeking new technology of emission reduction and enhancing technological standards and management standards of environmental protection. The Group targets that, by 2025, 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. Based on the existing facilities, we aim at reducing the emissions of nitrogen oxides, sulphur dioxide and particulate matters by 63%, 57% and 41% respectively by 2025 as compared with 2015.

As of the end of 2020, the cement production plants located in Tianyang, Nanning, Pingnan, Wuxuan and Guigang of Guangxi, and Heqing of Yunnan had been included as green factories in the register of national-level Green Manufacturing. The cement production plants located in Shangsi, Luchuan and Hepu of Guangxi, Longyan, Yanshi, Caoxi and Yongding of Fujian, and Jinsha of Guizhou were included as green factories in the registers of provincial-level or AR-level Green Manufacturing.

Management of Carbon Emissions

The Group will complement the national policies, research and formulate plans for medium to long-term targets of carbon emissions based on its own actual circumstances, and vigorously 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.

The Group proactively follows up and executes the national policies for carbon emissions, and actively participates in meetings of industrial institutions relevant to carbon emissions and trial activities for the construction of national carbon market in preparation for the future unification of national carbon market. 8 factories in Guangdong and 5 factories in Fujian of the Group had settled the carbon credit quota for 2019.

During the "Fourteenth Five-Year" period, the Group will actively reduce carbon emissions through reduction of energy consumption, pilot trial of new technologies and new techniques, and development of low-carbon products. The Group plans to upgrade the "second-generation cement" technology, and 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 (107.6kg, 55.1 kwh and 31.2 kwh).

Co-Processing

The Group proactively fulfils its social responsibility in fostering green development to achieve sustainable corporate development. In reliance on our 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.

In 2020, the Group co-processed 183,100 tons of municipal solid waste, 52,800 tons of urban sludge with 80% moisture content and 6,100 tons of hazardous industrial waste respectively.

In 2020, the Group and environmental protection companies cooperated in the development of co-processing projects, among which, the cement production plant in Shangsi County, Guangxi had annual processing capacity of 100,000 tons of hazardous industrial waste; the cement production plant in Yanshi Town, Fujian had annual processing capacities of 80,000 tons of hazardous industrial waste and 20,000 tons of urban sludge. In addition, in April 2020, 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. Project construction had commenced since July 2020, and it is planned to complete construction and commence operation by the end of 2021.

As of the end of 2020, the Group had 10 co-processing projects in total. 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 *(note 3)*	Hazardous industrial waste	100,000	In trial operation
Yanshi, Fujian	Hazardous industrial waste	80,000	Under construction
	Urban sludge	20,000	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.

3. Shangsi project commenced trial operation in January 2021.

Occupational Health and Production Safety

The Group has stringent implementation, monitor and continuous improvement on the staff occupational health and safety management system to ensure that the health and safety policies of counterparties remain consistent with those of employees, reinforce safety management on counterparties and proactively launch supervisions and inspections. The Group's health and safety targets are zero fatality, zero serious personal injury and zero confirmed case of occupational disease.

As of the end of 2020, the Group had a total of 280 specialized environment, health and safety ("EHS") management personnel, among which, 200 were specialized safety management personnel (including 66 registered safety engineers).

As the novel coronavirus epidemic had spread globally, the Group proactively responded to the epidemic by establishing a leading group and a working group on epidemic prevention and control. According to the requirements of the local government, the Group accomplished the work for screening employees from key epidemic areas, as well as epidemic prevention and control. We continuously provided anti-epidemic materials such as masks and alcohol for medical use to employees and strictly disinfected the working environment including offices and commuter vehicles to effectively prevent the risks of virus spreading. Employees who returned to work for resumption of operation were required to quarantine for 24 days. At the same time, we cared for quarantined employees by providing all the necessary daily necessities, assistance and services to help them smoothly pass the quarantine period at ease.

Safety Management

During the year, the Group commenced three-year action plan for special rectification of production safety, which formulated plans for treatment and management of latent hazards, continuously followed up on latent hazards and incorporated the status of completing rectifications into annual appraisal for raising the overall standards of safety management.

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. As of the end of 2020, 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 have 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 launched annual evaluation and supervision appraisal for excellent operational management, and conducted EHS research study inspections and special inspections. Throughout the year, 1,169 large-scale comprehensive inspections and 1,067 special inspections were done in each major operating regions and production plants. During the year, the Group organized 1,228 emergency drills with 18,665 participants in attendance.

Safety Training

The Group actively implemented safety training and combined online and offline training methods. Videos of safety emergency drills were uploaded on the Group's online learning platform at the learning system of China Resources University to encourage our staff to self-study. In 2020, the aggregate duration of safety training for the Group's staff amounted to approximately 347,000 hours, whereas that for counterparties amounted to approximately 69,000 hours. At the same time, online safety tests had been created. "Health and Safety Tests" of the Company was organized for all employees in December, which had effectively enhanced the employees' safety awareness, created safety ambience and raised the management standards of health and safety.

During the year, the Group organized 34 sessions of safety open days with 2,451 participants in attendance, safety alert education sessions with 13,816 participants in attendance, 80 sessions of knowledge competitions with 3,964 participants in attendance, and 104 sessions of traffic safety activities with 4,941 participants in attendance.

TRANSFORMATION AND INNOVATION

Extension of Industry Chain

The Group proactively promotes the development strategy for extension of industry chain and seizes development opportunities of new businesses. We fully leverage on the synergetic advantages of cement, concrete, aggregates, new materials and prefabricated construction businesses, and further consolidate the core competitive advantages of the Group.

Aggregates

Following the Group's successful bidding for the mining rights of limestone quarries in Jiangyu Mountain, Shangsi County, Fangchenggang City, Guangxi, and Gujie, Napo Town, Tianyang District, Baise City, Guangxi in March and June 2020, in August, the Group won the bid for the mining rights of a limestone quarry for ordinary construction materials in Chalei Village, Weishan County, Yunnan, with resource reserve of approximately 100.0 million tons and planned annual production capacity of approximately 3.0 million tons. In October, Zhaoqing Runxin New Materials Limited, the Company's subsidiary, won the bid for the mining rights of a granite quarry for construction in Dapai Mining Concession, Fengkai County, Guangdong, with resource reserve of approximately 425.0 million tons and planned annual production capacity of approximately 30.0 million tons. In November, the Group won the bid for the mining rights of a granite quarry for construction in Jiudingling Mining Concession, Longhe Town, Dingan County, Hainan, with resource reserve of approximately 63.0 million tons and planned annual production capacity of approximately 3.0 million tons. The above projects are planned to commence operation by the end of 2022.

In February 2021, the Group won the bid for the mining rights of a limestone quarry for construction in Gejie Mountain Mining Concession, Wuxuan County, Guangxi, with resource reserve of approximately 208.0 million tons and planned annual production capacity of approximately 5.0 million tons, which is planned to commence operation in 2023.

As of the end of December 2020, the Group's annual aggregates production capacity based on its own existing cement mines was approximately 10.6 million tons. In addition to the seven newly acquired aggregates mines since 2019, the total annual aggregates production capacity of the Group is expected to exceed 63.0 million tons.

Relevant information of the projects is outlined below:

Project	Planned annual production capacity *(tons)*	Resource reserve *(tons)*	Particulars
Guangdong			
Fengkai	30,000,000	425,000,000	• Won the bid for the mining rights in October 2020. • Expected to commence operation by the end of 2022.
Guangxi			
Shangsi	5,000,000	65,000,000	• Won the bid for the mining rights in March 2020. • Expected to commence operation by the end of 2022.
Tianyang	5,000,000	61,000,000	• Won the bid for the mining rights in June 2020. • Expected to commence operation by the end of 2022.
Wuxuan	5,000,000	208,000,000	• Won the bid for the mining rights in February 2021. • Expected to commence operation in the first half of 2023.
Fujian			
Wuping	2,000,000	56,000,000	• Won the bid for the mining rights in November 2019. • Expected to commence operation by the end of 2021.
Hainan			
Dingan	3,000,000	63,000,000	• Won the bid for the mining rights in November 2020. • Expected to commence operation by the end of 2022.
Yunnan			
Weishan	3,000,000	100,000,000	• Won the bid for the mining rights in August 2020. • Expected to commence operation by the end of 2022.

New Materials

The Group continuously promotes its new materials business. Following the Group's acquisition of 40% equity interests of Universal Marble through our wholly owned subsidiary Runfeng New Materials in 2019, the Group entered into an equity transfer agreement in January 2021 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$306,811,000). This will increase our shareholding in Universal Classical to approximately 75.3%. The main products of Universal Marble are inorganic granite and quartz, primarily for domestic and international markets. Its major customers are large real estate developers and government units in charge of large-scale national public buildings (including subways, schools, and conference centres). Its brand recognition has a leading position in the domestic market.

Runfeng New Materials, a wholly-owned subsidiary of the Group, is mainly responsible for the operation and promotion of new products and new materials. In May, Runfeng New Materials officially stationed in "RUN Stone-lab", whose exhibition hall displayed various products independently researched, developed and manufactured by Runfeng New Materials. During the year, Runfeng New Materials actively promoted inorganic engineered stones, researched and developed new products such as engineered stone with light and shadow images and translucent engineered stone, and expanded the market through launching strategic cooperation with real estate developers. Currently, the engineered stone products sold by Runfeng New Materials have been applied in construction projects such as school, cultural exhibition centres, commercial properties and gardens in Guangdong, Jiangsu, Shaanxi, Beijing and Shanghai. In the future, the Group will explore opportunities for other new products and new materials to provide customers with systematic and diversified product solutions.

Prefabricated Construction

In January 2020, the Group acquired land for the production of prefabricated construction components in Yamen Town, Xinhui District, Jiangmen City, Guangdong. We won the bid for the land with an area of approximately 45,500 m^2 and design annual production capacity of precast concrete components of approximately 50,000 m^3. In the same month, the Group acquired land for the production of prefabricated construction components in the High-Tech Industrial Cluster Park in the Industrial Park Zone of Laibin City, Guangxi. We won the bid for the land with a total area of approximately 153,000 m^2 and design annual production capacity of precast concrete components of approximately 200,000 m^3.

In April 2020, the Group acquired land for the production of prefabricated construction components in Baidong New District, Baise City, Guangxi. We won the bid for the land with an area of approximately 120,000 m^2 and design annual production capacity of precast concrete components of approximately 200,000 m^3.

Phase 1 production line of precast concrete components of the Guigang Runhe Project had completed construction and commenced trial production in June 2020. As of the end of 2020, the Group had planned for a total of 7 prefabricated construction projects and the design annual production capacity of precast concrete components is expected to reach approximately 1.5 million m^3 after completion.

Relevant information of the projects is outlined below:

Project	**Area of land acquired** *(m^2)*	**Design annual production capacity** *(m^3)*	**Status**	**Particulars**
Guangdong				
Dongguan Runyang *(note)*	–	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	Under construction	• Phase 1 production line of precast concrete components (design annual production capacity of 200,000 m^3) is expected to commence operation in the first half of 2021.
Jiangmen Runfeng	45,500	50,000	Under construction	• Won the bid for the land in January 2020. • Concrete batching plant (annual production capacity of 900,000 m^3) and production line of precast concrete components are expected to commence operation in the second half of 2022.

Project	Area of land acquired *(m²)*	Design annual production capacity *(m³)*	Status	Particulars
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.
Laibin Runhe	153,000	200,000	Under planning	• Won the bid for the land in January 2020.
Baise Runhe	120,000	200,000	Under planning	• Won the bid for the land in April 2020.

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 to raise the efficiency of production and operation, reduce production costs, ensure product quality, as well as enhance safety and environmental protection. In July 2020, Phase 1 of the Group's intelligent manufacturing pilot project at the production plant in Tianyang, being the first cooperation with Siemens Ltd., China, officially commenced operation. A digital twin combining the real and the virtual is formed to guide production and operation for the construction of digital intelligent factories through the application of new technologies such as 5G, Internet of Things and big data. Full coverage of 5G signal had been achieved. The next step will be to expand the scope of online monitoring of key equipment and to build digital mines and intelligent laboratories.

In addition, the Group promoted its self-developed intelligent manufacturing system at the cement production plant in Pingnan, Guangxi, among which, some modules of the self-developed project for quality management system and advanced kiln control had commenced trial operation. The next step plan will be to promote the quality management system to the Group's cement production plants in Shangsi and Guigang, Guangxi. The Group plans to commence the construction of intelligent manufacturing and create a "lighthouse factory" surrounding the aspects of EHS, operation, production, equipment, quality, mines and logistics at the cement production plant in Fengkai County, Guangdong.

On the other hand, the pilot project of a platform for sharing auxiliary materials and spare parts developed by the Group was launched in Fujian in April 2020, and the platform was promoted to operating regions including Guangdong, Guangxi and Hainan in an orderly manner. The Group continued to promote the "Smart Card" intelligent delivery system. The upgraded automation functions had been put into operation at the cement production plants in Fengkai, Huizhou, Luoding and Dongguan, Guangdong and had been operating at 25 cement production plants as of the end of 2020, which helped to enhance delivery efficiency and quality of loading service and to reduce logistical costs. In addition, the Group conducted the Robotic Process Automation (RPA) pilot project at its Financial Shared Services Centre for the first time. The full automation of 5 business processes was completed in the first batch, which had improved the efficiency and quality of financial shared services. The next step plan will be to roll out the RPA pilot project in the Human Resources Shared Services Centre.

On 28 July 2020, the Group, CITIC Holdings Co., Ltd., subsidiary of Foxconn Industrial Internet Co., Ltd. and other entities jointly set up Shenzhen CRF Digital Technology Co., Ltd., which is dedicated to creating intelligent manufacturing solutions and digital platforms for the industries of automobile parts and building materials including cement, facilitating transformation and upgrade of the industry, and achieving high-quality development.

Research, Development and Innovation

Innovation is an important momentum to stimulate corporate vitality and motivate long-term corporate development. The Group continues to enhance its research and development ("R&D") capabilities. As of the end of 2020, the Group's Technology Research and Development Centre had 51 specialized employees, including 4 doctors and 21 masters. Among the R&D personnel, 3 were professorate senior engineers. In April 2020, the laboratory of China Resources Cement Technology Research and Development Limited became a laboratory accredited by the China National Accreditation Service for Conformity Assessment.

In 2020, the Group's Technology Research and Development Centre provided 1,495 checks and tests for cement production plants. System testing was launched and optimization proposals were offered for cement production plants located in Fengkai County and Yangchun City, Guangdong, Caoxi Town, Fujian, and Heqing County, Yunnan. Through the diagnosis and improvement of the kiln grinding system as well as the optimization of technical quality, consumption of coal and energy was further reduced to optimize production costs and improve product quality. The cement production plant in Changjiang, Hainan was assisted to improve the usage performance and energy consumption of grinding of cement made of high-belite clinker. The upgrade for automation of grinding aid production lines and the optimization for the prescription of functional grinding aid were completed, and were promoted for use at the Group's cement production plants in Fengkai, Guangdong and Shangsi, Nanning, Hepu, Tianyang, Guigang, Guangxi.

The Technology Research and Development Centre provides support for the development of new businesses by actively developing countertop products, highly malleable cement-based engineered stone and early-strength nucleating agent products for rapid demolding of precast concrete components. Projects for key technological advancement and R&D on products were launched to address certain pain points found during the process of application of cement-based engineered stone. In addition, the self-developed early-strength nucleating agent products for rapid demolding of precast concrete components officially commenced production and sales in June 2020, and had now been used by various construction engineering companies in Dongguan and Shenzhen with good feedback on product effectiveness.

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, in 2020, the Group issued the "Innovation Management Measures of China Resources Cement Holdings Limited", established the Innovation Development and Intellectual Property Committee of the Company, formulated innovative talent training plans and proposals for innovative project promotion, organized innovation competitions and project selection in innovation conference, 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 to further reinforce the strength of "innovation-driven development".

EMPLOYEES

General Information

As at 31 December 2020, the Group employed a total of 19,467 employees, all of whom are full-time, among whom, 143 were based in Hong Kong and the remaining 19,324 were based in the Chinese Mainland (19,816, 151, 19,665 respectively as at 31 December 2019). A breakdown of our employees by function is set out as follows:

	As at 31 December	
	2020	**2019**
Management	**391**	402
Finance, administration and others	**2,498**	2,485
Production staff	**11,198**	11,627
Technical staff	**4,517**	4,420
Sales and marketing staff	**863**	882
Total	**19,467**	19,816

Among our 391 senior and middle-level managerial staff, 89% are male and 11% are female, 78% possess university degrees or above, 19% have received post-secondary education and the average age of managerial staff is approximately 47 (402, 89%, 11%, 76%, 21%, 46 respectively as at 31 December 2019).

Care for Employees

The Group is dedicated to enhancing the working environment and team ambience for its employees. Various group activities were organized for better physical and mental wellness of our employees, such as staff birthday parties, festival celebrations, sports activities, photography competitions and reading month activities, which had further enhanced our staff's cohesion and sense of belonging.

The Group has always paid keen attention to caring for employees. We regularly visit employees in need and their families with solicitude, and send regards and blessings to these employees during festivals in order to understand their practical difficulties and needs, care for and follow up with the improvement on their living conditions, and reflect our corporate spirit of humanity and care. In 2020, the Group and its employees donated a total amount of approximately RMB775,000 to the "China Resources Cement Gratitude Fund", which aims at caring for and helping the employees in need and illness. Employees in need were subsidized with a total amount of approximately RMB1,199,000.

Training and Development

Talent is an important resource for corporate development. The Group puts very strong emphasis on building teams of talents, continuously improves the mechanism for talent development and establishes professional training colleges. The Group restructured the talent training system in 2020 to further define the systems for training projects, training programmes and training management. Corporate strategic development, construction of organizational capability and employees' needs for growth were integrated into talent cultivation to secure the construction of talent ladders.

Regarding offline training, staff training was initiated in multiple formats. Training on management, profession and skills was delivered to different levels of employees. Various vocational talent shows and knowledge competitions were organized. Excellent internal lecturers and elite programmes had been created for enhanced quality on training through the advanced empowerment training of internal lecturers.

Affected by the epidemic, the Group vigorously launched more online staff training. The construction of online learning resources database was advanced. Over 280 mini-courses by innovation, general and professional categories were self-developed internally and a total of over 100 online courses were newly uploaded, among which, there were 5 special-themed courses on epidemic prevention and control, resumption of operation and production.

In 2020, the total duration of online and offline training relating to the Group's staff development was approximately 281,000 hours and the average training duration per employee was approximately 14.5 hours, calculated from the total number of employees trained in 2020.

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. In 2020, the Company organized 2 training seminars for the Directors with a focus on educating the anti-corruption laws, the "Anti-Corruption Programme – A Guide for Listed Companies" issued by the Independent Commission Against Corruption of Hong Kong and the "China Resources Group Code of Business Conduct". Promotional videos of alert education were produced and broadcast. 2 alert education meetings were held, with 1,789 senior and middle-level managerial staff and staff involved in sensitive roles in participation. Education of probity and integrity was also offered to suppliers, dealers and external customers to establish an interactive mechanism for supervising anti-corruption and advocating integrity. 237 sessions of "integrity education delivered to the door" were intensively conducted, reaching 7,153 participants in total. Daily confiding conversations were initiated with 345 staff. All the senior and middle-level managerial staff were organized to sign the "Commitment Letter on Integrity and Self-Discipline", and over 400 probity files had been set up. 452 responses to opinions on integrity cultivation were issued.

COMMUNITY

The Group continuously promotes charitable community business. Review, implementation and accountability management were conducted on charitable community activities, supervision and discipline of state-owned enterprise in the aspects of poverty alleviation to reflect the social benefits of the Group's charitable community business.

Besides, the Group proactively participates in community service work. Through donations of cement products, we help neighbouring towns and villages in the construction of roads, repairs of bridges and improvement of local infrastructure through renovation and upgrade of old houses and launch of hygiene remediation activities. We also make donations in cash or in kind to underprivileged regions and families in need to solve their practical difficulties. The Group pays keen attention to caring for special groups and regularly organizes each regional headquarters and production plants to visit and express solicitude to elderly care institutions, the elderly without family, people with serious intellectual disabilities or the disabled, and the general public in need in the neighbouring towns and villages. We are very concerned regarding education and development for children in the underprivileged mountainous regions and help to create a better learning environment and ambience through donations of clothes, stationery, books, teaching equipment, scholarships, study grants and launch of charitable subsidized schooling.

REVIEW OF OPERATIONS

The functional currency of the Group is RMB while the financial figures are all denominated in HK$. Comparing with 2019, RMB had depreciated against HK$ by approximately 1.0%.

Turnover

The consolidated turnover for the year ended 31 December 2020 amounted to HK$40,086.9 million, representing an increase of 2.9% from HK$38,955.6 million for the last year. An analysis of segmental turnover by product is as follows:

	2020			2019		
	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	**87,274** *(note)*	**372.0**	**32,462,564**	82,528	370.7	30,597,238
Clinker	**3,551**	**300.7**	**1,068,011**	4,497	321.8	1,447,028
Concrete	**13,385**	**489.8**	**6,556,292**	14,212	486.3	6,911,295
Total			**40,086,867**			38,955,561

note: Inclusive of sales volume of 4.3 million tons of cement from related parties (Nil in 2019).

In 2020, our external sales volume of cement, clinker and concrete increased by 4.7 million tons, decreased by 946,000 tons and decreased by 827,000 m^3, representing an increase of 5.8%, a decrease of 21.0% and a decrease of 5.8% respectively over 2019. During the year, approximately 81.0% of the cement products we sold were 42.5 or higher grades (76.9% in 2019) and approximately 33.2% were sold in bags (35.6% in 2019). Internal sales volume of cement for our concrete production was 2.8 million tons (2.9 million tons in 2019), representing 3.1% of the total volume of cement sold (3.4% in 2019).

Our cement sales by geographical areas in 2020 were as follows:

	2020			2019		
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	**33,922**	**421.5**	**14,297,326**	30,519	414.6	12,654,217
Guangxi	**26,874**	**352.6**	**9,475,295**	26,528	347.8	9,227,310
Fujian	**10,029**	**320.8**	**3,217,659**	10,675	330.6	3,529,526
Hainan	**4,051**	**398.8**	**1,615,661**	4,519	400.3	1,808,772
Yunnan	**5,629**	**369.0**	**2,076,991**	4,207	377.2	1,587,052
Guizhou	**2,911**	**223.6**	**650,932**	2,181	260.1	567,320
Shanxi	**3,858**	**292.6**	**1,128,700**	3,899	313.7	1,223,041
Total	**87,274**	**372.0**	**32,462,564**	82,528	370.7	30,597,238

The average selling prices of cement, clinker and concrete in 2020 were HK$372.0 per ton, HK$300.7 per ton and HK$489.8 per m^3 respectively, representing an increase of 0.4%, a decrease of 6.6% and an increase of 0.7% respectively from 2019. During the year, cement prices fluctuated according to seasonality, and the annual average price was basically flat compared to 2019.

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 28.6%, 11.6%, 35.6% and 24.2% of the cost of sales respectively for the year (29.9%, 11.5%, 35.3% and 23.3% in 2019 respectively). As for cement products, coal, electricity, materials and other costs represented 34.4%, 14.0%, 24.8% and 26.8% of their costs respectively for the year (36.6%, 14.1%, 23.3% and 26.0% in 2019 respectively). Materials cost is the major component of the cost of sales of concrete, representing 90.7% of the cost of sales of concrete for the year (91.3% in 2019).

The average price of coal we purchased in 2020 was approximately HK$641 per ton, representing a decrease of 4.8% from the average price of HK$673 per ton in 2019, while the average thermal value of coal increased by 2.1% to 5,344 kcal per kg. During the year, our unit coal consumption decreased to 141.3 kg per ton of clinker produced from the average of 145.2 kg in 2019. Our standard coal consumption decreased to 104.4 kg per ton of clinker for the year from the average of 105.5 kg in 2019. As a result of the decreases in coal price and coal consumption, our average coal cost for the year decreased by 7.4% to HK$90.6 per ton of clinker produced from HK$97.8 in 2019.

Our average electricity cost decreased by 2.0% from HK$29.9 per ton of cement to HK$29.3 for the year. During the year, we enjoyed the benefits of lower electricity tariff for a total of 4,032.7 million kwh of electricity consumed (3,951.2 million kwh in 2019), which accounted for 62.0% of the total electricity consumption for the production of cement products (60.9% in 2019), and saved HK$184.0 million (HK$165.8 million in 2019) under direct power supply agreements and price bidding arrangements. We managed to improve our electricity consumption to 72.2 kwh per ton of cement for the year (72.9 kwh in 2019). Our residual heat recovery generators generated 2,090.4 million kwh of electricity for the year, representing an increase of 0.3% over 2,083.8 million kwh in 2019. The electricity generated in 2020 accounted for approximately 32.2% of our required electricity consumption (32.1% in 2019) and we achieved a cost saving of approximately HK$1,000.9 million for the year (HK$1,017.9 million in 2019).

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 year was HK$1,092.0 million, representing a decrease of 0.6% from HK$1,098.9 million in 2019.

Gross Profit and Gross Margin

The consolidated gross profit for 2020 was HK$15,636.0 million, representing a decrease of 0.1% from HK$15,657.5 million for 2019 and the consolidated gross margin was 39.0%, representing a decrease of 1.2 percentage points from 40.2% for 2019. The gross margins of cement, clinker and concrete for 2020 were 41.9%, 39.8% and 24.3%, as compared with 44.0%, 41.9% and 23.1% respectively for 2019.

Other Income

Other income for 2020 was HK$730.6 million, representing an increase of 21.1% from HK$603.4 million for 2019.

Selling and Distribution Expenses

Selling and distribution expenses for 2020 were HK$1,796.1 million, representing a decrease of 9.6% from HK$1,986.7 million for 2019. As a percentage to consolidated turnover, selling and distribution expenses for the year decreased to 4.5% from 5.1% for 2019.

General and Administrative Expenses

General and administrative expenses for 2020 were HK$3,193.4 million, representing an increase of 37.1% from HK$2,328.5 million for 2019. During the year, the impairment of interest in an associate of HK$538.0 million (Nil in 2019), impairment of fixed assets of HK$206.7 million (HK$55.9 million in 2019) and bad debts of HK$166.8 million (HK$15.8 million in 2019) were charged to general and administrative expenses for the year. As a percentage to consolidated turnover, general and administrative expenses increased to 8.0% for 2020 from 6.0% for 2019.

Exchange Gain (Loss)

An exchange gain of HK$103.6 million was generated from non-RMB denominated net borrowings of the Group due to the fluctuations of foreign exchange rates during the year (HK$36.5 million exchange loss in 2019).

Share of Results of Associates

The associates of the Group contributed a profit of HK$425.5 million for the year (HK$326.7 million in 2019) of which profits of HK$23.3 million, HK$58.4 million, HK$336.6 million and HK$0.4 million (loss of HK$89.9 million, profit of HK$100.3 million, profit of HK$289.5 million and profit of HK$15.6 million in 2019) 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$270.9 million for 2020 (HK$221.0 million in 2019).

Taxation

The effective tax rate of the Group for 2020 was 24.1%, as compared with 27.6% for 2019. 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 2020 would be 27.3% (25.2% in 2019).

Net Margin

Net margin of the Group for 2020 was 22.5%, which was 0.2 percentage points higher than that of 22.3% for 2019.

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 31 December 2020, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2020	2019
	'000	*'000*
HK$	**411,544**	244,549
RMB	**11,115,196**	10,420,451
US$	**143**	152,465

As at 31 December 2020, the Group's banking facilities amounted to HK$3,300.0 million and RMB11,500.0 million, of which RMB11,500.0 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK$3,300.0 million equivalent (HK$4,577.1 million equivalent as at 31 December 2019) comprised loans in the following currencies:

	As at 31 December	
	2020	2019
	'000	*'000*
HK$	**3,300,000**	3,300,000
RMB	**–**	1,144,000

The bank loans of the Group as at 31 December 2020 and 31 December 2019 were unsecured.

As at 31 December 2020, bank loans of the Group which carried interests at variable rates amounted to HK$3,300.0 million (fixed rates amounted to HK$223.3 million and variable rates amounted to HK$4,353.8 million respectively as at 31 December 2019).

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 31 December 2020.

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 31 December 2020 and 31 December 2019.

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 31 December 2020 and 31 December 2019. As at 31 December 2020, non-RMB denominated debts accounted for 48% of the total debts of the Group (42% as at 31 December 2019).

CHARGES ON ASSETS

As at 31 December 2020, there was no charge on assets by the Group (Nil as at 31 December 2019).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,486.6 million (RMB1,258.2 million as at 31 December 2019) granted to associates, of which RMB1,412.7 million (RMB1,198.5 million as at 31 December 2019) 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 issues 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** *HK$'000*	**Amount utilized as at 31/12/2019** *HK$'000*	**Amount utilized during the year** *HK$'000*	**Amount unutilized as at 31/12/2020** *HK$'000*	**Expected timeline of utilization**
Development of prefabricated construction business	1,672,000	179,200	392,900	1,099,900	By 2022
Development of aggregate business	1,254,000	182,100	1,071,900	–	Not applicable
Repayment of debts	836,000	836,000	–	–	Not applicable
General working capital	418,279	418,279	–	–	Not applicable
Total	4,180,279	1,615,579	1,464,800	1,099,900	

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 year.

FUTURE PLAN AND CAPITAL EXPENDITURE

Capital Expenditure

As at 31 December 2020, the outstanding capital expenditure for the Group's expansion plans to be invested was approximately HK$9,082.5 million. Details of these expansion plans are as follows:

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2019 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2020 *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	520.4	90.3	80.3	349.8
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 m^3 in Nanning City, Guangxi	573.1	89.3	47.6	436.2
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Guigang City, Guangxi	238.9	50.2	131.2	57.5
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Laibin City, Guangxi	228.8	–	25.6	203.2
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 50,000 m^3 in Jiangmen City, Guangdong	300.6	–	74.9	225.7
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Baise City, Guangxi	254.3	–	33.3	221.0
Construction of a production plant for aggregates with planned annual production capacity of approximately 2.0 million tons in Wuping County, Fujian	467.3	173.4	50.7	243.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Shangsi County, Guangxi	473.7	–	89.7	384.0
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Tianyang District, Guangxi	470.5	–	102.8	367.7

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2019 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2020 *HK$ million*
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Weishan County, Yunnan	432.1	–	126.1	306.0
Construction of a production plant for aggregates with planned annual production capacity of approximately 30.0 million tons in Fengkai County, Guangdong	6,329.1	–	2,743.7	3,585.4
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Dingan County, Hainan	2,019.9	–	737.3	1,282.6
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Wuxuan County, Guangxi	894.2	–	–	894.2
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	131.6	–	45.6	86.0
Acquisition of approximately 58.8% equity interests of DongGuan Universal Classical Material Ltd.	306.8	–	–	306.8
Construction of 3 concrete batching plants with total annual capacity of approximately 1.5 million m^3 of concrete	161.3	–	28.1	133.2
Total	13,802.6	403.2	4,316.9	9,082.5

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 consolidated statement of financial position as at 31 December 2020. Total payments for capital expenditure of the Group are expected to be approximately HK$5,708.6 million and HK$2,891.0 million in the years 2021 and 2022, which will be financed by proceeds from previous placing of Shares and internally generated funds.

STRATEGIES AND PROSPECT

2021 is the opening year of the "Fourteenth Five-Year" Plan. The Chinese government will persistently seek 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 solidly accomplishes the work for "Six Stabilities", fully implements the missions of "Six Priorities", accelerates the construction of a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other, consolidates and expands the achievements in epidemic prevention and control as well as economic and social development, and strives to maintain the operation of the economy within a reasonable range.

The Chinese government will build modernized infrastructure system, systematically plan the layout of new-type infrastructure, accelerate the construction of a world leader in transport, improve comprehensive transportation channels, comprehensive transportation hubs and logistics networks, and accelerate the networking of city clusters and metropolitan areas with rail transport. 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. 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", encourages both renting and purchasing, and develops city-specific policies to foster the stable and healthy development of the property market. At the same time, the government will improve the strategies for new-type urbanization, implement initiatives for urban revitalization, and strengthen the renovation of old communities in cities and towns and community construction. It strives 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 addition, the Chinese government will comprehensively promote rural revitalization, further improve rural infrastructure such as water, electricity, roads, gas, communications, broadcast television and logistics, and enhance the quality of rural housing construction.

In terms of coordinated regional development strategy, China expedites infrastructural connectivity in the Guangdong-Hong Kong-Macao 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 continue to reinforce the three core strengths of the "leading market position in the region, lowest total costs, innovation-driven development", commit to enhancing efficiency and quality of operation and improving the management standards of environmental protection, safety and health. The Group 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 development strategy for extension along the industry chain. The Group will also continue to seek opportunities for strategic cooperation with domestic and overseas leading enterprises for the joint promotion of sustainable development of the cement industry in China.

CORPORATE GOVERNANCE

During the year, the Company had complied with the applicable code provisions of the Corporate Governance Code set out 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 Company complies with the same level as that required under this provision.

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

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

DIVIDEND

The Board recommends the payment of final dividend of HK$0.34 per Share in cash for the year ended 31 December 2020 (2019: HK$0.335 per Share). Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK$0.275 per Share in cash for 2020 (2019: HK$0.26 per Share) and the total distribution for the year ended 31 December 2020 will be HK$0.615 per Share (2019: HK$0.595 per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10 May 2021 to Friday, 14 May 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, 14 May 2021, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 7 May 2021 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about Monday, 7 June 2021 to shareholders of the Company whose names appear on the register of members of the Company after the close of business of the Company at 4:30 p.m. on Monday, 24 May 2021 and the register of members of the Company will be closed on Monday, 24 May 2021, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Friday, 21 May 2021 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

REVIEW OF ANNUAL REPORT

The annual report encompassing the consolidated financial statements for the year ended 31 December 2020 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 healthy 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.

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

Hong Kong, 12 March 2021

As at the date of this announcement, the non-executive Directors are Mr. LI Fuli (Chairman), Mr. ZHOU Longshan, Mr. CHEN Ying, Mr. WANG Yan, Madam WAN Suet Fei and Mr. JING Shiqing; 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.