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 INTERIM RESULTS ANNOUNCEMENT

	For the six months ended 30 June		**Increase**
	2020	2019	**(Decrease)**
	(unaudited)	(unaudited)	
Turnover *(HK$ million)*	**16,884.3**	17,409.5	(3.0)%
Profit attributable to owners of the Company *(HK$ million)*	**4,191.3**	3,766.0	11.3%
Basic earnings per share	**HK$0.600**	HK$0.539	
Interim dividend per share	**HK$0.275**	HK$0.26	
	As at	As at	
	30/6/2020	31/12/2019	**Increase**
	(unaudited)	(audited)	
Total assets *(HK$ million)*	**62,515.1**	61,170.9	2.2%
Equity attributable to owners of the Company *(HK$ million)*	**42,945.5**	41,979.7	2.3%
Gearing ratio *(note 1)*	**16.4%**	18.9%	
Net assets per share – book *(note 2)*	**HK$6.15**	HK$6.01	2.3%

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 relevant reporting period.

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2020 HK$'000 (unaudited)	2019 HK$'000 (unaudited)
Turnover	3	**16,884,328**	17,409,509
Cost of sales		**(10,020,847)**	(10,635,458)
Gross profit		**6,863,481**	6,774,051
Other income		**330,664**	287,682
Selling and distribution expenses		**(710,904)**	(867,898)
General and administrative expenses		**(801,755)**	(816,970)
Exchange gain (loss)		**417**	(2,784)
Finance costs	4	**(144,972)**	(222,256)
Share of results of associates		**206,882**	58,270
Share of results of joint ventures		**111,083**	94,590
Profit before taxation	5	**5,854,896**	5,304,685
Taxation	6	**(1,640,930)**	(1,498,688)
Profit for the period		**4,213,966**	3,805,997
Other comprehensive (expense) income:			
Items that will not be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(829,257)**	(203,308)
Change in fair value of other investment		**(22,894)**	–
Item that will be subsequently reclassified to profit or loss:			
Share of other comprehensive (expense) income of associates		**(39,632)**	19,697
Total comprehensive income for the period		**3,322,183**	3,622,386
Profit for the period attributable to:			
Owners of the Company		**4,191,289**	3,766,041
Non-controlling interests		**22,677**	39,956
		4,213,966	3,805,997
Total comprehensive income for the period attributable to:			
Owners of the Company		**3,305,124**	3,583,552
Non-controlling interests		**17,059**	38,834
		3,322,183	3,622,386
Basic earnings per share	7	**HK$0.600**	HK$0.539

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30/6/2020 HK$'000 (unaudited)	As at 31/12/2019 HK$'000 (audited)
Non-current assets			
Fixed assets		**26,228,397**	27,080,617
Right-of-use assets		**2,964,366**	2,922,031
Investment property		**130,000**	130,000
Other investment		**74,303**	97,197
Intangible assets		**2,535,981**	2,461,792
Interests in associates		**6,638,285**	6,580,670
Interests in joint ventures		**1,499,736**	1,426,602
Deposits for acquisition of assets		**916,536**	1,031,817
Deferred tax assets		**295,076**	219,766
Long term receivables		**258,251**	260,553
Pledged bank deposits		**237,698**	216,985
		41,778,629	42,428,030
Current assets			
Inventories		**1,785,435**	1,509,704
Trade receivables	*8*	**4,292,925**	2,386,126
Other receivables		**921,507**	726,366
Loan to an intermediate holding company		**804,816**	805,240
Amounts due from associates		**262,447**	397,535
Amounts due from joint ventures		**7,407**	5,818
Taxation recoverable		**3,934**	64,203
Cash and bank balances		**12,658,012**	12,847,838
		20,736,483	18,742,830
Current liabilities			
Trade payables	*9*	**2,987,538**	3,174,237
Other payables		**6,560,726**	5,080,770
Taxation payable		**1,584,233**	1,770,521
Bank loans – amount due within one year		**1,437,904**	1,297,954
		12,570,401	11,323,482
Net current assets		**8,166,082**	7,419,348
Total assets less current liabilities		**49,944,711**	49,847,378

	As at 30/6/2020 *HK$'000* (unaudited)	As at 31/12/2019 *HK$'000* (audited)
Non-current liabilities		
Bank loans – amount due after one year	**2,300,000**	3,279,151
Unsecured medium term notes	**3,284,280**	3,349,050
Other long term payables	**430,551**	448,828
Deferred tax liabilities	**680,146**	504,171
	6,694,977	7,581,200
	43,249,734	42,266,178
Capital and reserves		
Share capital	**698,294**	698,294
Reserves	**42,247,218**	41,281,378
Equity attributable to owners of the Company	**42,945,512**	41,979,672
Non-controlling interests	**304,222**	286,506
Total equity	**43,249,734**	42,266,178

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. Except for the amendment to HKFRS 16, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

3. SEGMENT INFORMATION

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

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

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

The information of the segment results is as follows:

For the six months ended 30 June 2020 (unaudited)

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

Inter-segment sales are charged at prevailing market prices.

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

For the six months ended 30 June 2019 (unaudited)

	Cement *HK$'000*	Concrete *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	14,314,032	3,095,477	–	17,409,509
Inter-segment sales	465,408	1,101	(466,509)	–
	14,779,440	3,096,578	(466,509)	17,409,509

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	5,178,101	186,875	–	5,364,976
Interest income				84,214
Exchange loss				(2,784)
Finance costs				(222,256)
Unallocated net corporate expenses				(72,325)
Share of results of associates				58,270
Share of results of joint ventures				94,590
Profit before taxation				5,304,685

4. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Bank loans and unsecured medium term notes	**133,992**	218,120
Provision for environmental restoration	**8,028**	–
Lease liabilities	**2,952**	4,136
	144,972	222,256

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Total staff costs (including Directors' emoluments)	**1,171,353**	1,308,014
Allowance for doubtful debts	**58,295**	41,342
Amortization of mining rights (included in general and administrative expenses)	**59,433**	41,319
Depreciation of fixed assets	**922,349**	956,907
Depreciation of right-of-use assets	**57,856**	61,534
Short term lease payments	**7,090**	6,885
Variable lease payments		
– motor vehicles	**212,382**	231,789
Gain on disposal of subsidiaries	**(33,931)**	(567)
Interest income	**(90,334)**	(84,214)

6. TAXATION

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**6,011**	5,634
Chinese Mainland Enterprise Income Tax	**1,531,617**	1,383,706
	1,537,628	1,389,340
Deferred taxation		
Hong Kong	**(2,106)**	(5,019)
Chinese Mainland	**105,408**	114,367
	103,302	109,348
	1,640,930	1,498,688

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

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

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**4,191,289**	3,766,041

	For the six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Number of share(s) of HK$0.10 each in the share capital of the Company ("Share(s)")		
Weighted average number of Shares for the purpose of basic earnings per share	**6,982,937,817**	6,982,937,817

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

8. TRADE RECEIVABLES

	As at 30/6/2020	As at 31/12/2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables from third parties	**4,289,945**	2,384,112
Trade receivables from related parties	**2,980**	2,014
	4,292,925	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 30/6/2020	As at 31/12/2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**3,483,164**	1,843,340
91 to 180 days	**255,350**	235,830
181 to 365 days	**430,274**	227,782
Over 365 days	**124,137**	79,174
	4,292,925	2,386,126

9. TRADE PAYABLES

	As at 30/6/2020	As at 31/12/2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables to third parties	**2,968,800**	3,157,563
Trade payables to related parties	**18,738**	16,674
	2,987,538	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 30/6/2020	As at 31/12/2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**2,918,468**	3,112,055
91 to 180 days	**40,100**	33,877
181 to 365 days	**9,385**	11,925
Over 365 days	**19,585**	16,380
	2,987,538	3,174,237

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.275 per Share for the Period (2019: HK$0.26). The interim dividend, which amounts to approximately HK$1,920.3 million (2019: HK$1,815.6 million), will be distributed on or about Friday, 9 October 2020 to shareholders whose names appear on the register of members of the Company after the close of business on Friday, 11 September 2020. Such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 11 September 2020 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

BUSINESS ENVIRONMENT

In the first half of 2020, in the face of the severe challenges posed by the novel coronavirus epidemic, the Chinese government introduced a series of measures and policies to launch epidemic prevention and control and promote the orderly resumption of operation, production, business and markets. As the effects of macro policies are continuously materializing, there is a clear trend of steady recovery of the overall economy.

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2020, China's gross domestic product ("GDP") decreased by 1.6% year-on-year to RMB45.7 trillion. Comparing between quarters, it decreased by 6.8% year-on-year in the first quarter, and increased by 3.2% year-on-year in the second quarter. In the first half of the year, national fixed asset investments ("FAI") (excluding rural households) decreased by 3.1% year-on-year to RMB28.2 trillion, and the decline had been narrowed by 13.0 percentage points on a quarterly basis.

According to the statistics published by the respective provincial bureaux of statistics, in the first half of the year, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi, where the Group has business operations, reached RMB4.9 trillion, RMB1.0 trillion, RMB2.0 trillion, RMB238.0 billion, RMB1.1 trillion, RMB799.0 billion and RMB782.0 billion respectively, representing year-on-year changes of –2.5%, 0.8%, 0.5%, –2.6%, 0.5%, 1.5% and –1.4% respectively. According to the statistics published by the National Bureau of Statistics of China, the year-on-year changes in FAI of the aforementioned provinces were 0.1%, 1.1%, –0.8%, 3.0%, 3.5%, –4.9% and 8.3% respectively.

In the first half of the year, the Chinese government launched numerous policies to support the resumption of operation and production of enterprises and alleviate the pressure on corporate operation, including supply of special loans, acceleration of the issuance and use of special local government bonds, the early assignment of partial new quotas of special bonds for 2020, expansion of the scope of project capital and reduction of the minimum capital ratio, in order to accelerate the construction of major projects and infrastructure. In addition, the People's Bank of China has implemented one cross-the-board cut and two targeted cuts of the required reserve ratio since this year and lowered the loan prime rate in February and April to reduce the actual cost of social financing and support the development of the real economy.

According to the statistics published by the National Bureau of Statistics of China, in the first half of the year, national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) decreased by 2.7% year-on-year, and the decline had been narrowed by 17.0 percentage points on a quarterly basis. According to the statistics published by the Ministry of Transport of China and the National Railway Administration of China, FAI on highways and waterways in China in the first half of the year amounted to approximately RMB1.1 trillion in total, representing an increase of 7.8% year-on-year, which was a significant recovery from the decline of 22.9% in the first quarter; FAI on railway in the first half of the year amounted to approximately RMB326.0 billion, representing an increase of 1.2% year-on-year, which was a significant improvement from the decline of 21.0% in the first quarter.

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2020, the floor space of commodity housing sold in China decreased by 8.4% year-on-year to 690 million m^2 and the sales amount decreased by 5.4% year-on-year to RMB6.7 trillion. Real estate investment in China reached RMB6.3 trillion, representing an increase of 1.9% year-on-year, whereas there was a decrease of 7.7% year-on-year in the first quarter. Among which, the floor space of houses newly started construction decreased by 7.6% year-on-year to 980 million m^2, while the floor space of houses completed decreased by 10.5% year-on-year to 290 million m^2. Their declines had been narrowed by 19.6 percentage points and 5.3 percentage points respectively on a quarterly basis. As of the end of June 2020, the floor space under construction by the real estate developers nationwide reached 7,930 million m^2, representing an increase of 2.6% year-on-year.

The Chinese government promoted new-type urbanization, and actively advocated policies for rural revitalization and poverty alleviation through transportation infrastructure. In April 2020, the National Development and Reform Commission of China issued the "Key Tasks of New-type Urbanization Construction and Development of Urban-Rural Integration for 2020", which proposed to improve the quality of grant of urban residency to rural people who have moved to cities, enhance the comprehensive carrying capacity of central cities and city clusters and capability of optimized resources allocation, promote the construction of new-type urbanization with county seats as important carriers, foster the coordinated development of large, medium and small cities and small towns, and improve the level of city governance in order to advance urban-rural integrative development.

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

THE INDUSTRY

According to the statistics published by the National Bureau of Statistics of China, in the first half of the year, the total cement production in China amounted to approximately 1.0 billion tons, representing a year-on-year decrease of 4.8%, and the decline had been narrowed by 19.1 percentage points on a quarterly basis. According to the statistics of the China Cement Association, during the Period, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi were approximately 69.4 million tons, 52.3 million tons, 40.7 million tons, 7.6 million tons, 59.1 million tons, 49.0 million tons and 21.3 million tons respectively, representing year-on-year changes of approximately –7.2%, –2.2%, –5.9%, –16.5%, –5.6%, –0.6% and –0.5% respectively.

According to the statistics of the China Cement Association, in the first half of 2020, there were 9 new clinker production lines nationwide with new annual clinker production capacity of 14.2 million tons in total. According to the statistical information of the Company, one new clinker production line was added in each of Guangdong and Guangxi, with new annual clinker production capacity of approximately 3.9 million tons in total.

Regarding policies for the industry, the Chinese government further tightened the capacity replacement policies, enhanced standards and regulations, and continuously advanced prevention and treatment of pollution, production safety and occupational health for promoting the high-quality and sustainable development of the cement industry.

In January 2020, the Ministry of Industry and Information Technology of China issued the requirements for further regulating capacity replacement in the cement and glass industries. With effect from 2021, cement and clinker production lines which had suspended production for two years or had been in production for not more than one year in total within three years shall not be used as the quota of capacity replacement. In April, the "Issue of Notice on Strict Capacity Management to Promote the Healthy and Orderly Development of the Cement and Flat Glass Industries (Draft for Solicitation of Comments)" of the Department of Industry and Information Technology of Guangxi proposed to suspend capacity replacement in the cement industry. For new replacement projects, there are definite requirements on the daily production of a single production line of ordinary cement (clinker) to reach 5,000 tons or above, the construction of green mines, co-processing projects and intelligent cement factories, the level of energy consumption to meet the national requirement of advanced value of energy consumption limit per unit product, and the emissions of particulate matters, sulphur dioxide and nitrogen oxides to reach the ultra-low emissions limits. Besides, announcement for confirmation of capacity replacement would not be processed or announcement for capacity replacement plans would be revoked for projects which had not handled the procedures for filing, environmental impact assessment, energy technology evaluation, land use, planning and safety assessment within one year of announcement of capacity replacement plans and projects which had not completed construction within two years.

The industry standard of "Aggregates for High Performance Concrete" issued by the Ministry of Housing and Urban-Rural Development of China has been implemented since June 2020. The 19 mandatory national standards including "Common Portland Cement" issued by the Ministry of Industry and Information Technology of China were announced for seeking approval in May and proposed to be promulgated and implemented from October 2020. The above standards stipulate requirements, refine and modify the terms, indicators and testing methods of the corresponding products, which will be conducive to improving product quality and technique.

The Chinese government is resolute in winning and fighting well in the battles for prevention and treatment of pollution, requires the full implementation of the missions of "Six Securities" (job security, basic living needs, operations of market entities, food and energy security, stable industry chain and supply chain, and the normal functioning of primary-level governments) in ecological and environmental protection work subject to regular epidemic prevention and control, and specifically proposes the regions with relatively large production capacities in the building materials industry to research on the launch of upgrade to ultra-low emissions in industries such as cement and ceramics based on local conditions. In July, 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)" to roll out performance classification for the cement industry and formulate differentiated emergency measures for emission reduction.

With regards to green factories, in April, the Ministry of Industry and Information Technology of China approved the industry standards of "Guidelines for the Evaluation of Green Factories in the Cement Industry", which had further refined the relevant terms and definitions, evaluation requirements, methods, procedures and reports for the evaluation of green cement factories, and guided the green development of the cement industry.

With regards to green mines, in June, the Ministry of Natural Resources of China issued "Evaluation Indexes for Green Mines". The level of green mine construction was graded on the six aspects of mine environment, methods of resources exploration, comprehensive utilization of resources, energy saving and emission reduction, technological innovation and intelligent mines, corporate management and corporate image respectively, which was conducive to promoting the construction of green mines.

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 the 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 terms of aggregates, the Chinese government strengthened management of rivers and lakes, and regulated gravel mining and management of mine resources. The Ministry of Natural Resources of China proposed to plan for legislation in 2020 to further regulate the side of gravel resources in the aspects of planning, transfer, mining and ecological restoration. 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 high-quality production capacity of manufactured gravel, while strengthening the comprehensive rectification, control and utilization of sand mining in rivers at the same time in order to promote the gradual and orderly mining and utilization of sea sand. The Chinese government also proposed the aim 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 help the healthy and orderly development of the industry.

In addition, the Chinese government actively promotes the development of prefabricated 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, accounting for approximately 13.4% of the floor space of newly constructed buildings.

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 target proportion of floor space of prefabricated buildings in Shenzhen Municipality and Guangzhou City shall exceed 30% by 2020. 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 is targeted to exceed 20% by 2020. 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 target proportion of floor space of prefabricated buildings to newly constructed buildings in the region to 30% in approximately ten years' time.

TRANSFORMATION AND INNOVATION

The Group continues to deepen the brand building of "Runfeng Cement" and had launched various innovative brand promotion schemes in the past four years. 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.

Through its positioning in Southern China, the Group promotes transformation and innovation, and actively seizes the opportunities for extension along the industry chain. In the first half of the year, 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 promote regional market research, project acquisition and construction work. During the Period, breakthroughs had been achieved in the new businesses of aggregates, engineered stones and prefabricated construction.

In terms of the aggregates business, the Group acquired the mining rights of aggregates quarries in Wuping County, Fujian, Shangsi County and Tianyang District, Guangxi in November 2019, March and June 2020 respectively, with resource reserves of approximately 180.0 million tons in total and planned annual production capacity of approximately 12.0 million tons in total, which have further enriched the Group's reserves of aggregates resources.

Regarding engineered stones, in the first half of the year, the Group launched strategic cooperation with real estate developers and entered into agreements for numerous construction projects in order to expand the engineered stone business.

With regard to the prefabricated construction business, since 2020, the Group had acquired land 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. Currently, the projects are under planning. In addition, Phase 1 of the Guigang Runhe project had completed construction and is expected to officially commence operation by the end of the year.

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 Company continuously advances high-quality development with strong focuses on three aspects of intelligent manufacturing, intelligent logistics and smart marketing. On 28 July, 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.

The Group places strong emphasis on corporate social responsibility, and proactively responds to the Chinese government's policies on energy saving and emission reduction. By use of cement kilns for co-processing municipal waste, urban sludge and hazardous industrial waste, the Group actively participates in the treatment and management of social solid waste, air and water pollution for the transformation into an environmentally-friendly enterprise.

In the first half of the year, the Group cooperated with leading domestic environmental protection technology companies in exploring new technologies for co-processing fly ash and hazardous industrial waste generated after incineration of municipal waste by use of cement kilns to enhance processing efficiency and the standards of safety and environmental protection. Pilot trials are planned at cement production plants in Guangdong and Guangxi.

In addition, the Group's achievements in co-processing projects by use of cement kilns have been recognized by the government and relevant institutions. In March, the Group participated in the "Forum on Co-Processing Solid Waste by Use of Cement Kilns" held by the Department of Industry and Information Technology of Guangdong and conducted exchanges with the Department of Ecology and Environment of Guangdong, the Department of Housing and Urban-Rural Development of Guangdong and the Guangdong Province Cement Association on the status, existing problems and policy recommendations of co-processing projects. In June, the Group participated in the "Launch Meeting to Revise the Standards of 'Code for Design of Industrial Waste Composition in Cement Kiln' (GB 50634-2010 2015 Edition)" held by the China National Building Materials Industry Standards and Norms Terminal Station, and discussed the revision of standards together with the Department of Standards and Norms of the Ministry of Housing and Urban-Rural Development of China, the Institute of Pollution Control Technology on Solid Waste of the Chinese Research Academy of Environmental Sciences, as well as various design institutes, engineering companies and cement enterprises.

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. In the first half of the year, the Group shut down two concrete batching plants. The total annual concrete production capacity decreased by approximately 1.2 million m^3 compared to the end of 2019.

Capacity Utilization

The utilization rates of the Group's cement, clinker and concrete production lines during the Period were 86.6%, 100.4% and 30.4% as compared with 92.4%, 105.7% and 34.6% respectively for the corresponding period last year.

COST MANAGEMENT

Operational Management

In the first half of 2020, the Group continued to optimize production and operation management. By setting target values for major operational indicators, the Group fostered the continuous improvement of operational indicators such as coal consumption and energy consumption at each cement production plant. We persistently promoted the application of innovation achievements at each production plant, coordinated projects for technological upgrade and transformation, enhanced the mechanism for technological assistance, 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 continues to launch in-depth work on lean management. During the Period, on the basis of the completion of treatment of water inrush caused by cave mining at the mine of the cement production plant located in Pingnan County, Guangxi, the Group carried out the planning work for water treatment at the mine of the cement production plant located in Hepu County, Guangxi. In addition, the Group launched ammonia leakage detection from the rear of cement kilns at the Technology Research and Development Centre and explored the technical routes to reduce ammonia leakage and the usage amount of ammonia water, in order to reduce environmental pollution and equipment corrosion caused by ammonia leakage and to decrease production costs.

Procurement Management

In the first half of 2020, the Group purchased a total of approximately 4.24 million tons of coal (approximately 4.54 million tons in the first half of 2019), among which, approximately 76%, 22% and 2% were sourced from northern China, neighbouring areas of our production plants and Australia respectively (78%, 22% and 0% respectively in the first half of 2019). The proportion of direct procurement from coal producers was approximately 80% (81% in the first half of 2019). In the future, the Group will continuously strengthen the cooperation with large-scale domestic coal suppliers and modify the strategies of imported coal according to the national policy on coal import in order to secure a stable supply of coal of excellent quality.

Amid the Chinese government's stricter requirements for environmental protection and the stronger protection of natural resources, the Group has been gradually using 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 meet the requirements for environmental protection and reduce costs.

Logistics Management

Logistics management is one of the Group's key measures in maintaining its market competitiveness. In the first half of 2020, due to the impact of novel coronavirus epidemic, expressway toll fees were exempted and the cost of vehicle transportation showed a steady downward trend during the Period. Based on the market characteristics of each operating region, the Group actively carried out tendering for logistics transportation, organized two-way logistics, optimized loading bases for tanker vessels and initiated joint shipment by railway in order to reduce logistics costs.

In the first half of the year, the annual shipping capacity of the Group along the Xijiang River was approximately 34.9 million tons, which secured stable and continuous logistics capabilities for the Group's business operation.

In addition, amid the Chinese government's stricter requirements for environmental protection, the Group continuously optimized the layout of its silo terminals and cooperation methods to build compliant and environmentally friendly silo terminals. As of the end of June 2020, the Group controlled the operations of 36 silo terminals with annual capacity of approximately 26.6 million tons, which are mainly located in the Pearl River Delta Region. This consolidates the Group's leading market position in Guangdong.

SALES AND MARKETING

Product Promotion

In the first half of the year, the Group continued to promote products such as "Wang Pai Gong Jiang" renovation cement, masonry cement and cement for nuclear power stations. Sales of Portland cement for roads was newly added in Fujian. In cooperation with universities, the Group optimized product indicators to produce cement products that are more suitable for airport runway projects, which would be helpful to seize the opportunities of airport construction in Fujian.

Brand Building

Implementation of effective corporate brand strategies and reinforcement of management and maintenance on the brand are important measures for the Group to enhance its core competitiveness and embrace market opportunities and challenges. Since 2016, the Group has started to build its national unified brand "Runfeng Cement". In order to enhance brand awareness, the Group formulates brand business promotion plan every year and creates special theme activities of "6.28 Runfeng Brand Anniversary Celebration". While carrying out regular promotion work such as media advertising, the Group also launches special promotional activities based on product characteristics, including cooperation plans with key users, brand image franchise stores and renovation companies. 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.

In the first half of 2020, the Group continued to intensively work on the construction and management of brand image, comprehensively surveyed on the sales and marketing situation of brand image franchise stores, formulated rectification proposals for franchise stores and optimized the management of franchise stores. Online brand anniversary celebration and brand promotional activities were held to expand brand influence and foster the construction of brand awareness among all employees. Search engine optimization of keywords and images were promoted to build a standardized environment for Internet search. Upon consolidating various conditions such as sales, logistics and location, the Group created the first brand flagship store of Runfeng Cement in Yunnan and was officially opened in June 2020.

GREEN DEVELOPMENT

Production Safety and Occupational Health

The Group attaches great importance to production safety and occupational health of employees, puts the concept of "high aspirations, high standards" into practice, and implements the requirements of "no production when unsafe". In the face of novel coronavirus epidemic, the Group set up a leading group and a working group for epidemic prevention and control work in January, with the Chief Executive Officer as the group leader to coordinate epidemic prevention and control work. The groups had held multiple special meetings on epidemic prevention and control as well as resumption of operation and production, formed public health contingency plans, relevant systems and regulations for epidemic prevention and control, and organized the launch of safety inspections for epidemic prevention and control as well as resumption of operation and production.

During the epidemic, every entity had properly secured anti-epidemic supplies, disinfected crowded public areas and commuter vehicles, strictly promoted health registration and monitoring on employees, and arranged office personnel to implement mechanisms for on-site work on shift and flexitime based on the epidemic situation in order to achieve the two corrects of prevention and control as well as resumption of operations.

Currently, the coverage rates of the OHSAS 18000 Occupational Health & Safety Management System and staff body checks are both 100%. As of the end of June 2020, the Group had a total of 284 specialized environment, health and safety management personnel, among which, 198 were specialized safety management personnel (including 65 registered safety engineers).

Regarding safety management, the Group launched a three-year implementation plan for production safety rectification to raise the overall standards of safety management. Meanwhile, the construction of production safety standardization is continuously promoted. On the basis of the pilot construction of a First-Class Mine of Production Safety Standardization at the cement production plant located in Tianyang District, Guangxi, the Group started to prepare for the launch of construction work at the cement production plants located in Nanning City and Guigang City, Guangxi, and Jinsha County, Guizhou. As of the end of June 2020, 28 cement production plants of the Group (inclusive of grinding stations) had passed the on-site assessments as the First-Class Enterprise in National Production Safety Standardization and the limestone mines of 17 cement production plants have passed the assessments as the Second-Class Enterprise in National Production Safety Standardization.

Regarding safety inspection, in order to safeguard the safety of our employees' lives and properties, the Group has established a system for the tiered management and control of safety risks and the inspection, treatment and management of latent hazards. In the first half of the year, the Group successively conducted studies, inspections and assistance for 8 cement production plants and 3 concrete batching plants in Guangdong and Guangxi. 589 emergency drills were organized with a total of 9,123 participants in attendance.

Regarding safety training, the Group uploaded videos of epidemic prevention and control, safety knowledge and emergency drills on the online learning platform to encourage our staff to self-study. An online examination on health and safety knowledge was organized for managerial staff with 992 participants in attendance, which was helpful to enhance the management standards of health and safety. In the first half of the year, the aggregate duration of safety training for the Group's staff amounted to 170,211 hours, whereas that for counterparties amounted to 37,368 hours.

Energy Saving and Emission Reduction

The Group proactively fulfils its social responsibilities as a corporate citizen and vigorously promotes green production. The average emission concentrations of nitrogen oxides, sulphur dioxide and particulate matters are all lower than the national standard limits of pollutant emissions. Currently, 100% of our cement production plants have obtained permits for pollutant emissions, and 100% of our cement clinker production plants are equipped with pure low-temperature residual heat recovery generation systems, denitration systems and bag filters. In addition, the Group selectively applied desulphurization technology according to the actual needs of operation of each production line. As of the end of June 2020, the Group completed the construction of 3 sets of wet-process desulphurization systems and 11 sets of composite desulphurization systems.

With the encouragement by the Chinese government on upgrade for ultra-low emissions, the Group proactively researched and advanced pilot projects on ultra-low emissions to enhance technological standards and management standards of environmental protection. In terms of nitrogen oxides, the Group actively researched on intelligent denitration technology of highly effective selective non-catalytic reduction (heSNCR), which had integrated multi-level combustion technology to further reduce the emission concentration of nitrogen oxides. As of the end of June 2020, the Group had launched pilot work at its cement production plant located in Changzhi City, Shanxi. In terms of particulate matters, as of the end of June 2020, the Group had applied a new type of bag filters in high temperature for ultra-low emissions at 13 cement production plants located in Guangdong, Guangxi, Fujian, Hainan and Yunnan. The emission concentrations of particulate matters had been reduced to below 10 mg/m^3, which are far lower than the national special emission limits. Promotion at other cement production plants of the Group will continue in the future.

Co-Processing

In reliance on independent innovation, the Group promotes co-processing projects in the three scopes of municipal solid waste, urban sludge and hazardous industrial waste to support transformation of environmental protection and achieve sustainable corporate development whilst fulfilling its social responsibilities.

Compared to traditional landfilling, co-processing of solid waste by use of cement kilns enables the Group to substantially save land resources and eliminate poisonous pollutants such as dioxin by effective use of heat inside cement kilns, thereby achieving "hazard-free, mass-reducing and recyclable" processing and creating a healthier living environment for local residents.

As of the end of June 2020, the Group had 8 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
Midu, Yunnan	Municipal solid waste	110,000	In trial operation

notes:

1. Located in the cement production plants of our associates or 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.

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. It is planned to build a construction waste disposal plant project with design annual disposal capacity of approximately 250,000 tons of construction waste, equipped with annual production capacities of approximately 300,000 m^3 of concrete and approximately 850,000 tons of manufactured sand. It is expected to commence construction in the second half of this year, and is planned to complete construction and commence operation in 2021. The project is consistent with the Company's strategy of industrial integrative development and, upon completion of construction, will help to improve the local urban environment, foster energy saving and emission reduction, reduce the consumption of natural resources, and promote the green development of the industry.

EXTENSION OF INDUSTRY CHAIN

The Group is proactively promoting the development strategy for extension of industry chain and digging out development opportunities of new businesses in Southern China. In the future, we will fully leverage on the synergetic advantages of cement, concrete, aggregates, new materials and prefabricated construction businesses, promote industrial integrative development and further consolidate the core competitive advantages of the Group.

Aggregates

In March 2020, the Group successfully won the bid for the mining rights of a limestone quarry in Jiangyu Mountain, Shangsi County, Fangchenggang City, Guangxi, with resource reserve of approximately 65.0 million tons and planned annual production capacity of approximately 5.0 million tons, which is expected to commence operation in 2021.

In June 2020, the Group successfully won the bid for the mining rights of a limestone quarry in Gujie, Napo Town, Tianyang District, Baise City, Guangxi, with resource reserve of approximately 61.0 million tons and planned annual production capacity of approximately 5.0 million tons, which is expected to commence operation in 2021.

As of the end of June 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 three newly acquired aggregates mines since 2019, the total annual aggregates production capacity of the Group is expected to reach approximately 22.6 million tons.

Relevant information of the projects is outlined below:

Project	Planned annual production capacity (tons)	Resource reserve (tons)	Particulars
Guangxi			
Shangsi	5,000,000	65,000,000	• Won the bid for the mining rights in March 2020 • Expected to commence operation in 2021.
Tianyang	5,000,000	61,000,000	• Won the bid for the mining rights in June 2020. • Expected to commence operation in 2021.
Fujian			
Wuping	2,000,000	56,000,000	• Won the bid for the mining rights in November 2019. • Expected to commence operation in 2021.

New Materials

Shenzhen Runfeng New Materials Technology Company Limited ("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 the first half of 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 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 has completed construction and is expected to commence operation by the end of the year. As of the end of June 2020, the Group had planned for a total of 8 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 1)*	–	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 capacity of 200,000 m^3) is expected to commence operation in 2021.
Jiangmen Runfeng	45,500	50,000	Under planning	• 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 2021.
Guangxi				
Nanning Hongji *(note 2)*	–	15,000	In operation	• Currently, products are mainly supplied to commodity housing projects in Nanning and neighbouring cities.
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 capacity of 200,000 m^3) is expected to commence operation in 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 capacity of 100,000 m^3) had completed construction and is expected to officially commence operation by the end of 2020.
Laibin Runhe	153,000	200,000	Under planning	• Won the bid for the land in January 2020. • Expected to commence operation in 2022.
Baise Runhe	120,000	200,000	Under planning	• Won the bid for the land in April 2020. • Expected to commence operation in 2022.

notes:

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

2. The Group cooperates with Nanning Hongji Cement Products Co., Ltd in production.

INNOVATION DEVELOPMENT

Digital Transformation

After nearly two years of exploration and practice, 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 in July 2020. 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, with four aspects of measures on "management of production and operation, intelligent operation and maintenance of equipment, advanced kiln control, and decision-making command centre", and with "information security of industrial network" as fundamental security. Full coverage of 5G signal had been achieved, which would help to raise the efficiency of production and operation, reduce production costs, enhance safety and environmental protection, and ensure product quality.

In addition, a pilot platform for sharing auxiliary materials and spare parts developed by the Group was launched in Fujian in April, and will be promoted to other operating regions of the Group in the future. The Group continued to promote the "Smart Card" intelligent delivery system. In the first half of the year, the upgraded automation functions had been put into operation at the cement production plants in Fengkai County, Huizhou City, Luoding City and Dongguan City, Guangdong and had been operating at 12 cement production plants as of the end of June 2020, which helped to enhance delivery efficiency and quality of loading service, and to reduce logistical costs.

On 28 July, the Group, CITIC Holdings Co., Ltd., subsidiary of Foxconn Industrial Internet Co., Ltd. and other entities had 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, facilitate transformation and upgrade of the industry, and achieve high-quality development.

Research and Development

Innovation is an important momentum to stimulate corporate vitality and motivate long-term corporate development. As of the end of June 2020, the Group's Technology Research and Development Centre had 45 specialized employees, including 4 doctors and 14 masters. Among the research and development ("R&D") personnel, 2 were professorate senior engineers. The Group continues to enhance its R&D capabilities. 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.

The Group applies for patent licenses for its various R&D achievements. As of the end of June 2020, the Group held 178 patent licenses, including 24 inventions and 154 utility models.

In the first half of 2020, the Group's Technology Research and Development Centre provided 849 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, 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. 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.

On the other hand, 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.

All-Staff Innovation

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 the first half of 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, 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. The Company's strength of "innovation-driven development" had been further reinforced.

INTEGRITY CULTIVATION

The Group is committed to maintaining good corporate governance with an emphasis on the spirit of accountability and a high level of transparency. In accepting internal and external supervision, we formulated the "Whistle-Blowing Policy", which has been published on the Company's website to encourage our employees and parties who deal with us (for example, customers, contractors, suppliers, creditors and debtors) to report any misconducts within the Group. Issues of violations of disciplines and regulations are seriously investigated and handled. At the same time, we continue to build a coordinated supervision mechanism for each functional line, sort out integrity risks around key steps, and strengthen supervision and inspection by use of informationized means.

The Group always pays attention to and continuously strengthens the work for integrity cultivation and probity education. In the first half of the year, the Group intensively conducted 78 sessions of "integrity education delivered to the door", reaching 2,043 participants in total. Daily confiding conversations were initiated with 186 staff. 205 responses to opinions on integrity cultivation were issued. All the senior and middle-level managerial staff were organized to sign the "Commitment Letter on Integrity and Self-Discipline". Integrity reporting work of "person in charge" was rolled out. Probity and integrity promotional activities were actively carried out for customers in cooperation. In May 2020, the Company held a special meeting. Alert education had fully covered all employees through the dissimilation by 395 senior and middle-level managers to primary-level employees level-by-level.

EMPLOYEES

General Information

The Group regards our employees as the most valuable resources for our corporate survival and development. We provide and create a broad career development platform and opportunities for the employees to display their individual talents.

As at 30 June 2020, the Group employed a total of 19,690 full-time employees, among whom 151 were based in Hong Kong and the remaining 19,539 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 30/6/2020	As at 31/12/2019
Management	**397**	402
Finance, administration and others	**2,501**	2,485
Production staff	**11,525**	11,627
Technical staff	**4,397**	4,420
Sales and marketing staff	**870**	882
Total	**19,690**	19,816

Among 397 senior and middle-level managerial staff, 89% are male and 11% are female, 76% possess university degrees or above, 20% have received post-secondary education and their average age is approximately 46 (402, 89%, 11%, 76%, 21%, 46 respectively as at 31 December 2019). We offer remuneration packages mainly on the basis of individual results performance and work experience of the employees, and also having regard to internal fairness and market competitiveness, including basic wages, performance related bonuses, allowance and other staff benefits.

REVIEW OF OPERATIONS

The functional currency of the Group is RMB while the financial figures are all denominated in HK$. Comparing with corresponding period last year, RMB had depreciated against HK$ by approximately 4.5%.

Turnover

The consolidated turnover for the Period amounted to HK$16,884.3 million, representing a decrease of 3.0% from HK$17,409.5 million for the corresponding period last year. An analysis of segmental turnover by product is as follows:

	For the six months ended 30 June					
	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	**35,950** *(note)*	**381.8**	**13,724,042**	36,527	373.3	13,635,206
Clinker	**1,618**	**301.3**	**487,533**	2,008	338.1	678,826
Concrete	**5,432**	**492.1**	**2,672,753**	6,274	493.4	3,095,477
Total			**16,884,328**			17,409,509

note: Inclusive of sales volume of 1.4 million tons of cement from related parties (Nil for the corresponding period in 2019).

During the Period, our external sales volume of cement, clinker and concrete decreased by 577,000 tons, 390,000 tons and 842,000 m^3, representing decreases of 1.6%, 19.4% and 13.4% respectively from the corresponding period last year. During the Period, approximately 80.5% of the cement products we sold were 42.5 or higher grades (74.1% for the corresponding period in 2019) and approximately 35.0% were sold in bags (36.1% for the corresponding period in 2019). Internal sales volume of cement for our concrete production was 1.2 million tons (1.2 million tons for the corresponding period in 2019), representing 3.1% of the total volume of cement sold (3.3% for the corresponding period in 2019).

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

	For the six months ended 30 June					
	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	**13,682**	**436.8**	**5,976,784**	13,170	427.1	5,625,176
Guangxi	**11,034**	**360.0**	**3,971,818**	11,767	345.9	4,069,944
Fujian	**4,163**	**345.8**	**1,439,370**	4,744	324.2	1,537,911
Hainan	**1,661**	**384.6**	**638,891**	2,065	396.1	817,857
Yunnan	**2,480**	**372.5**	**923,897**	2,080	374.5	778,931
Guizhou	**1,349**	**230.5**	**310,896**	914	281.0	256,802
Shanxi	**1,581**	**292.5**	**462,386**	1,787	307.0	548,585
Total	**35,950**	**381.8**	**13,724,042**	36,527	373.3	13,635,206

The average selling prices of cement, clinker and concrete for the Period were HK$381.8 per ton, HK$301.3 per ton and HK$492.1 per m^3, representing an increase of 2.3%, a decrease of 10.9% and a decrease of 0.3% respectively from the corresponding period last year. The average selling prices of cement and clinker continued to slide in the first quarter and remained stable when demand for cement recovered in the second quarter.

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 29.0%, 11.9%, 34.4% and 24.7% of the cost of sales respectively for the Period (30.8%, 11.6%, 34.6% and 23.0% for the corresponding period in 2019 respectively). As for cement products, coal, electricity, materials and other costs represented 34.8%, 14.3%, 23.7% and 27.2% of their costs of sales respectively for the Period (37.5%, 14.1%, 22.6% and 25.8% for the corresponding period in 2019 respectively). Materials cost is the major component of the cost of sales of concrete, representing 91.0% of the cost of sales of concrete for the Period (91.9% for the corresponding period in 2019).

The average price of coal we purchased for the Period was approximately HK$620 per ton, representing a decrease of 10.4% from the average price of HK$692 per ton for the corresponding period last year, while the average thermal value of coal increased by 2.9% to 5,340 kcal per kg. During the Period, our unit coal consumption decreased to 142.2 kg per ton of clinker produced from the average of 146.5 kg for the corresponding period in 2019. Our standard coal consumption decreased to 104.7 kg per ton of clinker for the Period from the average of 105.8 kg for the corresponding period last year. As a result of the decreases in coal price and coal consumption, our average coal cost for the Period decreased by 13.0% to HK$88.1 per ton of clinker produced from HK$101.3 for the corresponding period in 2019.

Our average electricity cost decreased by 3.2% from HK$31.0 per ton of cement to HK$30.0 for the Period. During the Period, we enjoyed the benefits of lower electricity tariff for a total of 1,781.5 million kwh of electricity consumed (1,835.2 million kwh for the corresponding period in 2019), which accounted for 62.1% of the total electricity consumption for the production of cement products (60.8% for the corresponding period in 2019), and saved HK$77.4 million (HK$77.3 million for the corresponding period in 2019) under direct power supply agreements and price bidding arrangements. Our electricity consumption was 72.7 kwh per ton of cement for the Period (74.0 kwh for the corresponding period in 2019). Our residual heat recovery generators generated 908.9 million kwh of electricity for the Period, representing a decrease of 6.4% over 971.2 million kwh in the corresponding period last year. The electricity generated during the Period accounted for approximately 31.7% of our required electricity consumption (32.2% for the corresponding period in 2019) and we achieved a cost saving of approximately HK$428.6 million for the Period (HK$481.1 million for the corresponding period 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 Period was HK$582.4 million, representing a decrease of 1.9% over HK$593.5 million for the corresponding period last year.

Gross Profit and Gross Margin

The consolidated gross profit for the Period was HK$6,863.5 million, representing an increase of 1.3% from HK$6,774.1 million for the corresponding period last year and the consolidated gross margin was 40.7%, representing an increase of 1.8 percentage points from 38.9% for the corresponding period last year. The increases in consolidated gross profit and consolidated gross margin for the Period were mainly attributable to the higher selling price of cement compared to the corresponding period last year. The gross margins of cement, clinker and concrete for the Period were 43.9%, 39.6% and 24.3%, as compared with 42.2%, 42.0% and 23.6% respectively for the corresponding period last year.

Other Income

Other income for the Period was HK$330.7 million, representing an increase of 14.9% from HK$287.7 million for the corresponding period last year. This was mainly attributable to the increase in gain on disposal of subsidiaries of HK$33.4 million as compared with the corresponding period last year.

Selling and Distribution Expenses

Selling and distribution expenses for the Period were HK$710.9 million, representing a decrease of 18.1% from HK$867.9 million for the corresponding period last year. As a percentage to consolidated turnover, selling and distribution expenses decreased to 4.2% for the Period from 5.0% for the corresponding period last year.

General and Administrative Expenses

General and administrative expenses for the Period were HK$801.8 million, representing a decrease of 1.9% from HK$817.0 million for the corresponding period last year. As a percentage to consolidated turnover, general and administrative expenses for the Period remained the same as the corresponding period last year at 4.7%.

Share of Results of Associates

The associates of the Group contributed a profit of HK$206.9 million for the Period (profit of HK$58.3 million for the corresponding period in 2019) of which profit of HK$47.5 million, profit of HK$34.2 million, profit of HK$137.5 million and loss of HK$15.1 million (loss of HK$52.6 million, profit of HK$52.4 million, profit of HK$47.1 million and profit of HK$5.0 million for the corresponding period 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$111.1 million for the Period (profit of HK$94.6 million for the corresponding period in 2019).

Taxation

The effective tax rate of the Group for the Period was 28.0%, as compared with 28.3% for the corresponding period last year. Had the effect of the results of associates and joint ventures, the exchange difference, as well as the withholding tax in the Chinese Mainland for dividends and the deferred tax on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong been excluded, the effective tax rate of the Group for the Period would be 26.3% (25.5% for the corresponding period in 2019).

Net Margin

Net margin of the Group for the Period was 25.0%, which was 3.1 percentage points higher than that of 21.9% for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2020, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 30/6/2020 *'000*	As at 31/12/2019 *'000*
HK$	**946,586**	244,549
RMB	**10,512,374**	10,420,451
US$	**56,845**	152,465

As at 30 June 2020, the Group's banking facilities amounted to HK$3,300.0 million and RMB11,650.0 million, of which RMB11,250.0 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK$3,737.9 million equivalent (HK$4,577.1 million equivalent as at 31 December 2019) comprised loans in the following currencies:

	As at 30/6/2020 *'000*	As at 31/12/2019 *'000*
HK$	**3,300,000**	3,300,000
RMB	**400,000**	1,144,000

The bank loans are repayable as follows:

	As at 30/6/2020 *HK$'000*	As at 31/12/2019 *HK$'000*
Within one year	**1,437,904**	1,297,954
After one year but within two years	**2,300,000**	407,915
After two years but within five years	**–**	2,871,236

The bank loans of the Group as at 30 June 2020 and 31 December 2019 were unsecured.

As at 30 June 2020, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$437.9 million and HK$3,300.0 million respectively (HK$223.3 million and 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 30 June 2020.

Under the terms of certain agreements for total banking facilities of HK$3,300.0 million equivalent with expiry dates from November 2020 to May 2022, China Resources (Holdings) Company Limited is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for the total banking facilities of HK$3,300.0 million equivalent, the net gearing ratio of the Company (calculated by dividing net borrowings by equity attributable to owners of the Company, and as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The Group was in compliance with the above financial covenants as at 30 June 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 30 June 2020 and 31 December 2019. As at 30 June 2020, non-RMB denominated debts accounted for 47% of the total debts of the Group (42% as at 31 December 2019).

CHARGES ON ASSETS

As at 30 June 2020, there was no charge on assets by the Group (Nil as at 31 December 2019).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,491.3 million (RMB1,258.2 million as at 31 December 2019) granted to associates, of which RMB1,328.1 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 issue of Shares has strengthened the capital base of the Company. Details of the use of net proceeds are as follows:

Intended use of net proceeds	**Amount intended to be utilized**	**Amount utilized as at 31/12/2019**	**Amount utilized during the Period**	**Amount unutilized as at 30/6/2020**	**Expected timeline of utilization**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Development of prefabricated construction business	1,672,000	179,200	210,800	1,282,000	By 2021
Development of aggregates business	1,254,000	182,100	140,100	931,800	By 2021
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	350,900	2,213,800	

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

FUTURE PLAN AND CAPITAL EXPENDITURE

Capital Expenditure

As at 30 June 2020, the Group had outstanding capital expenditure for production plants under construction in the amount of HK$2,649.2 million. Details of these production plants are as follows:

Projects	**Total capital expenditure for the project** *HK$ million*	**Expended as at 31/12/2019** *HK$ million*	**Expended during the Period** *HK$ million*	**Outstanding capital expenditure as at 30/6/2020** *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	447.6	90.3	20.4	336.9
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 m^3 in Nanning City, Guangxi	537.6	89.3	8.8	439.5
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Guigang City, Guangxi	231.4	50.2	59.9	121.3
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Laibin City, Guangxi	211.0	–	23.8	187.2
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 50,000 m^3 in Jiangmen City, Guangdong	224.1	–	68.8	155.3
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Baise City, Guangxi	234.3	–	29.1	205.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 2.0 million tons in Wuping County, Fujian	446.8	173.4	1.1	272.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Shangsi County, Guangxi	437.2	–	78.7	358.5
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Tianyang District, Guangxi	433.5	–	55.2	378.3
Construction of a construction waste disposal plant with design annual disposal capacity of approximately 250,000 tons, equipped with annual production capacity of approximately 850,000 tons of manufactured sand in Changjiang, Hainan	121.3	–	–	121.3
Construction of 3 concrete batching plants with total annual capacity of approximately 1.5 million m^3 of concrete	94.0	0.1	20.5	73.4
Total	3,418.8	403.3	366.3	2,649.2

Payment of Capital Expenditure

In addition to the capital expenditure on the production plants under construction, the Group had outstanding payment for the construction of production plants completed in the previous years, which have already been included under other payables in the condensed consolidated statement of financial position as at 30 June 2020. Total payments for capital expenditure of the Group are expected to be approximately HK$610.9 million in the second half of 2020 and HK$1,721.3 million in the year ending 31 December 2021, which will be financed by proceeds from previous placing of Shares and internally generated funds.

STRATEGIES AND PROSPECTS

2020 is the closing year of the "Thirteenth Five-Year" Plan. Subject to regular epidemic prevention and control, the Chinese government will persistently seek progress amidst stability as its general keynote, adhere to new development principles and promote high-quality development.

During the Period, the Chinese government expanded effective investment and planned the arrangements of special local government bonds in the amount of RMB3.75 trillion, representing an increase of RMB1.6 trillion from 2019, to raise the proportion of special bonds that could be used for project capital with focused use on strengthening construction of new-type infrastructure, which will stimulate new consumer demand and promote industrial upgrade. The National Development and Reform Commission has specified that new-type infrastructure includes the three large aspects of information infrastructure, integrative infrastructure and innovation infrastructure. The Chinese government will promote the transformation and upgrade of traditional infrastructure through the application of technologies including Internet, big data and artificial intelligence.

Regarding transportation infrastructure, in 2020, the Chinse government's target FAI on railways is approximately RMB800.0 billion while the target FAI on highways and waterways is approximately RMB1.8 trillion, which are more or less the same as the targets in 2019. According to the "Thirteenth Five-Year" Plan, the target total operational length of railways in China will reach approximately 150,000 km by 2020, among which, that of high-speed rails will reach approximately 30,000 km. The total operational lengths of highways and urban rail transit will reach approximately 5.0 million km and 6,000 km respectively.

In respect of real estate, the Chinese government persists in maintaining the position that "residential properties are not for speculation" and strengthens urban revitalization as well as renovation and upgrade of available housing in stock. It is aimed at newly starting upgrade of 39,000 old communities in towns in 2020 and striving to basically complete the mission of upgrading old communities in towns built prior to the end of 2000 which required upgrade by the end of the "Fourteenth Five-Year" Period. Meanwhile, the Chinese government vigorously develops rental housing and fully implements city-specific policies to foster the stable and healthy development of the property market.

In addition, the Chinese government strengthens the construction of new-type urbanization, promotes strategies for rural revitalization and intensifies the construction of public infrastructure such as rural roads, water supply, power supply and networks. On the basis of completing the missions of connecting administrative villages with the necessary conditions with hardened roads and passenger vehicles, the construction of hardened roads for connecting natural villages (groups) with larger populations will be implemented in an orderly manner. It is targeted that, by 2020, impoverished regions will be basically connected to the main national expressways, and county seats with the necessary conditions will be connected to highways of Grade II or above.

In terms of coordinated regional development strategy, China expedites infrastructural connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area, actively promotes the formation of a new pattern in the large-scale development of the western region, and establishes a free trade port in Hainan to gradually form a new development pattern with the domestic cycle as the mainstay and the domestic and international dual-cycles that mutually foster each other.

According to the "Three-Year Action Plan for Promoting the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area by Guangdong Province (2018-2020)", it is aimed to achieve the total operational length of rail transit of 2,400 km and that of expressways of 5,000 km in the Greater Bay Area by 2020, whilst promoting the construction of world-class airports cluster and ports cluster. 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)", the total operational length of expressways in the province reached 9,495 km as of the end of 2019, and 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.

Looking ahead, the Group will persistently develop the three core strengths of the "lowest total costs, leading market position in the region, innovation-driven development". The Group is dedicated to enhancing efficiency and quality of operation and further improving the management standards of environmental protection, safety and health. The Group will deepen brand marketing and the construction of sales channels, strengthen the capability in research and development of new products, new technologies and new materials for the creation of competitive advantage by differentiation. The Group will fulfil corporate social responsibility, promote co-processing by use of cement kilns and foster green development of the industry. In addition, the Group will seize the opportunities in the development of the Greater Bay Area, accelerate the pace of transformation and innovation, and promote 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 Period, the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules except that all non-executive Directors were not appointed for a specific term in respect of code provision A.4.1 of the Corporate Governance Code. Since all Directors are subject to re-election by shareholders of the Company at annual general meetings and at least about once every three years on a rotation basis in accordance with the Articles of Association of the Company, there are sufficient measures to ensure the Company complies with the same level as that required under this provision.

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

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

REVIEW OF INTERIM REPORT

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

APPRECIATION

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

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

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

By order of the Board
China Resources Cement Holdings Limited
ZHOU Longshan
Chairman

Hong Kong, 21 August 2020

As at the date of this announcement, the executive Directors are Mr. ZHOU Longshan and Mr. JI Youhong; the non-executive Directors are Mr. CHEN Ying, Mr. WANG Yan, Madam WAN Suet Fei and Mr. JING Shiqing; and the independent non-executive Directors are Mr. IP Shu Kwan Stephen, Mr. SHEK Lai Him Abraham, Madam ZENG Xuemin and Mr. LAM Chi Yuen Nelson.