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)

2019 INTERIM RESULTS ANNOUNCEMENT

	For the six months ended 30 June		
	2019 (unaudited)	2018 (unaudited)	**Decrease**
Turnover *(HK$ million)*	**17,409.5**	18,513.9	6.0%
Profit attributable to owners of the Company *(HK$ million)*	**3,766.0**	4,026.0	6.5%
Basic earnings per share	**HK$0.539**	HK$0.615	
Interim dividend per share	**HK$0.26**	HK$0.275	
	As at 30/6/2019 (unaudited)	As at 31/12/2018 (audited)	**Increase (Decrease)**
Total assets *(HK$ million)*	**60,074.4**	60,506.4	(0.7)%
Equity attributable to owners of the Company *(HK$ million)*	**39,341.1**	37,691.3	4.4%
Net borrowings *(HK$ million) (note 1)*	**2,412.5**	130.9	1,743.0%
Net gearing ratio *(note 2)*	**6.1%**	0.3%	
Net assets per share – book *(note 3)*	**HK$5.63**	HK$5.40	4.3%

notes:

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

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

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

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	**2019**	2018
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**17,409,509**	18,513,869
Cost of sales		**(10,635,458)**	(11,218,600)
Gross profit		**6,774,051**	7,295,269
Other income		**287,682**	315,549
Selling and distribution expenses		**(867,898)**	(919,083)
General and administrative expenses		**(816,970)**	(795,635)
Exchange (loss) gain		**(2,784)**	44,570
Finance costs	*4*	**(222,256)**	(346,812)
Share of results of associates		**58,270**	77,848
Share of results of joint ventures		**94,590**	151,656
Profit before taxation	*5*	**5,304,685**	5,823,362
Taxation	*6*	**(1,498,688)**	(1,795,479)
Profit for the period		**3,805,997**	4,027,883
Other comprehensive (expense) income:			
Item that will not be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(203,308)**	(448,207)
Item that will be subsequently reclassified to profit or loss:			
Share of other comprehensive income (expense) of an associate		**19,697**	(5,330)
Total comprehensive income for the period		**3,622,386**	3,574,346

	Note	For the six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**3,766,041**	4,025,976
Non-controlling interests		**39,956**	1,907
		3,805,997	4,027,883
Total comprehensive income for the period attributable to:			
Owners of the Company		**3,583,552**	3,574,207
Non-controlling interests		**38,834**	139
		3,622,386	3,574,346
Basic earnings per share	*7*	**HK$0.539**	HK$0.615

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30/6/2019** *HK$'000* **(unaudited)**	As at 31/12/2018 *HK$'000* (audited)
Non-current assets			
Fixed assets		**27,839,781**	28,489,788
Prepaid lease payments		**–**	2,846,024
Right-of-use assets		**3,033,514**	–
Investment properties		**137,710**	137,761
Intangible assets		**2,151,161**	2,197,455
Interests in associates		**6,404,185**	5,463,446
Interests in joint ventures		**1,443,620**	1,409,378
Deposits for acquisition of assets		**680,125**	497,157
Deferred tax assets		**279,037**	208,358
Long term receivables		**307,561**	354,740
Pledged bank deposits		**130,898**	80,089
		42,407,592	41,684,196
Current assets			
Inventories		**2,056,441**	1,970,629
Trade receivables	*8*	**4,676,759**	2,367,299
Other receivables		**786,213**	841,005
Loan to an intermediate holding company		**804,068**	801,316
Amounts due from associates		**520,302**	514,404
Amounts due from joint ventures		**4,225**	2,631
Taxation recoverable		**21,833**	23,401
Cash and bank balances		**8,796,960**	12,301,501
		17,666,801	18,822,186

	Note	As at 30/6/2019 HK$'000 (unaudited)	As at 31/12/2018 HK$'000 (audited)
Current liabilities			
Trade payables	9	**3,197,323**	3,460,355
Other payables		**4,219,153**	5,007,969
Taxation payable		**1,075,242**	1,272,802
Bank loans – amount due within one year		**1,086,099**	4,531,678
		9,577,817	14,272,804
Net current assets		**8,088,984**	4,549,382
Total assets less current liabilities		**50,496,576**	46,233,578
Non-current liabilities			
Bank loans – amount due after one year		**6,843,817**	4,556,946
Unsecured medium term notes		**3,410,400**	3,423,870
Other long term payables		**132,444**	8,297
Deferred tax liabilities		**526,131**	349,303
		10,912,792	8,338,416
		39,583,784	37,895,162
Capital and reserves			
Share capital		**698,294**	698,294
Reserves		**38,642,772**	36,992,984
Equity attributable to owners of the Company		**39,341,066**	37,691,278
Non-controlling interests		**242,718**	203,884
Total equity		**39,583,784**	37,895,162

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

HKFRS 16	*Leases*
Amendments to HKFRS 9	*Prepayment features with negative compensation*
Amendments to HKAS 19	*Plan amendment, curtailment or settlement*
Amendments to HKAS 28	*Long-term interests in associates and joint ventures*
HK(IFRIC)-Int 23	*Uncertainty over income tax treatments*
Annual improvements 2015-2017 cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except for the new HKFRS 16 mentioned below, the application of the above new and amendments to HKFRSs in the Period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

HKFRS 16 Leases

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings and logistics equipment. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating leases. The lease payments were recognized as expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under prepayments and other payables, respectively. Upon adoption of HKFRS 16, the Group applied a single approach to recognize and measure right-of-use assets and lease liabilities for all leases.

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and other long term payables.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. The current and non-current portions of prepaid lease payments, which represent medium-term leasehold lands in Chinese Mainland, amounting to HK$80,217,000 and HK$2,846,024,000 respectively were reclassified to right-of-use assets.

The effect of adopting HKFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	HK$'000 (unaudited)
Assets	
Right-of-use assets	3,082,637
Prepaid lease payments	(2,846,024)
Other receivables	(80,217)
Total assets	156,396
Liabilities	
Other payables	39,334
Other long term payables	144,484
Total liabilities	183,818
Equity	
Retained earnings	(27,422)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 is as follows:

	HK$'000 (unaudited)
Operating lease commitments as at 31 December 2018	228,333
Incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments at 1 January 2019	176,523
Add: Payments in optional extension periods not recognized as at 31 December 2018	7,295
Lease liabilities as at 1 January 2019	183,818

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 2019 (unaudited)

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.

	Cement	Concrete	Elimination	Total
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**

For the six months ended 30 June 2018 (unaudited)

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

Inter-segment sales are charged at prevailing market prices.

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

4. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Bank loans and unsecured medium term notes	**218,120**	346,569
Lease liabilities	**4,136**	–
Others	**–**	243
	222,256	346,812

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Total staff costs (including Directors' emoluments)	**1,308,014**	1,277,441
Allowance (reversal of allowance) for doubtful debts	**41,342**	(14,724)
Amortization of mining rights (included in general and administrative expenses)	**41,319**	46,109
Depreciation of fixed assets	**956,907**	1,005,528
Depreciation of right-of-use assets	**61,534**	–
Operating lease payments in respect of		
– rented premises	**–**	30,210
– motor vehicles	**–**	238,670
Short term lease payments	**6,885**	–
Variable lease payments	**231,789**	–
Release of prepaid lease payments	**–**	38,194
Interest income	**(84,214)**	(54,606)

6. TAXATION

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**5,634**	13,391
Chinese Mainland Enterprise Income Tax	**1,383,706**	1,742,060
	1,389,340	1,755,451
Deferred taxation		
Hong Kong	**(5,019)**	5,583
Chinese Mainland	**114,367**	34,445
	109,348	40,028
	1,498,688	1,795,479

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 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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**3,766,041**	4,025,976

	For the six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**6,982,937,817**	6,547,854,944

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

8. TRADE RECEIVABLES

	As at	As at
	30/6/2019	31/12/2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables from third parties	**4,668,219**	2,335,812
Trade receivables from related parties	**8,540**	31,487
	4,676,759	2,367,299

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 30/6/2019 *HK$'000* **(unaudited)**	As at 31/12/2018 *HK$'000* (audited)
0 to 90 days	**4,230,013**	2,163,763
91 to 180 days	**249,371**	128,347
181 to 365 days	**197,375**	75,189
	4,676,759	2,367,299

9. TRADE PAYABLES

	As at 30/6/2019 *HK$'000* **(unaudited)**	As at 31/12/2018 *HK$'000* (audited)
Trade payables to third parties	**3,181,020**	3,443,056
Trade payables to related parties	**16,303**	17,299
	3,197,323	3,460,355

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 30/6/2019 *HK$'000* **(unaudited)**	As at 31/12/2018 *HK$'000* (audited)
0 to 90 days	**3,107,319**	3,353,059
91 to 180 days	**45,704**	61,444
181 to 365 days	**15,489**	17,190
Over 365 days	**28,811**	28,662
	3,197,323	3,460,355

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.26 per Share for the Period (2018: HK$0.275). The interim dividend, which amounts to approximately HK$1,815.6 million (2018: HK$1,920.3 million), will be distributed on or about Friday, 27 September 2019 to shareholders whose names appear on the register of members of the Company after the close of business on Friday, 30 August 2019. 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, 2 September 2019 to Friday, 6 September 2019, 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, 30 August 2019 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 2019, in the face of complicated domestic and international circumstances, the Chinese government was committed to the general principle of pursuing progress while ensuring stability and promoting high-quality development. With supply-side structural reform as the main topic, the government deepened reform and opening up as well as implemented large-scale reductions of taxes and fees in order to maintain the operation of the economy within a reasonable range and continue the overall stable development trend with steady progress. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2019, China's gross domestic products ("GDP") grew by 6.3% over the corresponding period last year to RMB45.1 trillion. National fixed asset investments ("FAI") (excluding rural households) increased by 5.8% to RMB29.9 trillion over the corresponding period last year.

According to the statistics published by the provincial bureaux of statistics, in the first half of 2019, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi, where the Group has business operations, reached RMB5.1 trillion, RMB890.7 billion, RMB1.7 trillion, RMB266.9 billion, RMB795.7 billion, RMB721.3 billion and RMB835.8 billion, representing increases of 6.5%, 5.9%, 8.1%, 5.3%, 9.2%, 9.0% and 7.2% respectively over the corresponding period last year. Meanwhile, according to the statistics published by the National Bureau of Statistics of China, the changes in FAI of the aforementioned provinces were 10.5%, 8.6%, 7.0%, -23.0%, 9.1%, 12.3% and 8.2% respectively as compared with the corresponding period last year.

In the first half of 2019, national infrastructure investments remained stable. According to the statistics published by the National Bureau of Statistics of China, during the Period, national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) increased by 4.1% over the corresponding period last year. According to the statistics published by the Ministry of Transport of China and the National Railway Administration of the People's Republic of China, FAI on highways and waterways in China amounted to approximately RMB1.0 trillion in total, and FAI on railway amounted to RMB322.0 billion, representing increases of 4.7% and 3.0% over the corresponding period last year respectively.

In March 2019, the Chinese government issued the "Report on the Work of the Government", which proposed to innovate on methods for project financing, appropriately reduce the capital ratio in projects such as infrastructure, attract more private capital to participate in construction of projects in key scopes and systematically promote cooperation between the government and private capital. In June, the Chinese government issued the "Circular on Fulfilling the Work of Issuing Special Local Government Bonds and Supporting Fund-Raising of Projects" to intensify the strength of counter-cyclical adjustment and make better use of the important role of special local government bonds. The above policies will be beneficial to the promotion of investments in major projects and stabilize the support for cement demand from infrastructure.

During the Period, the housing market in China was stable at large and the growth in real estate investment remained steady. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2019, the floor space of commodity housing sold in China decreased by 1.8% from the corresponding period last year to 760 million m^2 and the sales amount increased by 5.6% to RMB7.1 trillion. Real estate investment in China reached RMB6.2 trillion, representing an increase of 10.9% over the corresponding period last year. Among which, the floor space of houses newly started construction increased by 10.1% to 1,060 million m^2 while the floor space of houses completed decreased by 12.7% to 320 million m^2 from the corresponding period last year. As at the end of June 2019, the floor space under construction by the real estate developers nationwide reached 7,720 million m^2, representing an increase of 8.8% over the corresponding period last year. Stability of the real estate market will be conducive to the steady development of the cement industry.

The Chinese government promoted new-type urbanization, and actively advocated policies for rural revitalization and poverty alleviation through transportation infrastructure. In March 2019, the National Development and Reform Commission of China issued the circular on "Key Tasks of New-type Urbanization for 2019", which proposed to optimize plans for urbanization, strengthen support for transportation networks, promote high-quality urban development, strengthen the construction of urban infrastructure, accelerate the development of urban-rural integration, and improve the capabilities of construction and management for urban-rural infrastructure. It is targeted to complete the construction of 200,000 km of newly built and re-built rural roads in 2019.

According to the statistics published by the Ministry of Transport of China, the total operational length of newly built and re-built rural roads in the first half of 2019 reached approximately 135,000 km, completing 67.7% of the target for the year, and connecting 99.4% of rural towns and 98.7% of administrative villages respectively with tarmac and cement roads. The promotion of urbanization and rural construction will provide support for cement demand.

THE INDUSTRY

In the first half of 2019, the cement demand in China grew steadily and cement price remained stable in general.

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2019, the total cement production in China amounted to 1,040 million tons, representing an increase of 6.8% over the corresponding period last year. Cement production in Southern China decreased compared to the corresponding period last year as a result of rainy weather. According to the statistics of China Cement Association, during the Period, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi were 74.1 million tons, 54.0 million tons, 43.0 million tons, 9.0 million tons, 62.5 million tons, 49.1 million tons and 21.3 million tons, representing changes of –2.4%, –2.7%, 5.6%, –12.1%, 8.2%, –3.5% and 30.4% respectively as compared with the corresponding period last year.

According to the statistics of China Cement Association, in the first half of 2019, there were 10 new clinker production lines nationwide with new annual clinker production capacity of 15.5 million tons in total. According to the statistical information of the Company, there was 1 new clinker production line in Guangxi with new annual clinker production capacity of approximately 1.6 million tons.

Regarding industry policies, the Chinese government advanced energy saving, emission reduction and production safety in the industry. Environmental protection law enforcement and supervision were also reinforced to further improve industry standardization. In addition, the Chinese government encouraged co-processing by use of cement kilns ("Co-Processing") for promoting the green development of the cement industry.

According to the Amendment No.3 to the "General Portland Cement" issued by the Standardization Administration of China, PC32.5 grade cement shall be fully abolished in China with effect from 1 October 2019. Besides, the General Office of the Ministry of Industry and Information Technology of China issued 10 cement-related standards including magnesium phosphate cement, gypsum slag cement and the application of fly ash from incineration of municipal solid waste in cement in order to further improve the standards of cement products and promote product upgrade in the industry.

In June 2019, the Chinese government published the "Regulations on Central Inspection Work on Ecological and Environmental Protection", which set forth the Central Government's implementation of the inspection system for ecological and environmental protection. A designated inspectorate institution had been set up to conduct ecological environmental protection inspections on provincial, autonomous region ("AR") and municipal governments as well as relevant state-owned enterprises. "Revisit" inspections for rectifications would be implemented based on needs. Special inspections targeting outstanding ecological environmental issues had been organized. Previously, the Central Government had completed two batches of ecological environmental protection "revisit" inspection work. Measures such as filing cases, penalties, fines, administrative and criminal detentions were imposed on problematic enterprises.

In terms of resources utilization, the Chinese government actively promotes the construction of green mines and implements comprehensive rectification and control of the ecological environment of mines. In April 2019, the State Council published the "Notice on Fulfilling the Work of Closure of Non-Coal Mines without Production Safety Conditions", which required continuous promotion of the legal closure of non-coal mines in all regions which do not possess conditions of production safety. It is targeted to shut down more than 1,000 non-coal mines in 2019. In June, the General Offices of the Ministry of Natural Resources and the Ministry of Ecology and Environment issued the "Letter on Implementation Opinions on the Acceleration of Comprehensive Rectification and Control of Open-Pit Mines", which required the implementation of comprehensive rectification and control of open-pit mines in accordance with law, the strengthening of ecological restoration of open-pit mines and the strict control of the construction projects of newly-built open-pit mines.

In terms of production safety and occupational health, in April 2019, the Ministry of Emergency Management, the Ministry of Public Security, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the "Measures for Coordination between Administrative Law Enforcement and Criminal Justice for Work Safety", which required punishment on illegal criminal behaviours with regards to production safety in accordance with law. In May, the General Office of the National Health Commission issued the "Notice on the Implementation of Special Treatment and Control of Dust Toxic Hazards in the Mining, Metallurgical and Chemical Industries", which required effective fulfilment of work on treatment and control of occupational disease hazards during the "Thirteenth Five-Year" period. During the phase of intensive rectification and control from August 2019 to July 2020, severe punishment would be imposed in accordance with law for refusal to rectify illegal behaviours including illegal or incompliant omissions to take preventive measures or install facilities for prevention of dust and toxics.

On the other hand, 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 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, whereby the proportion of floor space of prefabricated buildings shall be targeted to exceed 20% by 2020, among which, the target proportion of floor space of prefabricated construction projects invested by the government shall reach 50%. Shenzhen Municipality and Guangzhou City had proposed a target proportion of floor space of prefabricated buildings to be above 30%. Zhaoqing and Foshan governments have also issued policies to promote prefabricated construction. In addition, Nanning City, Liuzhou City, Hezhou City and Yulin City had been classified as the AR-level pilot cities for prefabricated construction by the Guangxi government. Nanning City government aimed to increase the proportion of floor space of prefabricated buildings in the City to over 20% by 2020.

TRANSFORMATION AND INNOVATION

The Group attaches great importance to corporate social responsibility and proactively supports the national policies on energy saving and emission reduction. Co-processing of municipal solid waste, urban sludge and hazardous industrial waste by use of cement kilns are advocated. The Group actively participates in the treatment and management of social solid waste, air and water pollution for achieving the transformation into an environmentally-friendly enterprise. At the same time, the Group is dedicated to the promotion of research and development ("R&D") and application of new products, new materials and new technologies, actively exploring opportunities for cement intelligent manufacturing and extension of industry chain to foster sustainable corporate development.

In April 2019, the Group participated in the "National Standards 'Administrative Code of Prevention and Control of Occupational Exposure to Dust' cum Occupational Health Management Seminar" held by the China Academy of Safety Science and Technology to discuss the status quo, problems, trends, challenges and the latest policy directions on prevention and treatment of occupational hazards. In June, the Group participated in the Second ACI International Solid Waste Management Summit and conducted industry exchanges on disposal and incineration of domestic waste for power generation, as well as the status quo, technology, operational experience and the latest policies on disposal of hazardous waste and kitchen waste.

In the first half of 2019, the Group's continuous efforts in green development were recognized by the industry and the society. These include:

- In May, Guangzhou Zhujiang Cement Co., Ltd. and China Resources Cement (Changjiang) Limited were awarded the Bronze Award for the Manufacturing Sector and the EcoChallenger of "BOCHK Corporate Environmental Leadership Awards 2018" respectively by the Federation of Hong Kong Industry;

- In July, China Resources Cement (Wuxuan) Limited was shortlisted in the register of the fourth batch of Green Manufacturing published by the Ministry of Industry and Information Technology of China;

- 8 mines at the production plants located in Nanning, Binyang, Shangsi, Guigang, Pingnan, Tianyang and Fuchuan of Guangxi were included in the register of AR-level green mines by the Department of Natural Resources of Guangxi.

Regarding the extension of industry chain, given the opportunities from the vigorous development on the prefabricated construction industry in China, the Group had further optimized resources distribution through its positioning in Southern China and actively promoted its prefabricated construction business. Apart from DongGuan RunYang United Intelligent Manufacturing Company Limited ("RunYang Intelligent Manufacturing"), the Group's associate located in Guangdong which has been in operation, the Group has commenced constructions for its prefabricated construction projects in Nanning City and Guigang City, Guangxi and Zhanjiang City, Guangdong in the first half of 2019. In the future, the Group will actively promote the implementation of prefabricated construction projects in other cities in Guangdong and Guangxi. In addition, in April 2019, the Group acquired 40% equity interests of Universal Marble & Granite (Dongguan) Co., Ltd. ("Universal Marble") through Shenzhen Runfeng New Materials Technology Company Limited ("Runfeng New Materials"). This will further foster the Group's strategic transformation, create business synergy values and achieve the development strategy for extension of industry chain.

CAPACITY UTILIZATION

The utilization rates of the Group's cement, clinker and concrete production lines during the Period were 92.4%, 105.7% and 34.6% as compared with 96.7%, 108.5% and 38.0% respectively for the corresponding period last year.

COST MANAGEMENT

Operational Management

In the first half of 2019, in order to enhance operational efficiency and quality, the Group continuously optimized production and operational management by promoting the use of indicators for the entire processes from excavation to production as well as strengthening internal benchmarking.

The Group continuously implemented lean management and promoted key projects for energy saving and technological upgrade. During the Period, through cooperation with external educational institutions and its independent innovation, the Group had completed the second phase of the project for controlling water inrush into the mine of the cement production plant in Pingnan caused by cave mining, which had further improved the operational safety level of mines. In addition, the Group completed the pilot project for integration of domestic cement packaging machines with imported automated bagging technology, which effectively reduced labour and enhanced efficiency of delivery.

In the first half of 2019, the intelligent manufacturing pilot work at the cement production plant in Tianyang undertaken by the Group and Siemens Ltd., China had entered the phase of system design. Digitalization and intelligentization of cement production and operation will be gradually achieved in the future. In addition, there had been further improvements on the functions of equipment and quality management system, a pilot project developed by the Group and China Resources Microelectronics Limited at our cement production plant in Nanning, and integration with the "Smart Card" system had been achieved. At the same time, the Group conducted online materials analysis and pilot intelligent system for optimizing cement kilns and grinding facilities at the cement production plants in Nanning and Fengkai, which will be conducive to the improvement of production and operation efficiency as well as management level.

Procurement Management

In the first half of 2019, the Group purchased a total of approximately 4.54 million tons of coal (5.22 million tons in the first half of 2018), among which, approximately 78% and 22% were sourced from northern China and neighbouring areas of our production plants respectively (79% and 21% in the first half of 2018). The proportion of direct procurement from coal producers was approximately 81% (84% in the first half of 2018). In the future, the Group will continuously strengthen cooperation with large-scale domestic coal suppliers in order to secure a stable supply of high-quality coal.

The Group persistently optimizes its supplier management system, and improves its supplier management measures and its self-developed supplier relationship management system in order to manage and provide guidance regarding admission, cooperation, evaluation and performance feedback of suppliers for the establishment of a transparent, traceable, long-term, stable and sustainable supply chain. Corporate strategies and characteristics of procurement materials are taken into account when setting the criteria for development and selection of suppliers. Outstanding suppliers are introduced through multiple channels, and substandard suppliers would be removed from our eligible supplier database.

The Group requires our suppliers or business partners to fulfil certain responsibilities, including compliance with laws and regulations, environmental protection, integrity operations and quality assurance. "Integrity Terms of Suppliers" are incorporated in all our procurement contracts, which all suppliers are required to enter into and comply with. In addition, the Group pays keen attention to management of suppliers on safety and environmental protection by incorporating relevant requirements into our review on suppliers' qualification and supervision during the cooperation process. All business partners are required to sign the "Safety and Environmental Protection Agreement". Besides, "Sunshine Procurement" has been regarded as the Group's primary principle of procurement practice. All procurement staff and suppliers are required to sign the "Sunshine Declaration", attend educational training on integrity at least twice a year and sign the "Integrity Practice Guideline" for creating an open, fair and just trading platform of good faith.

Logistics Management

Logistics management is one of the Group's key measures in maintaining its market competitiveness. In the first half of 2019, the total logistics costs were on a rising trend due to environmental protection inspections and the strict control on vehicle overloading. During the Period, in order to further enhance the level of environmental protection in logistics, the Group actively responded to environmental protection requirements by optimizing the layout of silo terminals and exploring transportation measures such as containers and tankers. In addition, the Group strengthened tenders for logistics transportation, optimized delivery points of silo terminals and part of the transportation routes, introduced resources of sea-river vessels and self-unloading ships, and promoted the pilot operation of the Smart Card unmanned intelligent delivery system so as to enhance operational efficiency and minimize the impact of rising logistics costs.

In the first half of the year, the annual shipping capacity of the Group along the Xijiang River was approximately 31.4 million tons, which secured stable and continuous logistics capabilities for the Group's business operation. In addition, the Group controlled the operations of 39 silo terminals with annual capacity of approximately 27.0 million tons, which are mainly located in the Pearl River Delta Region. This has consolidated the Group's leading market position in Guangdong.

BRAND BUILDING

In the first half of 2019, the Group continuously advanced the efforts on brand promotion of Runfeng Cement. The Group conducted market research to understand the brand awareness, optimized management of franchise stores of the brand image, intensified brand penetration of target customers such as distributors, retail stores and key users, and deepened cooperation with key users. In order to enhance brand image and reputation, the Group organized more than 30 brand promotion events which had incorporated the themes of Runfeng brand anniversary and community services.

SUSTAINABLE DEVELOPMENT

Energy Saving and Emission Reduction

The Group attaches great importance to corporate social responsibility and proactively implements green development. The emission levels of nitrogen oxides, sulphur dioxide and particulate matters are lower than the national standard limits of pollutant emissions, placing the Group at a leading position in the industry. Currently, all our clinker production lines have been equipped with residual heat recovery generators, denitration systems and bag filters. In addition, the Group introduced composite desulphurization technology having regard to the operational situation of the existing desulphurization systems. As of the end of June 2019, the Group had completed the construction of 3 sets of wet-process desulphurization systems and 11 sets of composite desulphurization systems.

Regarding dust emissions, the Group has applied a new type of bag filters in high temperature for ultra-low emissions at the cement production plant in Hepu County, Guangxi. Its emission level of particulate matters is far lower than the national standard limit of pollutant emissions. In the future, the technology will be promoted at the cement production plants in Guigang City, Guangxi, Yangchun City and Fengkai County, Guangdong. In addition, the Group actively promoted unmanned bagging by cement packaging machines and automation of truck loading. The cement packaging automation project in Jiangmen had completed the acceptance inspection while the system for automatic truck loading of cement in Nanning had been installed and entered the debugging phase. These projects will be promoted at other cement production plants in the future.

Regarding carbon emission, the Group actively cooperated with the Guangdong and Fujian provincial governments in the launch of pilot work for carbon emission quota management in preparation for the future unification of the national carbon market. In the first half of 2019, 8 plants in Guangdong and 5 plants in Fujian of the Group had settled the carbon credit quota for 2018.

The Group is committed to promoting the construction of green mines with a focus on ecology, environmental protection, safety and intensive utilization of resources. The Group strictly implements policies, systems and security measures for mine excavation and restoration. Through the construction of a quality information platform, the Group matches its production in accordance with the distribution of qualities of mining sites, and conducts composite utilization of resources on stone residue from excavation, thereby implementing lean management and standardized management. Following the inclusion of the 3 mines at Fengkai, Luoding and Yangchun, Guangdong, in the register of provincial-level green mines by the Department of Natural Resources of Guangdong last year, 8 mines of the Group have been included in the register of AR-level green mines by the Department of Natural Resources of Guangxi in the first half of 2019.

Co-Processing

The Group proactively promotes Co-Processing projects of municipal solid waste, urban sludge and hazardous industrial waste in order to fulfil its corporate social responsibility whilst supporting environmental transformation and achieving sustainable corporate development.

The Group has continued to promote Co-Processing projects. As of the end of June 2019, the Group had 7 Co-Processing projects in total.

Details of the projects are set out as follows:

Project	**Type**	**Processing Capacity**	**Status**
Binyang, Guangxi	Municipal solid waste	300 tons per day	In operation
Tianyang, Guangxi	Municipal solid waste	500 tons per day	In operation
Nanning, Guangxi	Urban sludge	300 tons per day	In operation
Guangzhou, Guangdong *(note)*	Urban sludge	300 tons per day	In operation
Changjiang, Hainan	Hazardous industrial waste	30,000 tons per year	In trial operation
Midu, Yunnan	Municipal solid waste	300 tons per day	In trial operation
Fengqing, Yunnan *(note)*	Municipal solid waste	300 tons per day	In trial operation

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

Production Safety and Occupational Health

The Group is in strict compliance with the Production Safety Law of the People's Republic of China and promulgated the "EHS Management Series" in the "Management Manual" of the Company accordingly for the stringent implementation, monitor and continuous improvement on the occupational health and safety management system, reinforcement of safety management on stakeholders and proactive launch of supervisions and inspections.

The Group actively promoted the intelligent management of production safety. In the first half of the year, the Group implemented pilot projects of intelligent safety alarm system for vehicles in materials storage yards at cement production plants in Pingnan and Nanning, Guangxi and Luoding, Guangdong, in order to improve the safety levels of storage yards.

During the Period, the Group conducted inspections, supervision, assistance and guidance for latent safety hazards at numerous cement production plants and concrete batching plants. This included the launch of investigation, research, inspection and assistance for production lines and mines at 4 cement production plants, supervision and assistance on dust control at 5 production plants, as well as inspection and guidance at 5 concrete batching plants.

The Group is committed to production safety standardization and raising the overall standards of safety management through continuous improvement on fundamental management and innovative management models. As of the end of June 2019, 28 cement production plants of the Group have 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 Safety Standardization. Pilot construction of a First-Class Mine of Production Safety Standardization commenced at the cement production plant in Tianyang. Currently, the Group has 216 specialized safety management personnel, including 59 registered safety engineers (212 and 55 respectively as of the end of 2018).

The Group pays keen attention to safety training. Videos of typical accident cases and training videos of emergency drills were used to initiate educational learning. Training of counterparties was reinforced and an admission mechanism was implemented for training and assessing transportation counterparties by examinations. In the first half of the year, the cumulative duration of safety training for the Group's staff amounted to approximately 172,800 hours, whereas that for counterparties amounted to approximately 40,300 hours.

In addition, the Group organized a wide variety of safety activities to promote all-staff participation in safety management, arouse corporate safety culture and implant the concept of safety management in staff, families and society. During the Period, the Group organized 88 Environment, Health and Safety ("EHS") Knowledge Competitions with a total of 5,875 participants in attendance. 605 emergency drills were conducted with a total of 10,541 participants in attendance. 32 safety open days were held with a total of 2,797 participants in attendance.

RESEARCH, DEVELOPMENT AND INNOVATION

As of the end of June 2019, the Group's Research and Development Centre had 42 specialized employees, including 4 doctors and 13 masters. Among the R&D personnel, 2 were professorate senior engineers.

The Group applies for patent licenses for its various R&D achievements. In the first half of 2019, the Group was newly granted 9 patent licenses, which mainly included new products, equipment and systems for energy saving, emission reduction and enhancement of production and operation efficiency. As of the end of June 2019, the Group held 148 patent licenses, including 23 inventions and 125 utility models.

In the first half of the year, the laboratory of the Group's Research and Development Centre continuously provided diagnosis on workmanship and quality, and launched optimization projects for the production plants of the Group. Energy consumption at production had been further reduced and product quality had been enhanced by optimizing production workmanship and systems for matching and grinding materials, conducting industrial trials of grinding aids for raw materials and developing coal catalyst products.

On the other hand, the Group continuously rolled out R&D on new products and new technologies to meet the needs of different markets and customers. In the first half of the year, the Group continued to promote products such as "Wang Pai Gong Jiang" renovation cement, masonry cement and pervious concrete. Cement was also sold to nuclear power stations in Guangdong and Fujian, which was mainly used for the construction of nuclear islands of nuclear power stations as well as large-scale concrete buildings including military engineering, dams and hydroelectric power stations.

EXTENSION OF INDUSTRY CHAIN

On the back of the government's encouragement on the development of prefabricated construction, and in combination with the development strategy for extension of industry chain, prefabricated construction business is one of the key businesses for the Group's future development.

As of the end of June 2019, the Group has 1 prefabricated construction project in operation. This project is located in Dongguan City, Guangdong and belongs to an associate, namely, RunYang Intelligent Manufacturing. Its products are mainly supplied to public housing and commodity housing projects in Shenzhen Municipality and Zhuhai City. The Group also has 3 prefabricated construction projects under construction in Zhanjiang City, Guangdong as well as Nanning City and Guigang City, Guangxi respectively.

Relevant information of the projects is outlined below:

Project location	Planned total land area *m^2*	Area of land acquired *m^2*	Design annual production capacity *m^3*	Status
Dongguan, Guangdong *(note)*	26,900	26,900	40,000	• Commenced operation since May 2018 • Products are mainly supplied to public housing and commodity housing projects in Shenzhen Municipality and Zhuhai City
Zhanjiang, Guangdong	210,000	180,000	400,000	• Commenced construction in the first half of 2019 • Estimated commencement of production: 1. Mid-2020 for Phase 1 production line of precast concrete components with design annual production capacity of 200,000 m^3
Nanning, Guangxi	200,000	167,000	400,000	• Commenced construction in the first half of 2019 • Estimated commencement of production: 1. Late 2019 for a concrete batching plant with an annual production capacity of 600,000 m^3 2. Late 2021 for a production line of precast concrete components
Guigang, Guangxi	130,000	130,000	200,000	• Commenced construction in the first half of 2019 • Estimated commencement of production: 1. Late 2019 for a concrete batching plant with an annual production capacity of 600,000 m^3 2. Mid-2020 for a production line of precast concrete components

note: The Group holds 49% equity interests of the associate RunYang Intelligent Manufacturing.

In September of last year, the Group established a wholly-owned subsidiary, namely, Runfeng New Materials, which is responsible for the investment, operation and promotion of new materials and offers systematic services and solutions to customers. As of April 2019, the Group acquired 40% equity interests of Universal Marble through Runfeng New Materials. As a systematic solution provider of decorative stones, Universal Marble specializes on the manufacture and application of stones. This acquisition will foster the Group's strategic transformation, create business synergy values and achieve the development strategy for extension of industry chain. Runfeng New Materials actively builds R&D capabilities by undertaking R&D and promotion of new products such as inorganic engineered stones, and achieved product development through the trial production of pervious concrete and engineered stone made of large aggregate. 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 and Shaanxi.

In addition, the Group is exploring opportunities to develop the aggregate business in the regions where the Group has business operations. In the future, the Group will fully utilize the synergetic advantages in its businesses of cement, concrete, aggregate and prefabricated construction to promote integrated business development and further consolidate the Group's core competitive advantage.

EMPLOYEES

General Information

As at 30 June 2019, the Group employed a total of 20,300 full-time employees (20,301 as at 31 December 2018) of whom 146 were based in Hong Kong (159 as at 31 December 2018) and the remaining 20,154 were based in the Chinese Mainland (20,142 as at 31 December 2018). A breakdown of our employees by function is set out as follows:

	As at 30/6/2019	As at 31/12/2018
Management	**402**	393
Finance, administration and others	**2,612**	2,648
Production staff	**11,762**	11,753
Technical staff	**4,619**	4,618
Sales and marketing staff	**905**	889
Total	**20,300**	20,301

Among our 402 senior and middle-level managerial staff (393 as at 31 December 2018), 89% are male (89% as at 31 December 2018) and 11% are female (11% as at 31 December 2018), 75% possess university degrees or above (74% as at 31 December 2018), 22% have received post-secondary education (22% as at 31 December 2018) and the average age of managerial staff is approximately 45 (45 as at 31 December 2018). The Company offers remuneration packages to employees mainly on the basis of individual performance and experience and also having regard to common practice in the industry, including basic wages, allowance, performance related bonuses and other staff benefits.

REVIEW OF OPERATIONS

Turnover

The consolidated turnover for the Period amounted to HK$17,409.5 million, representing a decrease of 6.0% from HK$18,513.9 million for the corresponding period last year. An analysis of segmental turnover by product is as follows:

	For the six months ended 30 June					
	2019			2018		
	Sales volume	**Average selling price**	**Turnover**	Sales volume	Average selling price	Turnover
	'000 tons/m³	***HK$ per ton/m³***	***HK$'000***	*'000 tons/m³*	*HK$ per ton/m³*	*HK$'000*
Cement	**36,527**	**373.3**	**13,635,206**	38,063	391.4	14,897,227
Clinker	**2,008**	**338.1**	**678,826**	2,058	327.5	674,029
Concrete	**6,274**	**493.4**	**3,095,477**	6,949	423.5	2,942,613
Total			**17,409,509**			18,513,869

During the Period, our external sales volume of cement, clinker and concrete decreased by 1.5 million tons, 50,000 tons and 675,000 m^3, representing decreases of 4.0%, 2.4% and 9.7% respectively from the corresponding period last year. During the Period, approximately 74.1% of the cement products we sold were 42.5 or higher grades (70.8% for the corresponding period in 2018) and approximately 36.1% were sold in bags (40.7% for the corresponding period in 2018). Internal sales volume of cement for our concrete production was 1.2 million tons (1.4 million tons for the corresponding period in 2018), representing 3.3% of the total volume of cement sold (3.6% for the corresponding period in 2018).

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

	For the six months ended 30 June					
	2019			2018		
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	**13,170**	**427.1**	**5,625,176**	14,427	430.8	6,215,529
Guangxi	**11,767**	**345.9**	**4,069,944**	11,885	353.4	4,199,808
Fujian	**4,744**	**324.2**	**1,537,911**	4,554	395.9	1,802,798
Hainan	**2,065**	**396.1**	**817,857**	2,330	439.3	1,023,499
Yunnan	**2,080**	**374.5**	**778,931**	2,668	364.3	971,933
Guizhou	**914**	**281.0**	**256,802**	1,133	336.5	381,198
Shanxi	**1,787**	**307.0**	**548,585**	1,066	283.7	302,462
Total	**36,527**	**373.3**	**13,635,206**	38,063	391.4	14,897,227

The average selling prices of cement, clinker and concrete for the Period were HK$373.3 per ton, HK$338.1 per ton and HK$493.4 per m^3, representing a decrease of 4.6%, an increase of 3.2% and an increase of 16.5% respectively from the corresponding period last year. The increase in average selling price of concrete for the Period was attributable to the increase in materials cost.

Costs of sales

The consolidated cost of sales of the Group comprised coal, electricity, materials and other costs, which represented 30.8%, 11.6%, 34.6% and 23.0% of the cost of sales respectively for the Period (34.8%, 12.3%, 31.5% and 21.4% for the corresponding period in 2018 respectively). As for cement products, coal, electricity, materials and other costs represented 37.5%, 14.1%, 22.6% and 25.8% of its costs respectively for the Period (40.9%, 14.5%, 21.3% and 23.3% for the corresponding period in 2018 respectively). Materials cost is the major component of the cost of sales of concrete, representing 91.9% of the cost of sales of concrete for the Period (91.6% for the corresponding period in 2018).

The average price of coal we purchased for the Period was approximately HK$692 per ton, representing a decrease of 13.5% from the average price of HK$800 per ton for the corresponding period last year, while the average thermal value of coal decreased by 0.8% to 5,192 kcal per kg. During the Period, our unit coal consumption decreased to 146.5 kg per ton of clinker produced from the average of 147.6 kg for the corresponding period in 2018. Our standard coal consumption decreased to 105.8 kg per ton of clinker for the Period from the average of 106.6 kg for the corresponding period last year. As a result of the decrease in coal price and coal consumption, our average coal cost of production for the Period decreased by 14.2% to HK$101.3 per ton of clinker produced from HK$118.0 for the corresponding period in 2018.

Our average electricity cost decreased by 6.6% from HK$33.2 per ton of cement to HK$31.0 for the Period. During the Period, we enjoyed the benefits of lower electricity tariff for a total of 1,835.2 million kwh of electricity consumed (1,882.1 million kwh for the corresponding period in 2018), which accounted for 60.8% of the total electricity consumption for the production of cement products (59.9% for the corresponding period in 2018), and saved HK$77.3 million (HK$100.3 million for the corresponding period in 2018) under direct power supply agreements and price bidding arrangements. Our electricity consumption was 74.0 kwh per ton of cement for the Period (73.8 kwh for the corresponding period in 2018). Our residual heat recovery generators generated 971.2 million kwh of electricity for the Period, representing a decrease of 2.6% over 996.7 million kwh in the corresponding period last year. The electricity generated during the Period accounted for approximately 32.2% of our required electricity consumption (31.7% for the corresponding period in 2018) and we achieved a cost saving of approximately HK$481.1 million for the Period (HK$512.4 million for the corresponding period in 2018).

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$593.5 million, representing an increase of 18.0% from HK$503.0 million for the corresponding period last year.

Gross profit and gross margin

The consolidated gross profit for the Period was HK$6,774.1 million, representing a decrease of 7.1% from HK$7,295.3 million for the corresponding period last year and the consolidated gross margin was 38.9%, representing a decrease of 0.5 percentage points from 39.4% for the corresponding period last year. The decrease in consolidated gross profit for the Period was mainly attributable to the decrease in turnover of our cement products compared to the corresponding period last year. The gross margins of cement, clinker and concrete for the Period were 42.2%, 42.0% and 23.6%, as compared with 42.3%, 37.0% and 25.1% respectively for the corresponding period last year.

Other income

Other income for the Period was HK$287.7 million, representing a decrease of 8.8% from HK$315.5 million for the corresponding period last year. This was mainly due to the decrease in government incentives of HK$78.4 million offset with the increase in interest income and other income as compared with corresponding period last year.

Selling and distribution expenses

Selling and distribution expenses for the Period were HK$867.9 million, representing a decrease of 5.6% from HK$919.1 million for the corresponding period last year. As a percentage to consolidated turnover, selling and distribution expenses for the Period remained the same as the corresponding period last year at 5.0%.

General and administrative expenses

General and administrative expenses for the Period were HK$817.0 million, representing an increase of 2.7% from HK$795.6 million for the corresponding period last year. As a percentage to consolidated turnover, general and administrative expenses increased to 4.7% for the Period from 4.3% for the corresponding period last year.

Exchange (loss) gain

An exchange loss of HK$2.8 million was generated from non-RMB denominated net borrowings of the Group mainly due to the depreciation of RMB against other currencies during the Period (exchange gain of HK$44.6 million due to the appreciation of RMB for the corresponding period in 2018).

Share of results of associates

The associates of the Group contributed a profit of HK$58.3 million for the Period (profit of HK$77.8 million for the corresponding period in 2018) of which loss of HK$52.6 million, profit of HK$52.4 million and profit of HK$47.1 million (loss of HK$18.8 million, profit of HK$28.5 million and profit of HK$66.5 million for the corresponding period in 2018) were attributable to the Group's associates operating in Inner Mongolia, Fujian and Yunnan respectively.

Share of results of joint ventures

Our joint ventures principally operating in Guangzhou area contributed a profit of HK$94.6 million for the Period (HK$151.7 million for the corresponding period in 2018).

Taxation

The effective tax rate of the Group for the Period was 28.3%, as compared with 30.8% for the corresponding period last year. Had the effect of the results of associates and joint ventures, the exchange differences, as well as the withholding tax in the Chinese Mainland for dividends and the deferred tax on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong been excluded, the effective tax rate of the Group for the Period would be 25.5% (25.8% for the corresponding period in 2018).

Net margin

Net margin of the Group for the Period was 21.9%, which was 0.1 percentage points higher than that of 21.8% 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 2019, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 30/6/2019 *'000*	As at 31/12/2018 *'000*
HK$	**319,440**	1,763,654
RMB	**7,568,889**	9,299,880
US$	**511**	514

As at 30 June 2019, the Group's banking facilities amounted to HK$4,300.0 million and RMB12,950.0 million, of which RMB9,756.9 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK$7,929.9 million equivalent (HK$9,088.6 million equivalent as at 31 December 2018) comprised loans in the following currencies:

	As at 30/6/2019 *'000*	As at 31/12/2018 *'000*
HK$	**4,300,000**	4,300,000
RMB	**3,193,100**	4,195,800

The bank loans are repayable as follows:

	As at 30/6/2019 *HK$'000*	As at 31/12/2018 *HK$'000*
Within one year	**1,086,099**	4,531,678
After one year but within two years	**3,543,817**	1,573,384
After two years but within five years	**3,300,000**	2,983,562

The bank loans of the Group as at 30 June 2019 and 31 December 2018 were unsecured.

As at 30 June 2019, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$3,629.9 million and HK$4,300.0 million respectively (HK$4,788.6 million and HK$4,300.0 million as at 31 December 2018).

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 2019.

Under the terms of certain agreements for total banking facilities of HK$6,516.8 million equivalent with expiry dates from September 2019 to December 2022, China Resources (Holdings) Company Limited is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for the total banking facilities of HK$6,516.8 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Group as at 30 June 2019, calculated by dividing net borrowings by equity attributable to owners of the Company, was 6.1% (0.3% as at 31 December 2018).

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 2019 and 31 December 2018. As at 30 June 2019, non-RMB denominated debts accounted for 38% of the total debts of the Group (34% as at 31 December 2018).

CHARGES ON ASSETS

As at 30 June 2019, there was no charge on assets by the Group (Nil as at 31 December 2018).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,679.4 million (RMB1,815.6 million as at 31 December 2018) granted to associates, of which RMB1,553.7 million (RMB1,640.2 million as at 31 December 2018) 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** *HK$'000*	**Amount utilized as at 31/12/2018** *HK$'000*	**Amount utilized during the Period** *HK$'000*	**Amount unutilized as at 30/6/2019** *HK$'000*	**Expected timeline of utilization**
Development of prefabricated construction business	1,672,000	66,900	21,000	1,584,100	By 2021
Development of aggregate business	1,254,000	–	4,600	1,249,400	By 2021
Repayment of debts	836,000	836,000	–	–	Not applicable
General working capital	418,279	418,279	–	–	Not applicable
Total	4,180,279	1,321,179	25,600	2,833,500	

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 2019, the Group had outstanding capital expenditure for production plants under construction in the amount of HK$1,871.1 million. Details of these production plants are as follows:

Projects	Total capital expenditure for the project	Expended as at 31/12/2018	Expended during the Period	Outstanding capital expenditure as at 30/6/2019
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Construction of production lines in Anshun City, Guizhou, with total annual capacities of 2.0 million tons of cement and 1.4 million tons of clinker	1,541.7	574.8	305.8	661.1
Construction of a production plant for prefabricated construction components with design annual capacity of 400,000 m^3 in Zhanjiang City, Guangdong	461.3	69.4	1.9	390.0
Construction of a production plant for prefabricated construction components with design annual capacity of 400,000 m^3 in Nanning City, Guangxi	555.1	24.2	17.8	513.1
Construction of a production plant for prefabricated construction components with design annual capacity of 200,000 m^3 in Guigang City, Guangxi	235.6	23.9	1.3	210.4
Construction of 3 concrete batching plants with total annual capacity of 1.5 million m^3	97.3	–	0.8	96.5
Total	2,891.0	692.3	327.6	1,871.1

Payment of capital expenditure

In addition to the capital expenditure on the production plants under construction, the Group had outstanding payment for the construction of production plants completed in the previous years, which have already been included under other payables in the condensed consolidated statement of financial position as at 30 June 2019. Total payments for capital expenditure of the Group are expected to be approximately HK$731.1 million in the second half of 2019 and HK$1,196.9 million in the year ending 31 December 2020, which will be financed by placing of Shares and internally generated funds.

STRATEGIES AND PROSPECTS

In 2019, the global economic growth has slowed down, there have been more external factors of instability and uncertainty, and the economy is facing new downward pressure. The Chinese government persistently seeks progress amidst stability as its general keynote, adheres to the main topic of supply-side structural reform, deepens reform and opening up, optimizes business environment, promotes independent innovation in key scopes and fully mobilizes initiatives from all aspects in order to stabilize employment, financial markets, foreign trade, foreign investments, domestic investments and expectations for promoting the steady and healthy development of the economy. According to the Report on the Work of Chinese government, the target GDP growth in 2019 is 6% to 6.5%.

According to the statistics published by the Ministry of Transport of China, during the "Thirteenth Five-Year" period, the total investments in transportation will reach RMB15 trillion, representing an increase of approximately 20% from RMB12.5 trillion during the "Twelfth Five-Year" period. Among which, the investments in railways, highways and waterways will be RMB3.5 trillion, RMB7.8 trillion and RMB0.5 trillion respectively. According to the statistics published by the Ministry of Transport of China and the China Railway Corporation, in 2019, the target FAI on highways and waterways is approximately RMB1.8 trillion, which is more or less the same as 2018. The target operational length of new national railway in 2019 is 6,800 km, among which high-speed rails account for 3,200 km. According to the "Thirteenth Five-Year Plan on the Development of Modern Complex Transportation System" published by the State Council of China, it is targeted that by 2020, the total operational length of railways in China will reach approximately 150,000 km, among which, that of high-speed rails will reach approximately 30,000 km, and the total operational lengths of highways and urban rail transit will reach 5 million km and 6,000 km respectively.

In respect of real estate, in order to promote the healthy long-term development of the property market, the Chinese government maintains the policy that "residential properties are not for speculation", implements city-specific policies, offers category-specific guidance, consolidates the main responsibility of city governments and improves the housing market system and the housing security system. In addition, the Chinese government promotes strategies for rural revitalization to improve infrastructure for water supply, power supply and information technology in rural areas. It is targeted that, by 2020, impoverished regions will basically be connected to the main national highways, and county seats with the necessary conditions will be connected to roads of Grade II or above.

In terms of coordinated regional development strategies, the government is supportive of the construction of the Greater Bay Area. In October 2018, as the world's longest cross-sea integrated bridge and tunnel highway, the Hong Kong-Zhuhai-Macao Bridge officially opened, which had further promoted the mutual access to transportation infrastructure in the Greater Bay Area. In February 2019, the State Council of China promulgated the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" with the objective to essentially form the framework for an international first-class bay area and world-class city cluster by 2022 and fully develop an international first-class bay area by 2035 where economic system and mode of development would be mainly supported by innovation.

In July 2019, the Guangdong Provincial Committee of the Communist Party of China and the provincial government published the "Implementation Opinions regarding the Thorough Launch of the 'Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area'", and the Guangdong Provincial Leading Group for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area issued the "Three-Year Action Plan for Promoting the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area by Guangdong Province (2018-2020)" to form the "blueprint" and "mission brief" for promoting the construction of the Greater Bay Area by Guangdong Province. The gradual advancement of construction in the Greater Bay Area will drive the regional demand for building materials such as cement and concrete in the medium to long term.

Looking ahead, under the supply-side structural reform and strict policies on environmental protection in China, the cement industry will encounter new challenges and opportunities. Positioning in Southern China, the Group will seek business opportunities and proactively seize the opportunities in the construction of the Greater Bay Area. During the "Thirteenth Five-Year" period, the Group is dedicated to developing the three core strengths of the "lowest total costs, leading market position in the region, innovation-driven development". The Group will further enhance quality and efficiency of operation, reinforce the construction of sales channels and brand marketing, strengthen the capability in R&D of new products, new technologies and new materials for the creation of competitive advantage by differentiation. Meanwhile, the Group will fulfil corporate social responsibility, proactively promote waste co-processing projects by use of cement kilns and foster green development. The Group will actively grasp opportunities in the development of the Greater Bay Area and prefabricated construction industry, accelerate the pace of transformation and innovation, explore the opportunities of expansion along the industry chain and continue to seek strategic cooperation with domestic and overseas leading enterprises for the joint promotion of the sustainable development of the cement industry in China.

CORPORATE GOVERNANCE

During the Period, the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules except that all non-executive Directors were not appointed for a specific term 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 corporate governance of the Company complies with the same level as that required under the Corporate Governance Code.

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

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

REVIEW OF INTERIM REPORT

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

APPRECIATION

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

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

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

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

Hong Kong, 9 August 2019

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.