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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 ANNUAL RESULTS ANNOUNCEMENT

	2019	2018	Increase
Turnover (<i>HK\$ million</i>)	38,955.6	38,791.5	0.4%
Profit attributable to owners of the Company (<i>HK\$ million</i>)	8,617.5	7,975.4	8.1%
Basic earnings per share	HK\$1.234	HK\$1.179	
Proposed final dividend per share	HK\$0.335	HK\$0.273	
	As at	As at	
	31/12/2019	31/12/2018	Increase
Total assets (<i>HK\$ million</i>)	61,170.9	60,506.4	1.1%
Equity attributable to owners of the Company (<i>HK\$ million</i>)	41,979.7	37,691.3	11.4%
Gearing ratio (<i>note 1</i>)	18.9%	33.2%	
Net assets per share – book (<i>note 2</i>)	HK\$6.01	HK\$5.40	11.3%
<i>notes:</i>			
1.	Gearing ratio is calculated by dividing the total bank borrowings and unsecured medium term notes by equity attributable to owners of the Company.		
2.	Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the year.		

The board (the “Board”) of directors (the “Directors”) of China Resources Cement Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Turnover	3	38,955,561	38,791,470
Cost of sales		<u>(23,298,019)</u>	<u>(23,371,498)</u>
Gross profit		15,657,542	15,419,972
Other income	4	603,380	574,324
Change in fair value of investment properties		5,000	7,200
Selling and distribution expenses		(1,986,672)	(1,985,180)
General and administrative expenses		(2,328,548)	(2,544,745)
Exchange (loss) gain		(36,509)	104,532
Finance costs	5	(453,634)	(643,768)
Share of results of associates		326,689	181,939
Share of results of joint ventures		<u>220,998</u>	<u>220,941</u>
Profit before taxation	6	12,008,246	11,335,215
Taxation	7	<u>(3,313,881)</u>	<u>(3,328,486)</u>
Profit for the year		<u>8,694,365</u>	<u>8,006,729</u>
Other comprehensive (expense) income:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(934,817)	(1,840,224)
Change in fair value of other investment		(39,114)	–
<i>Item that will be subsequently reclassified to profit or loss:</i>			
Share of other comprehensive income (expense) of associates		<u>26,908</u>	<u>(9,001)</u>
Other comprehensive expense for the year		<u>(947,023)</u>	<u>(1,849,225)</u>
Total comprehensive income for the year		<u><u>7,747,342</u></u>	<u><u>6,157,504</u></u>

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		8,617,503	7,975,439
Non-controlling interests		<u>76,862</u>	<u>31,290</u>
		<u><u>8,694,365</u></u>	<u><u>8,006,729</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		7,676,111	6,134,943
Non-controlling interests		<u>71,231</u>	<u>22,561</u>
		<u><u>7,747,342</u></u>	<u><u>6,157,504</u></u>
Basic earnings per share	<i>8</i>	<u><u>HK\$1.234</u></u>	<u><u>HK\$1.179</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Fixed assets		27,080,617	28,489,788
Right-of-use assets		2,922,031	–
Prepaid lease payments		–	2,846,024
Investment properties		130,000	137,761
Other investment		97,197	–
Intangible assets		2,461,792	2,197,455
Interests in associates		6,580,670	5,463,446
Interests in joint ventures		1,426,602	1,409,378
Deposits for acquisition of assets		1,031,817	497,157
Deferred tax assets		219,766	208,358
Long term receivables		260,553	354,740
Pledged bank deposits		216,985	80,089
		<u>42,428,030</u>	<u>41,684,196</u>
Current assets			
Inventories		1,509,704	1,970,629
Trade receivables	<i>10</i>	2,386,126	2,367,299
Other receivables		726,366	841,005
Loan to an intermediate holding company		805,240	801,316
Amounts due from associates		397,535	514,404
Amounts due from joint ventures		5,818	2,631
Taxation recoverable		64,203	23,401
Cash and bank balances		12,847,838	12,301,501
		<u>18,742,830</u>	<u>18,822,186</u>
Current liabilities			
Trade payables	<i>11</i>	3,174,237	3,460,355
Other payables		5,080,770	5,007,969
Taxation payable		1,770,521	1,272,802
Bank loans – amount due within one year		1,297,954	4,531,678
		<u>11,323,482</u>	<u>14,272,804</u>
Net current assets		<u>7,419,348</u>	<u>4,549,382</u>
Total assets less current liabilities		<u>49,847,378</u>	<u>46,233,578</u>

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current liabilities			
Bank loans – amount due after one year		3,279,151	4,556,946
Unsecured medium term notes		3,349,050	3,423,870
Other long term payables		448,828	8,297
Deferred tax liabilities		504,171	349,303
		<u>7,581,200</u>	<u>8,338,416</u>
		<u>42,266,178</u>	<u>37,895,162</u>
Capital and reserves			
Share capital	<i>12</i>	698,294	698,294
Reserves		41,281,378	36,992,984
		<u>41,979,672</u>	<u>37,691,278</u>
Equity attributable to owners of the Company		41,979,672	37,691,278
Non-controlling interests		286,506	203,884
		<u>42,266,178</u>	<u>37,895,162</u>
Total equity		<u>42,266,178</u>	<u>37,895,162</u>

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, equity investment designated at fair value through other comprehensive income and certain trade receivables, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time in the current year:

Amendments to HKFRS 9	Prepayment features with negative compensation
HKFRS 16	Leases
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 as described below, the application of the new and revised standards has had no material impact on the consolidated financial statements.

HKFRS 16 Leases

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

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 and buildings. 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 an 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 except for elective exemption for leases with a lease term of 12 months or less (“short-term leases”).

Impact on transition

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 consolidated 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 consolidated statement of financial position. The current and non-current portions of prepaid lease payments, which represent medium-term leasehold land in the People's Republic of China ("China" or "PRC") but excluding Hong Kong and Macao Special Administrative Region (the "Chinese Mainland"), amounting to HK\$80,217,000 and HK\$2,846,024,000, respectively, were reclassified to right-of-use assets.

Financial impact at 1 January 2019

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

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

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

	<i>HK\$'000</i>
Operating lease commitments as at 31 December 2018	228,333
<i>Add:</i> Payments in optional extension periods not recognized as at 31 December 2018	7,883
	<hr/>
	236,216
Incremental borrowing rate as at 1 January 2019	4.75%
	<hr/>
Discounted operating lease commitments at 1 January 2019	183,818
	<hr/>
Lease liabilities as at 1 January 2019	183,818
	<hr/> <hr/>

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

Amendments to HKFRS 3	Definition of a business ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or contribution of assets between an investor and its associate or joint venture ³
HKFRS 17	Insurance contracts ²
Amendments to HKAS 1 and HKAS 8	Definition of material ¹

¹ *Effective for annual periods beginning on or after 1 January 2020.*

² *Effective for annual periods beginning on or after 1 January 2021.*

³ *Effective for annual periods beginning on or after a date to be determined.*

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

3. TURNOVER AND SEGMENT INFORMATION

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

The Group's operating and reportable segments are as follows:

Cement – manufacture and sale of cement and related products

Concrete – manufacture and sale of concrete and related products

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

Segment results represent the profits earned by each segment without allocation of central administration costs, Directors' salaries, share of results of associates and joint ventures, interest income, finance costs and exchange differences.

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

The information of the segment results is as follows:

For the year ended 31 December 2019

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

Inter-segment sales are charged at prevailing market prices.

RESULTS

Segmental results	<u>11,790,468</u>	<u>463,821</u>	–	12,254,289
Interest income				149,527
Exchange loss				(36,509)
Finance costs				(453,634)
Unallocated net corporate expenses				(453,114)
Share of results of associates				326,689
Share of results of joint ventures				<u>220,998</u>
Profit before taxation				<u><u>12,008,246</u></u>

For the year ended 31 December 2018

	Cement <i>HK\$'000</i>	Concrete <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER – SEGMENT REVENUE				
External sales	32,533,483	6,257,987	–	38,791,470
Inter-segment sales	<u>1,028,919</u>	<u>2,078</u>	<u>(1,030,997)</u>	<u>–</u>
	<u><u>33,562,402</u></u>	<u><u>6,260,065</u></u>	<u><u>(1,030,997)</u></u>	<u><u>38,791,470</u></u>

Inter-segment sales are charged at prevailing market prices.

RESULTS

Segmental results	<u>11,545,916</u>	<u>311,417</u>	–	11,857,333
Interest income				133,646
Exchange gain				104,532
Finance costs				(643,768)
Unallocated net corporate expenses				(519,408)
Share of results of associates				181,939
Share of results of joint ventures				<u>220,941</u>
Profit before taxation				<u><u>11,335,215</u></u>

4. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Government incentives	125,914	180,900
Interest income	149,527	133,646
Sales of raw materials and scrap	134,339	115,755
Service income	3,995	3,216
Rental income	54,709	55,135
Compensation received from insurance	17,365	14,753
Compensation received from suppliers and customers	21,373	18,111
Gain on disposal of right-of-use assets	12,725	–
Gain on disposal of an investment property	5,517	–
Others	77,916	52,808
	<u>603,380</u>	<u>574,324</u>

5. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on:		
Bank loans and unsecured medium term notes	430,056	643,064
Provision for environmental restoration	15,486	–
Lease liabilities	8,092	–
Other long term payables	–	704
	<u>453,634</u>	<u>643,768</u>

6. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	19,207	16,666
Pension costs and mandatory provident fund contributions for staff, excluding Directors	294,814	305,115
Other staff costs	<u>3,345,564</u>	<u>3,343,831</u>
Total staff costs	<u>3,659,585</u>	<u>3,665,612</u>
Allowance (reversal of allowance) for doubtful debts	16,953	(16,902)
(Reversal of allowance) allowance for doubtful debts of other receivables	(1,183)	27,169
Amortization of mining rights (included in general and administrative expenses)	117,422	89,182
Auditor's remuneration	4,366	5,456
Depreciation of fixed assets	1,888,494	1,986,076
Depreciation of right-of-use assets	120,366	–
Impairment of fixed assets	55,867	42,625
Reversal of impairment of inventories	(5,929)	(4,132)
Impairment of mining rights	–	15,860
Impairment of prepaid lease payments	–	20,482
(Gain) loss on disposal of fixed assets	(2,152)	43,226
Gain on disposal of right-of-use assets	(12,725)	–
Gain on disposal of an investment property	(5,517)	–
Operating lease payments in respect of		
– rented premises	–	62,106
– motor vehicles	–	519,110
Short term lease payments	17,702	–
Variable lease payments		
– motor vehicles	533,025	–
Release of prepaid lease payments	<u>–</u>	<u>78,376</u>

7. TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current taxation		
Hong Kong Profits Tax	9,236	13,876
Chinese Mainland Enterprise Income Tax	<u>3,147,143</u>	<u>3,056,941</u>
	<u>3,156,379</u>	<u>3,070,817</u>
(Overprovision) underprovision in prior years		
Hong Kong Profits Tax	(118)	–
Chinese Mainland Enterprise Income Tax	<u>4,155</u>	<u>(41,568)</u>
	<u>4,037</u>	<u>(41,568)</u>
Deferred taxation		
Hong Kong	(7,386)	6,523
Chinese Mainland	<u>160,851</u>	<u>292,714</u>
	<u>153,465</u>	<u>299,237</u>
	<u>3,313,881</u>	<u>3,328,486</u>

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

Chinese Mainland Enterprise Income Tax includes the income tax calculated at 25% on the taxable income of the group entities in the 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 years.

8. EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	<u>8,617,503</u>	<u>7,975,439</u>
	2019	2018
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	<u>6,982,937,817</u>	<u>6,767,184,392</u>

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

9. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends recognized as distribution during the year:		
2019 Interim – HK\$0.26 per share (2018: HK\$0.275 per share)	1,815,564	1,920,308
2018 Final – HK\$0.273 per share (2017: HK\$0.155 per share)	<u>1,906,342</u>	<u>1,012,605</u>
	<u>3,721,906</u>	<u>2,932,913</u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of HK\$0.335 per share (HK\$0.273 per share in respect of the year ended 31 December 2018) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The total amount of HK\$2,339,284,000 (2018: HK\$1,906,342,000) of the proposed final dividend, calculated based on the Company's number of shares issued at the date of this announcement, is not recognized as a liability in the consolidated statement of financial position.

10. TRADE RECEIVABLES

	As at 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from third parties	2,384,112	2,335,812
Trade receivables from related parties	<u>2,014</u>	<u>31,487</u>
	<u>2,386,126</u>	<u>2,367,299</u>

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

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period.

	As at 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 90 days	1,843,340	2,163,763
91 to 180 days	235,830	128,347
181 to 365 days	227,782	75,189
Over 365 days	<u>79,174</u>	<u>–</u>
	<u>2,386,126</u>	<u>2,367,299</u>

11. TRADE PAYABLES

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Trade payables to third parties	3,157,563	3,443,056
Trade payables to related parties	16,674	17,299
	<u>3,174,237</u>	<u>3,460,355</u>

The Group normally receives credit period of 30 to 90 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period.

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
0 to 90 days	3,112,055	3,353,059
91 to 180 days	33,877	61,444
181 to 365 days	11,925	17,190
Over 365 days	16,380	28,662
	<u>3,174,237</u>	<u>3,460,355</u>

12. SHARE CAPITAL

	Number of Shares	Amounts HK\$'000
Shares of HK\$0.10 each in the share capital of the Company ("Share(s)")		
Authorized:		
At 1 January 2018, 31 December 2018 and 2019	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2018	6,532,937,817	653,294
Issuance of Shares on 25 June 2018	<u>450,000,000</u>	<u>45,000</u>
At 31 December 2018, 1 January 2019 and 31 December 2019	<u>6,982,937,817</u>	<u>698,294</u>

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

BUSINESS ENVIRONMENT

In 2019, as both domestic and overseas risks and challenges rose significantly, the Chinese government has upheld the general principle of pursuing progress while ensuring stability. Taking supply-side structural reform as the main theme, the government promoted high-quality development and maintained sustainable and healthy economic development. According to the statistics published by the National Bureau of Statistics of China, in 2019, China's gross domestic products ("GDP") grew by 6.1% year-on-year to RMB99.1 trillion. National fixed asset investments ("FAI") (excluding rural households) increased by 5.4% to RMB55.1 trillion year-on-year.

According to the statistics published by the respective provincial bureaux of statistics, in 2019, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi, where the Group has business operations, reached RMB10.8 trillion, RMB2.1 trillion, RMB4.2 trillion, RMB531.0 billion, RMB2.3 trillion, RMB1.7 trillion and RMB1.7 trillion respectively, representing year-on-year increases of 6.2%, 6.0%, 7.6%, 5.8%, 8.1%, 8.3% and 6.2% 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 11.1%, 9.5%, 5.9%, -9.2%, 8.5%, 1.0% and 9.3% respectively.

In 2019, national infrastructure investments remained stable. According to the statistics published by the National Bureau of Statistics of China, national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) increased by 3.8% year-on-year. According to the statistics published by the Ministry of Transport of China and the National Railway Administration of China, FAI on highways and waterways in China amounted to approximately RMB2.3 trillion in total, representing a year-on-year increase of 2.6%, and FAI on railway amounted to RMB802.9 billion, which was more or less the same as 2018.

During the year, the Chinese government launched numerous policies to promote infrastructure construction, including 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. These policies had been beneficial to the promotion of cooperation between the government and private capital, the expansion of effective investment and the stabilization of infrastructure as a support for cement demand.

In 2019, the housing market was stable at large. According to the statistics published by the National Bureau of Statistics of China, in 2019, the floor space of commodity housing sold in China was 1,720 million m², which was more or less the same as 2018, and the sales amount increased by 6.5% year-on-year to RMB16.0 trillion. Real estate investment in China reached RMB13.2 trillion, representing a year-on-year increase of 9.9%. Among which, the floor space of houses newly started construction increased by 8.5% year-on-year to 2,270 million m² while the floor space of houses completed increased by 2.6% year-on-year to 960 million m². As of the end of 2019, the floor space under construction by the real estate developers nationwide reached 8,940 million m², representing a year-on-year increase of 8.7%. 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, reinforce the construction of urban infrastructure, accelerate the development of urban-rural integration, and improve the capabilities for construction and management of municipal infrastructure. 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 2019 was approximately 290,000 km. The promotion of urbanization and rural construction will provide support for cement demand.

THE INDUSTRY

In 2019, the cement demand in China grew steadily. According to the statistics published by the National Bureau of Statistics of China, in 2019, the total cement production in China amounted to approximately 2,330 million tons, representing a year-on-year increase of 6.1%. According to the statistics of China Cement Association, in 2019, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi were approximately 170 million tons, 120 million tons, 94.4 million tons, 20.2 million tons, 130 million tons, 110 million tons and 49.8 million tons respectively, representing year-on-year changes of approximately 2.6%, 5.4%, 7.5%, -8.0%, 8.8%, -0.9% and 11.4% respectively.

According to the statistics of the China Cement Association, in 2019, there were 16 new clinker production lines nationwide with new annual clinker production capacity of 23.7 million tons in total. According to the statistical information of the Company, there were 2 new clinker production lines in Guangxi with new annual clinker production capacity of approximately 2.8 million tons in total.

Regarding policies for the cement industry, the Chinese government further improved policies for the building materials industry, enhanced product standards, continuously advanced energy saving, emission reduction and production safety, reinforced environmental protection law enforcement and supervision for promoting the high-quality and sustainable development of the cement industry.

In August 2019, the National Development and Reform Commission of China issued the “Catalogue for Guiding Industry Restructuring (2019 Version)”, which shall come into force in 2020. Under the “Encouraged Category”, cement technical technologies such as co-processing, special cement and carbon capture, as well as concrete product technologies such as concrete for marine work and ultra-high performance concrete had been added.

Since October 2019, PC32.5 grade cement had been fully abolished in China. During the year, the General Office of the Ministry of Industry and Information Technology of China (“MIIT”) issued 10 cement-related standards including magnesium phosphate cement and gypsum slag cement in order to further improve the standards of cement products and promote product upgrade in the industry.

In January 2020, the MIIT 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 terms of environmental protection, in June 2019, the Chinese government issued 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 and required the implementation of “revisit” inspections for rectifications. 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.

The Chinese government actively promotes the construction of green mines and accelerates the comprehensive rectification and control of open-pit mines. It is targeted to shut down more than 1,000 non-coal mines without conditions for production safety by 2019 and to essentially establish a property rights system for natural resources assets featuring clear ownership, determinate rights and obligations, strict protection, smooth circulation and effective regulation by 2020.

The Chinese government attaches great importance to production safety and occupational health. During the year, measures for coordination between administrative law enforcement and criminal justice for production safety had been specified, and special treatment and control of dust toxic hazards had been launched in the mining, metallurgical and chemical industries. Severe punishment would be imposed in accordance with law for refusal to rectify illegal behaviours.

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 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%. In addition, Nanning City, Liuzhou City, Hezhou City and Yulin City had been classified as the Autonomous Region of China (“AR”)-level pilot cities for prefabricated construction by the Guangxi government. The proportion of floor space of prefabricated buildings in Nanning City is targeted to exceed 20% by 2020.

In terms of aggregates, as the management and control of natural gravel resources and the regulation of environmental protection have become stricter, the Chinese government actively promotes the development of the manufactured gravel industry. In November 2019, the Chinese government issued “Certain Opinions on Promoting the High-Quality Development of the Manufactured Gravel Industry”, which aimed at 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.

TRANSFORMATION AND INNOVATION

Through its positioning in Southern China, the Group promotes transformation and innovation, and actively explores opportunities for extension of industrial chain. The Group has achieved breakthroughs in the new businesses of aggregates, prefabricated construction and engineered stones.

With regards to aggregates, the Group acquired the mining rights of aggregate quarries located in Wuping County, Fujian and Shangsi County, Guangxi in November 2019 and March 2020 respectively, which has further enriched the Group's reserve of aggregates resources.

Prefabricated construction business is one of the Group's key new businesses for future development. So far, the Group has 7 prefabricated construction projects, among which, projects in operation include Dongguan RunYang in Guangdong and Nanning Hongji in Guangxi; projects under construction include Nanning Wuhe and Guigang Runhe in Guangxi as well as Zhanjiang RunYang in Guangdong. In January 2020, the Group successfully acquired lands for prefabricated construction in Jiangmen City, Guangdong and Laibin City, Guangxi.

In April 2019, through Shenzhen Runfeng New Materials Technology Company Limited ("Runfeng New Materials"), the Group acquired 40.0% equity interests of Universal Marble & Granite (Dongguan) Co., Ltd. ("Universal Marble"), whose principal business is the production of natural stones and engineered stones. In June, the Group entered into a strategic cooperation agreement with Yunnan Construction and Investment Holding Group Co., Ltd., whereby both parties shall launch comprehensive cooperation in terms of cement, concrete and aggregate businesses. In October, the Group subscribed for approximately 9.0% equity interests of YCIH Green High-Performance Concrete Company Limited ("YCIH Concrete"), a subsidiary of Yunnan Construction and Investment Holding Group Co., Ltd., to become one of the strategic shareholders. The parties' cooperation will be beneficial to enhancing the Group's market competitiveness in Yunnan Province and creating the development strategy for extension of industry chain.

The Group attaches great importance to 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.

During the year, the Group participated in various industry forums, including 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, the Second ACI International Solid Waste Management Summit, the “Forum on Planning Proposals of Co-Processing by Use of Cement Kilns” held by the Department of Energy Conservation and Comprehensive Utilization of the MIIT, and the 2019 Third China International Solid Waste Summit to conduct exchanges with corporate representatives, industry experts and governmental institutions on issues of safety and environmental protection such as occupational health and co-processing.

In 2019, the Group’s unfailing efforts in sustainable development were recognized by the industry and 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 May, China Resources Cement (Longyan) Limited was included in the register of the first batch of Green Manufacturing in Fujian Province by the Department of Industry and Information Technology of Fujian Province;
- In September, China Resources Cement (Wuxuan) Limited was included in the register of the fourth batch of Green Manufacturing by the MIIT;
- In September, China Resources Cement (Fengkai) Limited was awarded the Hong Kong – Guangdong Cleaner Production Excellent Partner (Manufacturing) Commendation by the Environment Bureau of Hong Kong and the Department of Industry and Information Technology of Guangdong Province;
- In November, China Resources Cement (Lianjiang Fengcheng) Limited was jointly selected as shortlisted energy-efficient “pace-setter” enterprise in major energy-consuming industries in 2019 by the MIIT and the State Administration for Market Regulation;
- As of the end of 2019, 16 mines at 13 production plants of the Group were included in the registers of provincial-level or AR-level green mines, among which, 8 mines at the production plants located in Luoding of Guangdong, Guigang, Nanning, Pingnan, Shangsi and Tianyang of Guangxi, and Heqing of Yunnan were included in the register of national-level green mines which had passed the selection by the Ministry of Natural Resources of China in 2019.

ACQUISITIONS

On 16 April 2019, Runfeng New Materials, the Company's wholly owned subsidiary, acquired approximately 20.0% equity interests of Universal Marble at a consideration of RMB388,116,348 (equivalent to approximately HK\$453,394,000). Together with the acquisition of approximately 20.0% equity interests of Universal Marble at a consideration of RMB387,880,100 (equivalent to approximately HK\$453,117,000) on 18 January 2019, Runfeng New Materials holds as to 40.0% of Universal Marble in aggregate.

On 30 October 2019, China Resources Cement Holdings (Hong Kong) Limited, the Company's wholly owned subsidiary, subscribed 40,164,000 H shares of YCIH Concrete at the global offer price of HK\$3.36 per share, representing approximately 9.0% of its total issued share capital and a total consideration of HK\$134,951,040. The H shares of YCIH Concrete had been listed and started trading on the main board of the Stock Exchange since 31 October 2019 (stock code: 1847).

NEW PRODUCTION PLANTS

Since 2019, 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, Guizhou. In addition, the Group added one concrete batching plant and shut down one concrete batching plant. The Group's total annual concrete production capacity remained unchanged.

CAPACITY UTILIZATION

The utilization rates of the Group's cement, clinker and concrete production lines in 2019 were 102.1%, 112.7% and 39.2% as compared with 102.9%, 113.7% and 39.8% respectively for 2018.

COST MANAGEMENT

Operational Management

In 2019, in order to enhance the operational efficiency of production plants, the Group continuously implemented delicacy management of production operation, strengthened internal benchmarking management and offered 74 technological supports through the coordination of expert resources such as technical committee and the Technology Research and Development Centre for solving the common problems of production plants such as production technical indicators and equipment management. During the year, the Group implemented 219 technological upgrades, covering the scopes of safety, environmental protection, energy saving and consumption reduction, which were conducive to improving the performance indicators and quality of production and operation.

The Group continuously implemented lean management and promoted key projects of technological upgrade for energy saving. As of the end of 2019, the Group had completed the technological upgrade of packaging machines and dust collection systems of mobile loading machines at all cement production plants and grinding stations, which had improved measurement accuracy, reduced operating costs and further enhanced operating efficiency and economic benefits. Upon the foundation of the successful experience concluded from the cement production plant in Pingnan, the Group initiated plans for water treatment at the mines of cement production plants located in Lianjiang, Guangdong and Hepu, Guangxi during the year. In addition, in order to reduce energy consumption and maintenance costs, save energy and enhance efficiency, the Group had trialed new technologies and new equipment such as highly effective energy-saving technology of draught fans and highly effective energy-saving two-stage air compressors at some production plants.

In terms of quality management, the Group proactively organized checks and comparisons of coal and cement among all cement production plants. The Group continuously improves checking standards and rectifies the problems appeared in the checking process to stabilize the qualities of coal and grinding aids and to reduce production costs.

On the other hand, the Group continuously promoted informatization, digitalization and intelligentization. Pilot projects of intelligent manufacturing had been rolled out at the cement production plants located in Tianyang and Nanning, Guangxi as well as Fengkai, Guangdong. Among which, for the intelligent manufacturing pilot project conducted at the cement production plant located in Tianyang in cooperation with Siemens Ltd., China, the main functions of the first phase had commenced trial operation, which included important functional modules such as management of production and operation, full-lifecycle management of equipment, prediction and analysis of equipment, and advanced controls. For the Group's pilot project of equipment and quality management system in cooperation with China Resources Microelectronics at the cement production plant located in Nanning, the equipment management system and quality management system had successfully commenced operation and achieved integration and connection with the "Smart Card" system and the automatic loading system. The real-time online automatic batching system of the cement production plant located in Fengkai had commenced operation, which had solved problems such as adjustment for time delay due to manual batching and low passing rate and had further stabilized the quality of clinker.

Procurement Management

In 2019, the Group purchased a total of approximately 10.1 million tons of coal (approximately 10.5 million tons in 2018), among which, approximately 80% and 20% were sourced from northern China and neighbouring areas of our production plants respectively (76%, 21% and 3% were sourced from northern China, neighbouring areas of our production plants and Australia respectively in 2018). The proportion of direct procurement from coal producers increased to approximately 82% (79% in 2018). In the future, the Group will continuously strengthen cooperation with large-scale domestic coal suppliers, adjust the strategies of imported coal according to the Chinese government's policy on coal import in order to secure a stable supply of coal of excellent quality.

In terms of procurement of other raw materials, the Group continuously develops new materials, expands new channels and introduces new suppliers to secure the supply of raw materials and reduce procurement costs. 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 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 2019, the total social logistics costs were on a rising trend due to environmental protection inspections and strict control on vehicle overloading. During the year, the Group actively implemented tendering for logistics transportation, organized two-way logistics and reduced the impact of rising social logistics costs through measures such as controlling port resources of excellent quality and initiating joint shipment by railway.

In 2019, the annual shipping capacity of the Group along the Xijiang River was approximately 34.4 million tons, which secured stable and continuous logistics capabilities for the Group's business operation.

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 2019, the Group controlled the operations of 35 silo terminals with annual capacity of approximately 21.4 million tons, which are mainly located in the Pearl River Delta Region. This consolidates the Group's leading market position in Guangdong.

In addition, the Group is dedicated to providing excellent services to customers and continuously enhancing the level of informationized logistics. The “Smart Card” system had been launched at 14 cement production plants, and the mobile application for placing sales orders of cement products had been rolled out in all the regions where the Group has business operation.

SALES AND MARKETING

To thoroughly implement national policies, the Group actively promotes innovation, transformation and upgrade of products. During 2019, seminars and market research on abolition of PC32.5R grade cement were proactively initiated to fully understand customers’ demands and formulate response measures. All PC32.5R grade cement had been abolished and replacement products including PC42.5 grade cement and masonry cement M32.5 had been successfully launched by late September, among which, the new masonry cement M32.5 product had the features of quality stability, colour stability, high later-strength, good construction performance and high fracture resistance, which is more suitable for the demand of a majority of users as compared with PC32.5R grade cement.

In 2019, the Group continued to intensively work on the construction and management of brand image, formulated management measures for the appraisal of franchise stores of the brand image, and optimized the management of franchise stores. The Group integrated channel construction with digitalized transformation as well as traditional media with new media such as the Internet, and implemented targeted advertising by the combined online and offline modes to strengthen the brand awareness among target consumer groups. In addition, the Group continuously promoted the registration and consolidation of brand trademarks to achieve full legal protection on the trademarks of our products.

SUSTAINABLE DEVELOPMENT

Energy Saving and Emission Reduction

The Group proactively promotes green production. Our emission concentrations 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, 100% of our cement production plants have obtained permits for pollutant emissions, and 100% of our cement and clinker production plants have been 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 2019, the Group completed the construction of 3 sets of wet-process desulphurization systems and 11 sets of composite desulphurization systems.

The Group had been proactively seeking new technology of emission reduction and enhancing technological standards and management standards of environmental protection. As of the end of 2019, the Group had applied a new type of bag filters in high temperature for ultra-low emissions at the cement production plants in Hepu County and Guigang City, Guangxi, Yangchun City and Fengkai County, Guangdong. The emission concentrations of particulate matters had been reduced to below 10 mg/m³, which are far lower than the national special emission limits. The technology will be continuously promoted at our cement production plants in Southern China in the future.

In terms of carbon emissions, 8 plants in Guangdong and 5 plants in Fujian of the Group had settled the carbon credit quota for 2018, and the calculation of quantity of carbon emissions for 2019 had been done in accordance with the “Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Cement Enterprises (Trial)” in preparation for the future unification of national carbon market.

Treatment and Management of Mines

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

As of the end of 2019, a total of 16 mines at 13 plants among 27 cement and clinker production plants of the Group had been included in the registers of provincial-level and AR-level green mines, among which, 8 mines at 7 plants had passed the selection of national-level green mines.

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 in order to fulfil its corporate social responsibility whilst supporting transformation of environmental protection and achieving sustainable corporate development.

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 2019, the Group had 8 co-processing projects in total. Details of the projects are set out as follows:

Project Location	Type	Annual Processing Capacity (tons)	Status
Binyang, Guangxi	Municipal solid waste	110,000	In operation
Tianyang, Guangxi	Municipal solid waste	180,000	In operation
Nanning, Guangxi	Urban sludge (<i>note 2</i>)	110,000	In operation
Zhushui, Guangzhou (<i>note 1</i>)	Urban sludge (<i>note 2</i>)	300,000	In operation
Yuebao, Guangzhou (<i>note 1</i>)	Urban sludge (<i>note 2</i>)	300,000	In operation
Changjiang, Hainan	Hazardous industrial waste	30,000	In operation
Midu, Yunnan	Municipal solid waste	110,000	In trial operation
Fengqing, Yunnan (<i>note 1</i>)	Municipal solid waste	110,000	In trial operation

notes:

1. Located in the cement production plants of our associates and joint ventures.
2. The Nanning project co-processed wet sludge of 80% moisture content. The Zhushui project co-processed dry sludge of below 40% moisture content. The Yuebao project co-processed dry sludge of below 40% moisture content in Guangzhou City on an urgent basis.

Production Safety and Occupational Health

The Group attaches great importance to safety in production and occupational health of employees. Currently, the coverage rate of staff body check is 100%. As of the end of 2019, the Group had a total of 274 specialized environment, health and safety (“EHS”) management personnel, among which, 192 were specialized safety management personnel (including 59 registered safety engineers).

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 2019, 28 cement production plants of the Group (inclusive of grinding stations) 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. The pre-assessment of the mines in Tianyang had completed in August, which possessed the qualifications required for the assessment as the First-Class Mine in Production Safety Standardization.

The Group had established long-term effective mechanism for the inspection, treatment and management of latent hazards of production safety incidents. Multi-level inspections, supervision, treatment and management of latent safety hazards were continuously reinforced at headquarters, major operating regions and production plants to prevent and minimize incidents of personal injuries and secure the safety of our employees' lives and properties. In 2019, the Group successively conducted annual safety assessment inspection on 32 cement production plants and 54 concrete batching plants, annual large-scale safety inspections at 9 cement production plants and 1 concrete batching plant, specific safety inspections at the mines of 14 cement production plants, on-site supervision on the repairs and maintenance as well as management of counterparties at 13 cement production plants. 17 concrete batching plants were inspected and assisted. During the year, approximately 18,545 participants attended the emergency drills organized by the Group.

The Group actively implemented safety training and combined online and offline training methods. Videos of safety emergency drills were uploaded on the Group's online learning platform at the learning system of China Resources University to encourage our staff to self-study. In 2019, the aggregate duration of safety training for the Group's staff amounted to approximately 328,000 hours, whereas that for counterparties amounted to approximately 73,000 hours. At the same time, an online examination platform had been created to effectively implement safety leadership and enhance the management standards of health and safety. A closed book examination on health and safety knowledge was organized for senior and middle-level managerial staff in December, with 207 participants in attendance.

RESEARCH, DEVELOPMENT AND INNOVATION

Capability of Research and Development

As of the end of 2019, 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 applies for patent licenses for its various R&D achievements. As of the end of 2019, the Group held 158 patent licenses, including 24 inventions and 134 utility models.

In 2019, the Group's laboratory of the Technology Research and Development Centre provided 1,982 checks and tests for the Group's production plants, effectively supporting lean operations of production plants. During the year, the laboratory of the Technology Research and Development Centre conducted optimization projects for production plants including Fengkai, Guangdong, as well as Tianyang, Hongshuihe, Pingnan and Guigang, Guangxi. Energy consumption at production had been further reduced and product quality had been enhanced by diagnosis and improvement on kiln grinding system, optimization on the quality of production technique and improvement on the performance of grinding aid.

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. 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 Fujian, which was mainly used for the construction of nuclear islands of nuclear power stations as well as large-volume concrete buildings including military engineering, dams and hydroelectric power stations. In addition, the Group had researched and developed nano-curing agent product suitable for rapid demolding of precast concrete components to shorten the time for components to demold.

All-Staff Innovation

The Group encourages all-staff innovation and promotes the implementation of innovation projects. In 2019, the Group continuously promoted the application of 15 key innovation projects at each production plant, among which, the innovation project of mobile dust collection had been applied to all the cement production plants of the Group, and dust emissions from cement packaging and delivery had met the environmental protection requirements according to third-party checks and tests. Other projects had also gradually commenced pilot work and application at each production plant for the treatment and management of mines, energy saving, emission reduction, storage management and technical quality management.

EXTENSION OF INDUSTRY CHAIN

Aggregate

The Group is exploring opportunities for the development of aggregates in the regions where it has business operation. In the future, we will fully leverage on the synergetic advantages of cement, concrete, aggregates and prefabricated construction businesses, promote industrial integrative development and further consolidate the core competitive advantages of the Group.

In November 2019, the Group successfully acquired the mining rights of a quarry of granite used for construction (used for manufactured sand) in Wenxi Quarry District, Wuping County, Longyan City, Fujian, with resource reserve of approximately 56.0 million tons and planned annual production capacity of approximately 2.0 million tons, which is expected to commence operation in 2021.

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.

Prefabricated Construction

As of the end of December 2019, the Group had 2 prefabricated construction projects in operation, among which, the project located in Dongguan City, Guangdong was attributable to the associate DongGuan RunYang United Intelligent Manufacturing Company Limited. Its products are mainly supplied to public housing and commodity housing projects in Shenzhen Municipality and Zhuhai City. For the project located in Nanning City, Guangxi, the Group cooperates with Nanning Hongji Cement Products Co., Ltd in production, which mainly supplies to commodity housing projects in Nanning and neighbouring cities.

The Group has 3 other prefabricated construction projects under construction in Zhanjiang City, Guangdong as well as Nanning City and Guigang City, Guangxi respectively. Among which, the concrete batching plants of the projects in Guigang and Nanning have commenced operation in 2019.

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 m² and design annual production capacity of precast concrete components of approximately 50,000 m³. 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 m² and design annual production capacity of precast concrete components of approximately 200,000 m³.

Relevant information of the projects is outlined below:

Project name	Area of land acquired (m ²)	Design annual production capacity (m ³)	Status	Particulars
Guangdong				
Dongguan Runyang (<i>note 1</i>)	–	40,000	In operation	<ul style="list-style-type: none">Currently, products are mainly supplied to public housing and commodity housing projects in Shenzhen Municipality and Zhuhai City.
Zhanjiang Runyang	210,000	400,000	Under construction	<ul style="list-style-type: none">Phase 1 production line of precast concrete components (design annual capacity of 200,000 m³) is expected to commence operation in 2021.

Project name	Area of land acquired (m^2)	Design annual production capacity (m^3)	Status	Particulars
Jiangmen Yamen	45,500	50,000	Under planning	<ul style="list-style-type: none"> • 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 (<i>note 2</i>)	–	15,000	In operation	<ul style="list-style-type: none"> • Currently, products are mainly supplied to commodity housing projects in Nanning and neighbouring cities.
Nanning Wuhe	167,000	400,000	Under construction	<ul style="list-style-type: none"> • Concrete batching plant (annual production capacity of 600,000 m^3) had commenced operation in December 2019; production line of precast concrete components is expected to commence operation in 2021.
Guigang Runhe	130,000	200,000	Under construction	<ul style="list-style-type: none"> • Concrete batching plant (annual production capacity of 600,000 m^3) had commenced operation in November 2019; production line of precast concrete components is expected to commence operation in 2020.
Laibin Runhe	153,000	200,000	Under planning	<ul style="list-style-type: none"> • Won the bid for the land in January 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. Cooperates with Nanning Hongji Cement Products Co., Ltd in production.

New Materials

In April 2019, the Group completed the acquisition for 40.0% equity interests of Universal Marble through Runfeng New Materials. The principal businesses of Universal Marble are processing of natural stone, and manufacture and sale of engineered stone. Its products are mainly applied in the renovation and decoration of municipal buildings, residences, shopping malls, hotels and office buildings. This acquisition will further 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 aggregates. 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 Province.

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 31 December 2019, the Group employed a total of 19,816 full-time employees (20,301 as at 31 December 2018) of whom 151 were based in Hong Kong (159 as at 31 December 2018) and the remaining 19,665 were based in the Chinese Mainland (20,142 as at 31 December 2018). Employee attrition rate was 5.4% (6.4% as at 31 December 2018). A breakdown of our employees by function is set out as follows:

	As at 31 December	
	2019	2018
Management	402	393
Finance, administration and others	2,485	2,648
Production staff	11,627	11,753
Technical staff	4,420	4,618
Sales and marketing staff	882	889
Total:	<u>19,816</u>	<u>20,301</u>

Among our 402 senior and middle-level managerial staff, 89% are male and 11% are female, 76% possess university degrees or above, 21% have received post-secondary education and the average age of managerial staff is approximately 46 (393, 89%, 11%, 74%, 22%, 45 as at 31 December 2018).

We offer our employees remuneration packages mainly on the basis of individual results performance and work experience and also having regard to internal fairness and market competitiveness, including basic wages, performance related bonuses, allowance and other staff benefits. Using issues as guidance, the Group continuously optimizes and improves the staff remuneration management mechanism. An interrelated mode had been established to link the total salaries with staff performance indicators for strengthening the improvement of staff performance. In combination with the results of internal and external studies as well as data benchmarking, the structure of junior and middle-level remuneration had been optimized to intensify the performance leverage and incentives of remuneration. An annual remuneration adjustment mechanism was designed to incline towards core roles to increase the market competitiveness of key roles. The bonus allocation mechanism had become more results-oriented and contributory from profits in order to reflect the mutual use of all-staff benefits, mobilize the enthusiasm of employees, attract and retain excellent talents and employees in core roles.

Care for Employees

The Group is dedicated to enhancing the working environment and team ambience for its employees. Various group activities were organized for better physical and mental health of our employees, such as staff birthday parties, festival celebrations, sports activities, calligraphy competitions and fitness activities. During the year, we organized an interesting athletic meet for headquarters staff combined with physical fitness, brand promotion, interesting athletic meet, family activities, group birthday party and long-term service award presentation ceremony, which had further enhanced our headquarters staff's cohesion and sense of belonging.

The Group has always paid keen attention to caring for employees. To understand their practical difficulties and needs as well as to care for and follow up with the improvement on their living conditions, we regularly visit employees in need and their families with solicitude. We send regards and blessings to these employees during festivals to reflect our corporate spirit of humanity and care. In 2019, the Group and its employees donated a total amount of approximately RMB1,157,000 to the "China Resources Cement Gratitude Fund", which aims at caring for and helping the employees in need. Employees in need were subsidized with a total amount of approximately RMB969,000.

Development and Training

Talent is the basis of a corporation and one of the important core resources for corporate development. The Group puts very strong emphasis on building teams of talents and continuously improves the mechanism for talent development and various talent development systems. The curriculum system, lecturer system and management system had been steadily perfected by integration of the corporate development needs and personal development needs of staff other than safety training.

Regarding offline training, the Group smoothly conducted training on management, profession and skills in 2019 to meet the needs for the Company's business development and talent cultivation. Management of internal lecturer was continuously optimized by means of grading and upgrade to encourage internal course development. External lecturers and programmes were introduced at the same time, which had effectively broadened training horizons and enhanced quality on training. In 2019, approximately 2,400 participants attended offline training for a total duration of approximately 89,600 hours.

Regarding online training, following the application and spread of Internet Plus, the Group focused on rebuilding the online learning platform, namely, the learning system of China Resources University, which had integrated the contents of the i-Learning system used previously for enriching the mode of staff training and enhancing the convenience for participating in training so as to provide a secure supply of talents for the Group's business development. In 2019, approximately 19,300 participants attended online training for a total duration of approximately 165,300 hours.

Anti-Corruption

The Group is committed to maintaining good corporate governance with an emphasis on the spirit of accountability and a high level of transparency. 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. At the same time, we maintain smooth whistle-blowing channels including telephone hotlines, in-person visits and online reporting, visits and the internet. All investigations on non-compliance issues are handled seriously.

The Group always places strong emphasis on and continuously strengthens the work for integrity cultivation and probity education. In 2019, over 300 sessions of “integrity education delivered to door” were intensively conducted, reaching 15,742 participants in total. Daily confiding conversations were initiated with 1,044 staff. All the senior and middle-level managerial staff were organized to sign the “Commitment Letter on Integrity and Self-Discipline”, and over 400 probity files had been set up. 359 responses to opinions on integrity cultivation were issued. In May 2019, the Company held an alert education meeting, with 895 senior and middle-level managerial staff and staff involved in sensitive roles in participation. After the meeting, learning was organized in a timely manner with full coverage of alert education to all staff.

COMMUNITY WORK

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

REVIEW OF OPERATIONS

The functional currency of the Group is RMB while the financial figures are all denominated in HK\$. Comparing with 2018, RMB had depreciated against HK\$ by approximately 4%.

Turnover

The consolidated turnover for the year ended 31 December 2019 amounted to HK\$38,955.6 million, representing an increase of 0.4% from HK\$38,791.5 million for the last year. An analysis of segmental turnover by product is as follows:

	2019			2018		
	Sales volume '000 tons/m ³	Average selling price HK\$ per ton/m ³	Turnover HK\$'000	Sales volume '000 tons/m ³	Average selling price HK\$ per ton/m ³	Turnover HK\$'000
Cement	82,528	370.7	30,597,238	82,602	377.8	31,207,149
Clinker	4,497	321.8	1,447,028	4,033	328.9	1,326,334
Concrete	14,212	486.3	6,911,295	14,231	439.7	6,257,987
Total			38,955,561			38,791,470

In 2019, our external sales volume of cement, clinker and concrete decreased by 74,000 tons, increased by 464,000 tons and decreased by 19,000 m³, representing a decrease of 0.1%, an increase of 11.5% and a decrease of 0.1% respectively over 2018. During the year, approximately 76.9% of the cement products we sold were 42.5 or higher grades (71.5% in 2018) and approximately 35.6% were sold in bags (38.9% in 2018). Internal sales volume of cement for our concrete production was 2.9 million tons (2.9 million tons in 2018), representing 3.4% of the total volume of cement sold (3.4% in 2018).

Our cement sales by geographical areas in 2019 were as follows:

Province/AR	2019			2018		
	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	30,519	414.6	12,654,217	31,339	418.8	13,125,328
Guangxi	26,528	347.8	9,227,310	25,765	348.4	8,977,758
Fujian	10,675	330.6	3,529,526	10,082	362.8	3,658,008
Hainan	4,519	400.3	1,808,772	5,030	411.0	2,067,217
Yunnan	4,207	377.2	1,587,052	4,896	358.4	1,754,755
Guizhou	2,181	260.1	567,320	2,361	319.5	754,235
Shanxi	3,899	313.7	1,223,041	3,129	278.0	869,848
Total	82,528	370.7	30,597,238	82,602	377.8	31,207,149

The average selling prices of cement, clinker and concrete in 2019 were HK\$370.7 per ton, HK\$321.8 per ton and HK\$486.3 per m³ respectively, representing a decrease of 1.9%, a decrease of 2.2% and an increase of 10.6% respectively from 2018. The increase in average selling price of concrete in 2019 reflected the higher cost of production due to the increase in materials prices.

Costs of sales

The consolidated cost of sales of the Group comprised coal, electricity, materials and other costs, which represented 29.9%, 11.5%, 35.3% and 23.3% of the cost of sales respectively for the year (33.4%, 11.9%, 32.5% and 22.2% in 2018 respectively). As for cement products, coal, electricity, materials and other costs represented 36.6%, 14.1%, 23.3% and 26.0% of their costs respectively for the year (39.7%, 14.2%, 22.0% and 24.1% in 2018 respectively). Materials cost is the major component of the cost of sales of concrete, representing 91.3% of the cost of sales of concrete for the year (90.9% in 2018).

The average price of coal we purchased in 2019 was approximately HK\$673 per ton, representing a decrease of 10.4% from the average price of HK\$751 per ton in 2018, while the average thermal value of coal increased by 0.3% to 5,234 kcal per kg. During the year, our unit coal consumption decreased to 145.2 kg per ton of clinker produced from the average of 147.2 kg in 2018. Our standard coal consumption decreased to 105.5 kg per ton of clinker for the year from the average of 106.5 kg in 2018. As a result of the decrease in coal price and coal consumption, our average coal cost for the year decreased by 11.5% to HK\$97.8 per ton of clinker produced from HK\$110.5 in 2018.

Our average electricity cost decreased by 3.9% from HK\$31.1 per ton of cement to HK\$29.9 for the year. During the year, we enjoyed the benefits of lower electricity tariff for a total of 3,951.2 million kwh of electricity consumed (3,926.7 million kwh in 2018), which accounted for 60.9% of the total electricity consumption for the production of cement products (59.4% in 2018), and saved HK\$165.8 million (HK\$211.0 million in 2018) under direct power supply agreements and price bidding arrangements. Our electricity consumption remained steady at 72.9 kwh per ton of cement for the year (73.0 kwh in 2018). Our residual heat recovery generators generated 2,083.8 million kwh of electricity for the year, representing a decrease of 0.7% over 2,098.6 million kwh in 2018. The electricity generated in 2019 accounted for approximately 32.1% of our required electricity consumption (31.7% in 2018) and we achieved a cost saving of approximately HK\$1,017.9 million for the year (HK\$1,036.8 million 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 year was HK\$1,098.9 million, representing an increase of 16.0% from HK\$947.6 million in 2018.

Gross profit and gross margin

The consolidated gross profit for 2019 was HK\$15,657.5 million, representing an increase of 1.5% from HK\$15,420.0 million for 2018 and the consolidated gross margin was 40.2%, representing an increase of 0.4 percentage points from 39.8% for 2018. The increases in consolidated gross profit and gross margin for the year were mainly attributable to the lower cost of sales of cement products compared to 2018. The gross margins of cement, clinker and concrete for 2019 were 44.0%, 41.9% and 23.1%, as compared with 42.9%, 39.9% and 24.2% respectively for 2018.

Other income

Other income for 2019 was HK\$603.4 million, representing an increase of 5.1% from HK\$574.3 million for 2018.

Selling and distribution expenses

Selling and distribution expenses for 2019 were HK\$1,986.7 million, representing an increase of 0.1% from HK\$1,985.2 million for 2018. As a percentage to consolidated turnover, selling and distribution expenses for the year remained the same as 2018 at 5.1%.

General and administrative expenses

General and administrative expenses for 2019 were HK\$2,328.5 million, representing a decrease of 8.5% from HK\$2,544.7 million for 2018. As a percentage to consolidated turnover, general and administrative expenses decreased to 6.0% for 2019 from 6.6% for 2018.

Exchange (loss) gain

An exchange loss of HK\$36.5 million was generated from non-RMB denominated net borrowings of the Group mainly due to the depreciation of RMB against other currencies during the year (HK\$104.5 million exchange gain due to appreciation of RMB for 2018).

Share of results of associates

The associates of the Group contributed a profit of HK\$326.7 million for the year (HK\$181.9 million in 2018) of which loss of HK\$89.9 million, profit of HK\$100.3 million, profit of HK\$289.5 million and profit of HK\$15.6 million (profit of HK\$17.0 million, profit of HK\$26.3 million, profit of HK\$136.5 million and loss of HK\$4.8 million in 2018) 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\$221.0 million for 2019 (HK\$220.9 million in 2018).

Taxation

The effective tax rate of the Group for 2019 was 27.6%, as compared with 29.4% for 2018. 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 2019 would be 25.2% (25.4% in 2018).

Net margin

Net margin of the Group for 2019 was 22.3%, which was 1.7 percentage points higher than that of 20.6% for 2018.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2019, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2019	2018
	'000	'000
HK\$	244,549	1,763,654
RMB	10,420,451	9,299,880
US\$	152,465	514

As at 31 December 2019, the Group's banking facilities amounted to HK\$3,300.0 million and RMB12,600.0 million, of which RMB11,456.0 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK\$4,577.1 million equivalent (HK\$9,088.6 million equivalent as at 31 December 2018) comprised loans in the following currencies:

	As at 31 December	
	2019	2018
	'000	'000
HK\$	3,300,000	4,300,000
RMB	<u>1,144,000</u>	<u>4,195,800</u>

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

As at 31 December 2019, bank loans of the Group which carried interests at fixed and variable rates amounted to HK\$223.3 million and HK\$4,353.8 million respectively (HK\$4,788.6 million and HK\$4,300.0 million respectively 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 31 December 2019.

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 31 December 2019 and 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 31 December 2019 and 31 December 2018. As at 31 December 2019, non-RMB denominated debts accounted for 42% of the total debts of the Group (34% as at 31 December 2018).

CHARGES ON ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,258.2 million (RMB1,815.6 million as at 31 December 2018) granted to associates, of which RMB1,198.5 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	Amount utilized as at 31/12/2018	Amount utilized during the year	Amount unutilized as at 31/12/2019	Expected timeline of utilization
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Development of prefabricated construction business	1,672,000	66,900	112,300	1,492,800	By 2021
Development of aggregate business	1,254,000	–	182,100	1,071,900	By 2021
Repayment of debts	836,000	836,000	–	–	Not applicable
General working capital	418,279	418,279	–	–	Not applicable
Total	<u>4,180,279</u>	<u>1,321,179</u>	<u>294,400</u>	<u>2,564,700</u>	

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

FUTURE PLAN AND CAPITAL EXPENDITURE

Capital expenditure

As at 31 December 2019, the Group had outstanding capital expenditure for production plants under construction in the amount of HK\$2,515.3 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 year	Outstanding capital expenditure as at 31/12/2019
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Construction of production lines in Anshun City, Guizhou, with total annual capacities of approximately 2.0 million tons of cement and approximately 1.4 million tons of clinker	1,530.5	574.8	643.2	312.5
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 m ³ in Zhanjiang City, Guangdong	454.6	69.4	20.9	364.3
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 m ³ in Nanning City, Guangxi	546.4	24.2	65.1	457.1

Projects	Total capital expenditure for the project <i>HK\$ million</i>	Expended as at 31/12/2018 <i>HK\$ million</i>	Expended during the year <i>HK\$ million</i>	Outstanding capital expenditure as at 31/12/2019 <i>HK\$ million</i>
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m ³ in Guigang City, Guangxi	234.4	23.9	26.3	184.2
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m ³ in Laibin City, Guangxi	215.0	–	–	215.0
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 50,000 m ³ in Jiangmen City, Guangdong	227.9	–	–	227.9
Construction of a production plant for aggregates with planned annual production capacity of approximately 2.0 million tons in Wuping County, Fujian	355.3	–	173.4	181.9
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Shangsi County, Guangxi	445.1	–	–	445.1
Construction of 3 concrete batching plants with total annual capacity of approximately 1.8 million m ³ of concrete	127.4	–	0.1	127.3
Total	4,136.6	692.3	929.0	2,515.3

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 consolidated statement of financial position as at 31 December 2019. Total payments for capital expenditure of the Group are expected to be approximately HK\$1,321.6 million and HK\$1,283.4 million in the years 2020 and 2021, which will be financed by proceeds from previous placing of Shares and internally generated funds.

STRATEGIES AND PROSPECT

2020 is the closing year of the “Thirteenth Five-Year” Plan. The Chinese government will persistently seek progress amidst stability as its general keynote, and promote high-quality development. Affected by the novel coronavirus epidemic, the global economy is facing challenges. In late January, the Chinese government has set up a leading group on novel coronavirus prevention and control to resolutely win the battle for epidemic prevention and control, whilst accomplishing the work for “Six Stabilities” (stable employment, financial markets, foreign trade, foreign investments, domestic investments and expectations) and maintaining the stable operation of the economy.

Since February, the Chinese government has introduced a series of preferential policies on taxation, finance and social security. The required reserve ratio of financial institutions has been lowered to enhance the efficiency of corporate financing and reduce the financing costs. Special loans are supplied to support the prevention and control of epidemic as well as the resumption of operation and production of enterprises. During the period affected by the epidemic, the Chinese government launched various measures including lower port-related levies, exemption of highway toll fees for vehicles, provision of concessions on corporate electricity consumption and encouraging reduction or exemption of rents for enterprises, thereby further alleviating the pressure on corporate operation. In terms of project construction, the Chinese government proposed the resumption of operation of enterprises and projects according to requirements in the fields of highways and waterways works, housing construction and urban infrastructure construction. The government accelerated the implementation of major projects and infrastructure construction which had been specified in national planning, and required the early commencement of a batch of construction projects which serve the implementation of major national strategies and are in line with the direction of the “Fourteenth Five-Year” Plan and investment policies. Preliminary work, review, approval, tendering and commencement of construction for these projects will be accelerated.

Regarding transportation infrastructure, in 2020, the Chinese 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 million km and 6,000 km respectively.

In respect of real estate, in order to promote the stable and healthy development of the property market, the Chinese government persists in maintaining the position that “residential properties are not for speculation”, strengthens urban revitalization as well as renovation and upgrade of available housing, vigorously develops rental housing, and fully implements city-specific policies and long-term effective management regulation mechanism for stable land prices, stable property prices and stable expectations. 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 be basically connected to the main national highways, and county seats with the necessary conditions will be connected to roads of Grade II or above.

In 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 Government published the “Three-Year Action Plan for Promoting the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area by Guangdong Province (2018-2020)”, which 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. 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, 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 R&D 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 grasp the opportunities in the development of the Greater Bay Area, accelerate the pace of transformation and innovation, and promote the development strategy for extension of industry chain. The Group will also continue to seek opportunities for strategic cooperation with domestic and overseas leading enterprises for the joint promotion of sustainable development of the cement industry in China.

CORPORATE GOVERNANCE

During the year, the Company had complied with the code provisions set out in the Corporate Governance Code set out in Appendix 14 of the Listing Rules, except that all non-executive Directors were not appointed for a specific term. Since all Directors are subject to re-election by shareholders of the Company at annual general meetings and at least about once every three years on a rotation basis in accordance with the Articles of Association of the Company, there are sufficient measures to ensure the Company complies with the same level as that required under this provision.

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

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

DIVIDEND

The Board recommends the payment of final dividend of HK\$0.335 per Share in cash for the year ended 31 December 2019 (2018: HK\$0.273 per Share). Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK\$0.26 per Share in cash for 2019 (2018: HK\$0.275 per Share) and the total distribution for the year ended 31 December 2019 will be HK\$0.595 per Share (2018: HK\$0.548 per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 June 2020 to Monday, 29 June 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Monday, 29 June 2020, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 19 June 2020 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about Monday, 20 July 2020 to shareholders of the Company whose names appear on the register of members of the Company after the close of business of the Company at 4:30 p.m. on Monday, 6 July 2020 and the register of members of the Company will be closed on Monday, 6 July 2020, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Friday, 3 July 2020 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

REVIEW OF ANNUAL REPORT

The annual report encompassing the consolidated financial statements for the year ended 31 December 2019 has been reviewed by the Audit Committee of the Company.

APPRECIATION

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

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

Hong Kong, 27 March 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.