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)

2015 ANNUAL RESULTS ANNOUNCEMENT

	2015	2014	**Decrease**
Turnover *(HK$ million)*	**26,778.7**	32,668.9	18.0%
Profit attributable to owners of the Company *(HK$ million)*	**1,015.0**	4,206.4	75.9%
Basic earnings per share	**HK$0.155**	HK$0.644	
Proposed final dividend per share	**HK$0.02**	HK$0.10	

	As at 31/12/2015	As at 31/12/2014	**Increase (Decrease)**
Total assets *(HK$ million)*	**54,216.8**	57,537.1	(5.8)%
Equity attributable to owners of the Company *(HK$ million)*	**26,556.9**	28,179.9	(5.8)%
Net borrowings *(HK$ million) (note 1)*	**16,945.3**	16,112.7	5.2%
Net gearing ratio *(note 2)*	**63.8%**	57.2%	
Net assets per share – book *(note 3)*	**HK$4.07**	HK$4.31	(5.6)%

notes:

1. Net borrowings equal to total bank borrowings and unsecured bonds less cash and bank balances and pledged bank deposits.

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

3. Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the 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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	3	**26,778,671**	32,668,910
Cost of sales		**(20,361,404)**	(22,443,769)
Gross profit		**6,417,267**	10,225,141
Other income	4	**471,941**	581,950
Change in fair value of investment properties		**4,000**	14,000
Selling and distribution expenses		**(1,756,616)**	(1,899,482)
General and administrative expenses		**(2,439,623)**	(2,593,583)
Exchange loss		**(902,869)**	(35,126)
Finance costs	5	**(565,500)**	(654,675)
Share of results of associates		**(234,955)**	18,605
Share of results of joint ventures		**(9,246)**	97,266
Profit before taxation	6	**984,399**	5,754,096
Taxation	7	**(47,510)**	(1,630,777)
Profit for the year		**936,889**	4,123,319
Attributable to:			
Owners of the Company		**1,014,969**	4,206,393
Non-controlling interests		**(78,080)**	(83,074)
		936,889	4,123,319
Basic earnings per share	8	**HK$0.155**	HK$0.644
Proposed final dividend per share	9	**HK$0.02**	HK$0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Fixed assets		**31,596,192**	33,271,505
Prepaid lease payments		**2,905,451**	2,787,164
Investment properties		**108,346**	91,000
Intangible assets		**2,394,503**	2,272,345
Interests in associates		**5,620,142**	3,284,186
Interests in joint ventures		**1,542,889**	1,594,566
Deposits for acquisition of fixed assets		**1,625,731**	1,569,504
Deferred tax assets		**365,030**	104,252
Long term receivables		**662,115**	615,166
Pledged bank deposits		**24,729**	20,558
		46,845,128	45,610,246
Current assets			
Inventories		**1,564,912**	2,162,359
Trade receivables	*10*	**2,194,070**	2,837,619
Other receivables		**1,203,441**	1,388,152
Loan to a fellow subsidiary		**–**	634,905
Amounts due from associates		**273,122**	321,903
Amounts due from joint ventures		**116,148**	391,032
Taxation recoverable		**65,130**	40,286
Pledged bank deposits		**17,091**	2,781
Cash and bank balances		**1,937,708**	4,147,804
		7,371,622	11,926,841
Current liabilities			
Trade payables	*11*	**3,089,768**	2,800,119
Other payables		**4,855,226**	4,670,708
Taxation payable		**175,512**	875,807
Amount due to immediate holding company		**54,956**	54,956
Bank loans – amount due within one year		**5,226,642**	4,728,905
		13,402,104	13,130,495
Net current liabilities		**(6,030,482)**	(1,203,654)

	2015	2014
	HK$'000	*HK$'000*
Total assets less current liabilities	**40,814,646**	44,406,592
Non-current liabilities		
Bank loans – amount due after one year	**10,597,782**	12,452,307
Unsecured bonds	**3,100,384**	3,102,664
Other long term payables	**26,650**	19,257
Deferred tax liabilities	**104,153**	117,216
	13,828,969	15,691,444
	26,985,677	28,715,148
Capital and reserves		
Share capital	**653,294**	653,294
Reserves	**25,903,597**	27,526,579
Equity attributable to owners of the Company	**26,556,891**	28,179,873
Non-controlling interests	**428,786**	535,275
Total equity	**26,985,677**	28,715,148

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 ("HKICPA"). 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 ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding the preparation of accounts and directors' reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are 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

In the current year, the Group has applied the following amendments to HKFRSs issued by HKICPA:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the above amendments to HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKFRS 10 and HKAS 28	Sale and contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]

[1] *Effective for annual periods beginning on or after 1 January 2018.*
[2] *Effective for annual periods beginning on or after 1 January 2016.*
[3] *Effective for annual periods beginning on or after a date to be determined.*

The Directors anticipate that the HKFRS 9 and HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018. The application of these two standards may have significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors do not anticipate that the application of the other new and revised HKFRSs or amendments 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 HKFRS, 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 taxation.

The information of segment results are as follows:

For the year ended 31 December 2015

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER				
External sales	**21,647,872**	**5,130,799**	**–**	**26,778,671**
Inter-segment sales	**732,043**	**3,764**	**(735,807)**	**–**
	22,379,915	**5,134,563**	**(735,807)**	**26,778,671**

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	**2,494,911**	**516,980**	**–**	**3,011,891**
Interest income				**61,580**
Finance costs				**(565,500)**
Unallocated net corporate expenses				**(1,279,371)**
Share of results of associates				**(234,955)**
Share of results of joint ventures				**(9,246)**
Profit before taxation				**984,399**

For the year ended 31 December 2014

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	25,939,958	6,728,952	–	32,668,910
Inter-segment sales	1,138,802	1,191	(1,139,993)	–
	27,078,760	6,730,143	(1,139,993)	32,668,910

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	6,333,801	496,978	–	6,830,779
Interest income				58,202
Finance costs				(654,675)
Unallocated net corporate expenses				(596,081)
Share of results of associates				18,605
Share of results of joint ventures				97,266
Profit before taxation				5,754,096

4. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Government incentives	**240,795**	207,771
Interest income	**61,580**	58,202
Sales of scrap and raw materials	**75,776**	85,044
Service income	**15,634**	12,347
Rental income	**33,801**	23,438
Compensation received from insurance	**3,323**	10,266
Gain on disposal of subsidiaries	**–**	146,503
Others	**41,032**	38,379
	471,941	581,950

5. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interests on:		
Bank loans and unsecured bonds	**548,315**	657,866
Loan from an intermediate holding company	**16,770**	–
Other long term payables	**415**	749
	565,500	658,615
Less: Amount capitalised to fixed assets	**–**	(3,940)
	565,500	654,675

In 2014, capitalisation rate of borrowing costs to expenditure on qualifying assets was approximately 5.5%.

6. PROFIT BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**8,281**	16,240
Pension costs and mandatory provident fund contributions for staff, excluding Directors	**183,710**	165,561
Other staff costs	**2,633,655**	2,803,410
Total staff costs	**2,825,646**	2,985,211
Allowance for (reversal of) doubtful debts	**124,502**	(17,971)
Allowance for doubtful debts of other receivables	**14,835**	36,575
Amortisation of mining rights	**80,846**	78,287
Auditor's remuneration	**5,210**	5,499
Depreciation of fixed assets	**1,885,689**	1,839,237
Impairment of fixed assets	**141,654**	197,099
Impairment of inventories	**11,868**	17,787
Loss on disposal of fixed assets	**97,320**	11,654
Operating lease payments in respect of		
– rented premises	**65,262**	62,626
– motor vehicles	**288,154**	299,371
Release of prepaid lease payments	**77,006**	74,776

7. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**22,671**	20,722
Chinese Mainland Enterprise Income Tax	**839,896**	1,552,535
(Over) under-provision of Chinese Mainland Enterprise Income Tax in prior years	**(533,909)**	39,407
	328,658	1,612,664
Deferred taxation		
Hong Kong	**2,215**	(614)
Chinese Mainland	**(283,363)**	18,727
	(281,148)	18,113
	47,510	1,630,777

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

Chinese Mainland Enterprise Income Tax represents the income tax in the Chinese Mainland which is calculated at 25% on the taxable income of the group entities in the Chinese Mainland.

According to Document No. 14 of 2015 issued by the State Administration of Taxation dated 10 March 2015, enterprises which no longer belong to the category of encouraged industries in the western territories shall cease to enjoy the reduced enterprise income tax rate of 15% with effect from 1 October 2014. An amount of HK$499,421,000 representing the over-provision of enterprise income tax that was previously provided at 25% for the period from 1 January 2013 to 30 September 2014 was therefore reversed and included in taxation for the year.

8. EARNINGS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**1,014,969**	4,206,393

	As at 31 December	
	2015	2014
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**6,532,937,817**	6,532,937,817

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

9. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2015 Interim – HK$0.06 per share (2014: HK$0.07 per share)	**391,976**	457,306
2014 Final – HK$0.10 per share (2013: HK$0.07 per share)	**653,294**	457,306
	1,045,270	914,612

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2015 of HK$0.02 per share (2014: HK$0.10 per share in respect of the year ended 31 December 2014) 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$130,659,000 (2014: HK$653,294,000) of the proposed final dividend, calculated based on the Company's number of shares issued at the date of this announcement, is not recognised as a liability in the consolidated statement of financial position.

10. TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables from third parties	**2,184,649**	2,830,036
Trade receivables from related parties	**9,421**	7,583
	2,194,070	2,837,619

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	
	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**1,898,456**	2,617,702
91 to 180 days	**128,173**	136,894
181 to 365 days	**167,441**	83,023
	2,194,070	2,837,619

11. TRADE PAYABLES

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Trade payables to third parties	**3,081,323**	2,791,654
Trade payables to related parties	**8,445**	8,465
	3,089,768	2,800,119

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	
	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**2,993,037**	2,702,675
91 to 180 days	**40,674**	37,924
181 to 365 days	**26,765**	23,729
Over 365 days	**29,292**	35,791
	3,089,768	2,800,119

BUSINESS ENVIRONMENT

In 2015, the downturn pressure on China's economy had been increasing. According to the information from National Bureau of Statistics of China, during the year, China's gross domestic products ("GDP") grew by 6.9% to RMB67.7 trillion; of which, national fixed asset investments ("FAI") increased by 10.0% to RMB55.2 trillion, representing a decrease of 5.7 percentage points over last year. Infrastructure construction has been an important driving force of steady economic growth. Infrastructure investment for the year (excluding power supply) reached RMB10.1 trillion, representing an increase of 17.2% over last year, which was lower than that of last year by 4.3 percentage points.

During the year, the Chinese government stabilized the economic development by accelerating the approval of infrastructure projects, promoting public-private-partnership model, loosening the control measures on real estate and boosting property sales. Since 2015, the People's Bank of China lowered the required reserve ratio of financial institutions for six times and the benchmark interest rates of RMB loans and deposits of financial institutions for five times, so as to reduce corporate financing costs and to support the development of real economy.

In 2015, the economic growth and FAI in the regions at which the Group has operations were in general above the national average levels. According to the data published by the respective provincial bureaus of statistics, in 2015, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou, at which the Group has operations, reached RMB7.3 trillion, RMB1.7 trillion, RMB2.6 trillion, RMB370.3 billion, RMB1.3 trillion, RMB1.4 trillion and RMB1.1 trillion, representing increases of 8.0%, 8.1%, 9.0%, 7.8%, 3.1%, 8.7% and 10.7% respectively. Meanwhile, the FAIs (excluding rural households) in respect of the aforementioned provinces also increased by 15.9%, 17.8%, 17.4%, 10.4%, 14.8%, 18.0% and 21.6% to RMB3.0 trillion, RMB1.6 trillion, RMB2.1 trillion, RMB335.5 billion, RMB1.4 trillion, RMB1.3 trillion and RMB1.1 trillion respectively.

In 2015, infrastructure investment maintained stable development in China. In respect of the railway industry, the Chinese government proposed to, on the basis of establishing railway development fund, strengthen the railway investment and financing reform and actively promote public-private-partnership model in the areas of infrastructure and public utilities, etc. In July, the government proposed to fully open the market of railway investment and operations, to promote diversified means of investment and financing, to perfect the mechanism of implementing social capital investment, to improve investment environment and to strengthen policy support, which will further encourage and increase social capital investment in railways. In December, the National Development and Reform Commission of China ("NDRC") launched the first batch of eight pilot railway projects invested by social capital, which aimed to explore and establish replicable experience of success for accelerating railway construction development.

According to the data released by China Railway Corporation, the total FAI in national railway amounted to RMB823.8 billion in 2015, representing an increase of 1.9% over last year. The total operational length of national railways increased by 9,531 km to over 120,000 km, of which high-speed railways increased by 3,306 km to 19,000 km. Besides, China also actively developed urban rail transit to further improve public transport network. According to China Association of Metros, 15 new rail lines were put into operations in China with additional operating length of 438 km in 2015. As at the end of 2015, a total of 116 rail lines with total operating length of over 3,612 km had been completed and operating in 26 cities in China, among which, 73.6% or 2,658 km were underground subway.

Regarding construction of highways and waterways, in December 2015, the NDRC required delegation of approval authority to provincial government in respect of national highway network expansion projects, general national and provincial highway construction projects, inland waterway construction projects, inland waterway navigation and hydropower junction construction projects and airport expansion projects, in order to inject momentum to the highway and waterway construction projects. On the other hand, the Chinese government actively promoted hydraulic construction. In March, the Chinese government proposed to encourage the participation of social capital investment in construction and operations of major hydraulic projects through the guidance of government investments, financial subsidies, pricing mechanism, financial support and other policy measures. In May, the first batch of twelve major hydraulic construction and operations pilot projects invested by social capital were rolled out to explore the feasibility of the public-private-partnership mechanism.

According to the statistics of the Ministry of Transport of China, in the first eleven months of 2015, FAI in national highways increased by 6.5% year-on-year to RMB1.5 trillion, whereas FAI in waterways increased by 9.0% year-on-year to RMB155.7 billion. Total increase in length of roads in China was 106,000 km, including 8,100 km of expressways. As at the end of 2015, the total lengths of roads and national expressways amounted to 4.6 million km and 120,000 km respectively.

In 2015, there were signs of improvement in property sales upon loosening of the control measures on the Chinese real estate sector. However, because of the high level of property inventories, the enthusiasm of real estate investment and development remained in the doldrums, which did not result in any substantially positive impacts on the demand for cement. The floor area of commodity housing sold in China increased by 6.5% to 1,280 million m^2 over last year. During the year, real estate investment in China reached RMB9.6 trillion, representing an increase of 1.0% over last year which was lower than that of last year by 9.5 percentage points.

In respect of real estate construction, the total floor area of real estate projects under construction by property developers was 7,360 million m^2, representing an increase of 1.3% over last year. The total floor area of newly commenced construction was 1,540 million m^2, representing a decrease of 14.0% over last year, which was more substantial than the decrease of 10.7% last year. The total floor area of completed real estate projects was 1,000 million m^2, representing a decrease of 6.9% over last year, whereas there was an increase of 5.9% last year. The total area of land purchased by property developers was 230 million m^2, representing a decrease of 31.7% over last year, which was more substantial than the 14.0% decrease last year. The above figures reflect that the growth momentum of real estate construction has not resumed yet. In the future, the pace of rebound in real estate investment will directly affect the demand for cement.

In June 2015, the Chinese government launched a "Three-Year Action Plan" which aimed at re-developing a total of 18 million shelters in the shanty town areas including dilapidated houses and villages in urban areas and a total of 10.6 million units of rural dilapidated houses. In 2015, construction of 7.8 million units of social housing had newly commenced and 7.7 million units of social housing were completed, which exceeded the respective annual targets of 7.4 million units and 4.8 million units. The total investment amounted to RMB1.54 trillion, representing an increase of 18.5% over last year. The promotion of re-development of social housing and shanty towns will bring steady demand for the cement industry.

THE INDUSTRY

In 2015, China's total cement production was 2.35 billion tons, representing a decrease of 4.9% over last year. This is the first negative demand growth of the industry in twenty four years, and cement price fell to its lowest level since 2008. According to the National Bureau of Statistics of China, cement productions in Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou were 144.9 million tons, 110.6 million tons, 77.5 million tons, 22.3 million tons, 35.7 million tons, 93.1 million tons and 99.1 million tons, representing changes of -1.7%, 3.9%, 0.2%, 3.4%, -21.4%, -2.0% and 5.6% respectively over last year.

According to the information provided by Geography Cement, thirty four new NSP clinker production lines were completed in China in 2015, which increased clinker production capacity by approximately 46.2 million tons, representing a decrease of 51.4% over last year. In the regions at which the Group has operations, three production lines commenced operations in Guangdong, which increased clinker production capacity by 8.2% or 6.8 million tons; two production lines commenced operations in Guangxi, which increased clinker production capacity by 4.5% or 3.1 million tons; one production line commenced operations in Shanxi, which increased clinker production capacity by 2.9% or 1.6 million tons; two production lines commenced operations in Yunnan, which increased clinker production capacity by 2.9% or 2.3 million tons; three production lines commenced operations in Guizhou, which increased clinker production capacity by 7.7% or 6.2 million tons.

Because of such factors as the slowdown of macroeconomic growth, the structural change in energy consumption and pressure from environmental protection, the demand for coal substantially decreased and over-supply remained severe. Coal price kept sliding throughout the year. According to the statistics of Digital Cement, the national average coal price was RMB405 per ton in 2015, representing a decrease of 13.6% over last year. The decline of coal price is beneficial to the cement industry in reducing costs as coal is the main cost for the production of cement.

In respect of energy saving and emission reduction, in January 2015, China implemented the new environmental protection law for the establishment of a new mechanism of daily fines without caps to be imposed on enterprises discharging pollutants illegally, which has increased the enterprises' costs of violation of laws. The environmental protection law adopts control measures against enterprises discharging excessive amounts of pollutants, including restrictions on land development approval, financing constraints and restrictions on export quotas. In the meantime, the responsibilities of governments and bureaus at all levels have been defined, the power of imposing punishment by environmental protection department has been raised, and centralized measures of monitor and prevention have been implemented. Since July 2015, the "Emission Standard of Air Pollutants for Cement Industry" has officially come into effect. The new standards on emission of nitrogen oxides and particulate matters have been tightened to 400 mg/m^3 and 30 mg/m^3 respectively. The "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" released in August 2015 has officially come into effect in 2016, which cancelled the caps of fines on enterprises causing air pollution accidents and set out clear requirements for the monitor and measures of prevention of atmospheric pollutants. The laws and regulations of energy saving, emission reduction and environmental protection has become more solid and stricter, which will contribute to the healthy development of the cement industry in the long term.

In respect of co-processing, in January 2015, the Ministry of Industry and Information Technology of China issued the "Regulatory Requirements for the Cement Industry (2015)" which emphasized on the principle of "capacity replacement for equal or reduced quantities" and required newly commenced projects to co-process solid wastes. In May, six ministries and commissions of China decided to jointly commence and assess the pilot projects for urban waste co-processing by using cement kilns. Besides, provided that the requirements of the "Emission Standard of Air Pollutants for Cement Industry" are complied with, cement corporations could enjoy 70% value-added tax refund if they sell self-produced 42.5 and above grade cement which contains over 20% industrial wastes. The new tax policy came into effect on 1 July 2015. The Chinese government's promotion of co-processing projects in the cement industry will be conducive to the transformation and upgrade of the cement industry.

In September 2015, the Ministry of Industry and Information Technology of China announced a list of enterprises in key industries with obsolete capacity and overcapacity issues and required the missions of eliminating obsolete capacity and overcapacity to be completed by the end of 2015. 38.9 million tons of cement capacities, mainly vertical kilns, small rotary kilns and cement mills, etc., have been eliminated. Capacities of 1.1 million tons, 7.9 million tons, 1.6 million tons, 0.6 million tons, 3.6 million tons and 0.2 million tons from Guangdong, Guangxi, Fujian, Shanxi, Yunnan and Guizhou respectively were eliminated by the end of 2015. In addition, according to the revised standard for Common Portland Cement, PC32.5 grade cement has been officially prohibited since December 2015. Gradual elimination of low-grade cement will increase the use of cement products of better quality and accelerate the exit of obsolete and inefficient capacities from the market, enabling large-scale cement enterprises to raise their market shares and leading positions.

GREEN DEVELOPMENT

The Company has joined the Global Cement Sustainability Initiative Organization since 2010. As the Co-chairman of the Organization in China, the Company is committed to promoting energy saving, emission reduction and sustainable development of the cement industry in China. In November 2015, the Company incorporated a wholly-owned subsidiary, China Resources Environmental Protection Engineering Investments Limited, which will focus on green environmental projects including projects of co-processing urban waste, sludge and hazardous waste, etc. by using cement kilns. In December, the Group's first urban waste co-processing project in our cement plant at Binyang County, Guangxi commenced operations. The Group is now negotiating with relevant government departments in the regions at which the Group has operations for further promotion of plans of urban waste co-processing projects. At the same time, the Company is actively studying and promoting the operational model and technology application of co-processing sludge and hazardous waste by cement kilns.

In 2015, the Company's efforts in environmental protection were recognized by the industry and the society. These include:

- China Resources Cement (Tianyang) Limited was honored "Hong Kong Green Awards 2015 – Environmental, Health and Safety Award (Large Corporation)" – Gold Award by Green Council of Hong Kong;

- China Resources Cement (Pingnan) Limited and China Resources Cement (Tianyang) Limited were awarded "One Hundred Energy-Saving Model Enterprises" by China Building Materials Federation among the building materials industry;

- China Resources Cement (Fengkai) Limited was also awarded the medal and certificate of "Environmental Protection Model Enterprise of Large-Scale Cement Group in China" by China Cement Association;

- China Resources Cement (Zhangping) Limited was regarded as one of the first batch of model enterprises in construction of energy management system in Fujian in 2015;

- China Resources Cement (Zhangping) Limited and China Resources Cement (Yongding) Limited passed the assessments for the energy management system of key energy consumption enterprises in Fujian.

ACQUISITIONS

On 13 September 2015, China Resources Cement Investments Limited ("CRC Investments") (a subsidiary of the Company) entered into a Capital Increase and Subscription Agreement according to which CRC Investments shall make the capital contribution of RMB1,514,604,267 (equivalent to approximately HK$1,848,968,000) in cash (subject to adjustment) to Yunnan Cement & Building Materials Group Co., Ltd. (formerly known as Yunnan Kunming Iron & Steel Building Materials Group Co., Ltd.), a limited liability company established in PRC. Upon completion of the capital contribution, Yunnan Cement & Building Materials Group Co., Ltd. would be held as to 40% by CRC Investments and 60% by Kunming Iron & Steel Holding Co., Ltd. The capital contribution was completed on 21 October 2015.

On 9 December 2015, CRC Investments entered into a Supplemental Agreement to amend certain terms and conditions of the abovementioned Capital Increase and Subscription Agreement according to which CRC Investments shall make additional capital contribution of RMB757,302,133 (equivalent to approximately HK$910,406,000) in cash (subject to adjustment) to Yunnan Cement & Building Materials Group Co., Ltd. Upon completion of the additional capital contribution, Yunnan Cement & Building Materials Group Co., Ltd. would be held as to 50% by CRC Investments and 50% by Kunming Iron & Steel Holding Co., Ltd. The transaction was completed on 15 December 2015. It has been agreed in the Supplemental Agreement that CRC Investments and Kunming Iron & Steel Holding Co., Ltd. shall provide financial assistance (inclusive of shareholders' loans) to Yunnan Cement & Building Materials Group Co., Ltd. in proportion to the equity interests in Yunnan Cement & Building Materials Group Co., Ltd., subject to a cap of RMB1,150,000,000 (equivalent to approximately HK$1,372,675,000) to be provided by CRC Investments. The financial assistance is intended to assist Yunnan Cement & Building Materials Group Co., Ltd. in repayment of part of the outstanding shareholder's loans owed to Kunming Iron & Steel Holding Co., Ltd. As at 31 December 2015, no financial assistance has been provided by CRC Investments.

NEW PRODUCTION PLANTS

During the year, the Group completed the construction of (1) one cement grinding line with annual production capacity of 1.0 million tons at Lianjiang City, Guangdong; (2) the fifth clinker production line with annual production capacity of approximately 1.6 million tons at Fengkai County, Guangdong; and (3) three concrete batching plants, which increased our total annual concrete production capacity by 1.8 million m^3.

CONTRACT PRODUCTION FACILITY

During the year, the Group entered into processing contracts with certain cement grinding factories in Guangdong, Guangxi and Hainan as a strategy to improve production efficiency and optimize clinker consumption. Total annual cement grinding capacity of these factories amounted to approximately 3.2 million m^3.

CAPACITY UTILIZATION

During the year, we continued to maintain production activities at high level. The utilization rates of our cement, clinker and concrete production lines were 99.5%, 113.3% and 36.3% as compared with 99.3%, 117.1% and 42.4% for 2014 respectively.

PROCUREMENT MANAGEMENT

Coal price slid substantially in 2015. In order to further reduce procurement costs, the Group has engaged certain large-scale domestic coal companies as main suppliers, lowered the proportion of imported coal which was more expensive, and adopted low inventory strategy to optimize procurement management.

During the year, the Group purchased a total of 9.3 million tons of coal (9.3 million tons in 2014), of which, approximately 75%, 19% and 6% (73%, 17% and 10% in 2014) were sourced from northern China, neighbouring areas of our production plants and Australia respectively. The proportion of direct coal procurement from coal producers increased to approximately 74% (68% in 2014). The Group will actively explore domestic and international sources of coal procurement, stabilize its cooperation with strategic suppliers and take advantage of centralized procurement for effective costs management.

LOGISTICS MANAGEMENT

In 2015, the Group continued to implement the construction of logistics information systems. Following the launch of truck transportation scheduling management system in Guangdong in 2013, implementation of the system had been extended to Fujian and Yunnan this year. This has implemented surveillance of operating vehicles throughout each trip in these three regions, centralized management for all stages of logistics, enhanced vehicle scheduling, surveillance and efficiency of delivery, expanded market coverage, and improved the standard of customer services. Since the development of an information collection system based on geographic locations in September 2014, the Group has implemented the system in Guangdong, Guangxi, Fujian and Yunnan, which will help us in collecting the information of cement companies and the industry business, and will further enhance the use of information technology in logistics management. In addition, the pilot construction of "Smart Card" system officially commenced at our cement production plants in July 2015 in Fengkai County, Dongguan City and Luoding County, and is expected to complete in March 2016. The "Smart Card" system will help the production plants to raise the levels of management and service, increase the efficiency of delivery, improve users' experience and enhance the brand image.

In 2015, through the control of the shipping capacity on Xijiang River and the implementation of bi-directional logistics, the Group has strengthened its control on transportation costs. Based on its business development needs, the Company optimized its shipping capacity by retaining the out-performers and eliminating the under-performers. As at the end of the year, the Group has secured 715,000 tons of shipping capacity on the Xijiang River with an annual shipping capacity of about 32.0 million tons, which has secured stable and sustainable shipping capacity for the Group's business development. In addition, through resources integration and equipment upgrade, the Group controlled the operations of 53 silo terminals (mainly located in the Pearl River Delta region of Guangdong) with an annual capacity of 39.4 million tons at the end of the year, fully satisfying our needs for logistics and transportation in the Pearl River Delta region and consolidating our market competitiveness in the Pearl River Delta region.

SUSTAINABLE DEVELOPMENT

The Group highly values corporate social responsibilities. In order to secure the green development of the Group, to improve corporate brand value and to enhance our competitive advantages in the industry, we have actively promoted energy saving, environmental protection, safety production and care for employees.

In 2015, the Group persistently optimized and raised the standards of environmental protection of our production lines, actively responded to national policies of energy saving and emission reduction, and actively promoted the green and healthy development of the cement industry. In compliance with the new "Air Pollutants Emission Standard for the Cement Industry" in China, all our clinker production lines have completed technological upgrade on denitrogenation and their emission levels of nitrogen oxides are better than the national standard of 400 mg/m^3. As regards dust emission, it is expected that emission standards for the cement industry will be further upgraded in the future. In 2015, the Group completed the technological upgrade of dust collection systems by replacing the existing static electricity dust collection systems with the more stable and more efficient bag filter systems for thirty clinker production lines. It is expected that technological upgrade of the remaining clinker production lines will be completed by the end of 2016. Currently, the emission levels of particulate matters of all our production plants are in compliance with the national standard of 30 mg/m^3, which is at a leading position in the industry.

The Group has been dedicated to production safety management and proactively carried out assessments of potential safety hazards. Since 2015, eighteen cement production plants have passed the assessments as the First-Class Enterprise in Production Safety Standardization. Moreover, eighteen quarries have passed the on-site assessments of Second-Class Production Safety Standardization. In 2015, our Fengkai cement production plant was accredited as the model unit of First-Class Enterprise in Production Safety Standardization. On this basis, the Group formulated assessment standards and commenced the pilot construction of EHS (Environment, Health, Safety) model enterprises, so as to establish a model for the industry. The Group has also strengthened assessments on safety responsibilities, and incorporated assessment results of safety responsibilities as a factor of the performance appraisal for regions at which we have operations, production plants and their management. The Group continuously improved the EHS management system, and initiated semi-annual and annual safety assessments, performed safety assessment checks on twenty six clinker production lines, nine cement grinding plants and fifty seven concrete batching plants. Meanwhile, the Group improved the overall safety management level through various measures including launching training and assessments on operating procedures, organizing drills of contingency plans, producing videos about typical accidents of cement companies for case study, carrying out promotion of the pilot management tool "working bill" for hazardous operations, and quarry risk management, etc. Moreover, all our staff members were encouraged to participate in safety management and strengthen the corporate culture of safety through innovative safety activities, organization of safety open day, transportation safety week and safety knowledge competition.

The Group has paid close attention to improving the levels of job satisfaction and dedication of our employees. In order to create a harmonious and stable working environment and positive working atmosphere for our employees, we carried out work plans for raising employees' dedication, promoting communications with employees and organizing various activities for caring employees. In addition, the Group always emphasizes on care for employees. Every year, the Group coordinates voluntary donations from employees and donates the same total amount to match the employees' donations. During 2015, our employees and the Group donated a total amount of RMB1.3 million to the "China Resources Cement Thanksgiving Fund", which aims at caring for and helping the employees in need. During the year, the fund subsidized twenty employees with total amount of RMB615,000.

REVIEW OF OPERATIONS

Turnover

The consolidated turnover for the year ended 31 December 2015 amounted to HK$26,778.7 million, representing a decrease of 18.0% from HK$32,668.9 million for the last year. An analysis of segmental turnover by product is as follows:

	2015			2014		
	Sales volume	**Average selling price**	**Turnover**	Sales volume	Average selling price	Turnover
	'000 tons/m³	***HK$ per ton/m³***	***HK$'000***	*'000 tons/m³*	*HK$ per ton/m³*	*HK$'000*
Cement	**76,721**	**269.9**	**20,706,812**	72,025	338.2	24,359,503
Clinker	**4,632**	**203.2**	**941,060**	5,914	267.2	1,580,455
Concrete	**12,311**	**416.8**	**5,130,799**	15,920	422.7	6,728,952
Total			**26,778,671**			32,668,910

In 2015, our external sales volume of cement, clinker and concrete increased by 4.7 million tons, decreased by 1.3 million tons and decreased by 3.6 million m^3, representing increase of 6.5%, decrease of 21.7% and decrease of 22.7% respectively from 2014. During the year, approximately 63.2% of the cement products we sold were 42.5 or higher grades (64.3% in 2014) and approximately 52.5% were sold in bags (48.7% in 2014). Internal sales volume of cement for our concrete production was 2.7 million tons (3.5 million tons in 2014), representing 3.4% of the total volume of cement sold (4.6% in 2014).

Our cement sales by geographical areas in 2015 were as follows:

	2015			2014		
Province/Autonomous Region	**Sales volume** ***'000 tons***	**Average selling price** ***HK$ per ton***	**Turnover** ***HK$'000***	Sales volume *'000 tons*	Average selling price *HK$ per ton*	Turnover *HK$'000*
Guangdong	**30,748**	**288.4**	**8,868,234**	29,338	373.3	10,953,024
Guangxi	**22,317**	**271.2**	**6,052,878**	20,380	321.2	6,545,758
Fujian	**8,660**	**239.2**	**2,071,239**	9,091	308.8	2,807,233
Hainan	**5,046**	**317.8**	**1,603,444**	5,012	403.2	2,020,860
Shanxi	**3,047**	**176.5**	**537,938**	3,797	208.9	793,025
Yunnan	**4,686**	**239.4**	**1,121,889**	3,643	284.5	1,036,507
Guizhou	**2,217**	**203.5**	**451,190**	764	265.8	203,096
Total	**76,721**	**269.9**	**20,706,812**	72,025	338.2	24,359,503

The average selling prices of cement, clinker and concrete in 2015 were HK$269.9 per ton, HK$203.2 per ton and HK$416.8 per m^3 respectively, representing decreases of 20.2%, 24.0% and 1.4% respectively over 2014. During 2015, demand for cement products was sluggish due to slow down in economic growth in China. Cement prices have been sliding continually from the beginning of the year and did not improve after entering the normal peak season in the fourth quarter.

Major production costs

The average price of coal we purchased in 2015 was around HK$545 per ton, representing a decrease of 17.4% from the average price of HK$660 per ton in 2014, while the average thermal value of coal increased by 0.8% to 5,272 kcal per kg. During the year, our unit coal consumption decreased from the average of 150.8 kg per ton of clinker produced in 2014 to 147.9 kg, representing a decrease of 1.9%. Our standard coal consumption decreased from 108.2 kg per ton of clinker in 2014 to 107.6 kg for the year. As the result of the lower coal price and improved unit coal consumption, our average coal cost of production decreased by 19.0% from HK$99.5 per ton of clinker produced in 2014 to HK$80.6 for the year. Coal cost represented approximately 31.2% of the cost of sales of cement for the year (35.0% in 2014) and approximately 26.7% of the Group's total cost of sales for the year (28.8% in 2014).

Our average electricity cost decreased by 5.6% from HK$41.2 per ton of cement in 2014 to HK$38.9 for the year. We managed to lower our electricity consumption to 74.6 kwh per ton of cement for the year (76.5 kwh in 2014), representing a cost saving of approximately HK$103.8 million (HK$59.5 million in 2014). Our residual heat recovery generators generated 1,917.1 million kwh of electricity in the year, representing an increase of 4.8% over 1,829.1 million kwh in 2014. The electricity generated in 2015 accounted for approximately 31.6% of our required electricity consumption (29.6% in 2014) and we achieved a cost saving of approximately HK$1,145.3 million for the year (HK$1,136.4 million in 2014). Electricity cost represented approximately 18.7% of the cost of sales of cement for the year (18.1% in 2014) and approximately 16.0% of the Group's total cost of sales for the year (14.9% in 2014).

Gross profit and gross margin

The consolidated gross profit for 2015 was HK$6,417.3 million, representing a decrease of 37.2% from HK$10,225.1 million for 2014 and the consolidated gross margin was 24.0%, representing a decrease of 7.3 percentage points from 31.3% for 2014. The decrease in consolidated gross profit for 2015 was mainly attributable to the lower selling prices compared to year 2014. The gross margins of cement, clinker and concrete for 2015 were 23.4%, 9.7% and 28.8%, as compared with 33.6%, 26.2% and 24.2% respectively for 2014.

Other income

Other income for 2015 was HK$471.9 million, representing a decrease of 18.9% from HK$582.0 million for 2014. Excluding the gain of HK$146.5 million arising from the disposal of subsidiaries in 2014, other income increased by approximately 8.4% mainly due to increased government subsidies relating to energy saving projects of the Group.

Selling and distribution expenses

Selling and distribution expenses for 2015 were HK$1,756.6 million, representing a decrease of 7.5% from HK$1,899.5 million for 2014. This was mainly due to decrease in volume of concrete sold. As a percentage to consolidated turnover, selling and distribution expenses increased from 5.8% in 2014 to 6.6% in 2015.

General and administrative expenses

General and administrative expenses for 2015 were HK$2,439.6 million, representing a decrease of 5.9% from HK$2,593.6 million for 2014. As a percentage to consolidated turnover, general and administrative expenses increased to 9.1% for 2015 from 7.9% for 2014. During the year, the total impairment of fixed assets of HK$141.7 million (HK$197.1 million in 2014) and bad debts of HK$139.3 million (HK$18.6 million in 2014) were charged to general and administrative expenses for the year. In 2015, administrative staff cost decreased by approximately HK$262.7 million mainly due to reduction in performance related incentive payments.

Exchange loss

Since 11 August 2015, the People's Bank of China has implemented a series of adjustments to the RMB central parity fixing mechanism which led to significant depreciation of RMB against other major currencies within a short period of time. An exchange loss of HK$902.9 million was generated from non-RMB net borrowings for the year (HK$35.1 million for 2014).

Share of results of associates

The associates of the Group contributed a combined loss of HK$235.0 million for the year (profit of HK$18.6 million in 2014) of which losses of HK$141.8 million, HK$43.6 million and HK$51.5 million (profits of HK$6.0 million, HK$10.2 million and HK$nil in 2014) were attributable to the Group's associates operating in Inner Mongolia, Fujian and Yunnan respectively.

Share of results of joint ventures

Our joint ventures principally operating in Guangzhou area contributed a loss of HK$9.2 million to the Group for 2015. In 2014, these joint ventures contributed a profit of HK$97.3 million.

Taxation

According to Document No. 14 of 2015 issued by the State Administration of Taxation dated 10 March 2015, enterprises which no longer belong to the category of encouraged industries in the western territories shall cease to enjoy the reduced enterprise income tax rate of 15% with effect from 1 October 2014. An amount of HK$499.4 million representing the over-provision of enterprise income tax that was previously provided at 25% for the period from 1 January 2013 to 30 September 2014 was therefore reversed and included in taxation for the year. Had the effects of this tax over-provision, the results of associates and joint ventures and the non-deductible exchange loss above mentioned been excluded, the effective tax rate of the Group for 2015 would be 25.7%, representing an increase of 1.1 percentage points from the restated 24.6% for 2014.

Net margin

Net margin of the Group for 2015 was 3.5%, which was 9.1 percentage points lower than that of 12.6% for 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2015	2014
	'000	*'000*
HK$	**458,077**	562,444
RMB	**1,273,768**	2,795,064
US$	**128**	8,447

As at 31 December 2015, the Group's banking facilities amounted to HK$8,400.0 million, RMB14,400.0 million and US$320.0 million, of which HK$900.0 million, RMB8,400.0 million and US$170.0 million were unutilized and remained available for drawdown and the total bank loans of the Group amounting to HK$15,824.4 million equivalent (HK$17,181.2 million as at 31 December 2014) comprised loans in the following currencies:

	As at 31 December	
	2015	2014
	'000	*'000*
HK$	**7,500,000**	12,050,000
RMB	**6,000,000**	3,130,000
US$	**150,000**	150,000

The bank loans of the Group as at 31 December 2015 and 31 December 2014 were unsecured.

As at 31 December 2015, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$5,848.8 million and HK$9,975.6 million respectively (HK$2,877.5 million and HK$14,303.7 million respectively as at 31 December 2014).

As at 31 December 2015, the Company had outstanding bonds in the amount of US$400.0 million due in October 2017. The bonds are unsecured and payments of principal and interest in respect of the bonds are supported by an irrevocable standby letter of credit issued by DBS Bank Ltd., Hong Kong Branch.

Under the terms of certain agreements for total banking facilities of HK$12,176.2 million equivalent with expiry dates from January 2016 to May 2018, China Resources (Holdings) Company Limited ("CR Holdings") is required to hold not less than 51% of the voting share capital in the Company. Under the terms of the aforesaid outstanding bonds and certain agreements for total banking facilities of HK$3,819.6 million equivalent with expiry dates from August 2018 to October 2018, CR Holdings is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for total banking facilities of HK$15,108.2 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Group as at 31 December 2015, calculated by dividing net borrowings by equity attributable to owners of the Company, was 63.8% (57.2% as at 31 December 2014).

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 bank loans which were denominated in currencies other than the functional currency of the entity to which these bank balances and bank loans 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 2015 and 31 December 2014.

The Group has net current liabilities of HK$6,030.5 million as at 31 December 2015. Taking into account the cash and bank balances, the unutilized banking facilities, the expected future internally generated funds and the new banking facilities to be obtained, the Board is confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. The Company will obtain more bank loan facilities with longer durations in order to strengthen the liquidity position.

CHARGES ON ASSETS

As at 31 December 2015 and 31 December 2014, there was no pledge of assets by the Group.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group has issued guarantees to banks in respect of banking facilities in the amount of RMB546.5 million (RMB491.3 million as at 31 December 2014) granted to an associate, of which RMB530.5 million (RMB486.0 million as at 31 December 2014) had been utilized.

FUTURE PLAN AND CAPITAL EXPENDITURE

New construction projects

As at 31 December 2015, the Company has approved and commenced the construction of six concrete batching plants with total annual capacity of 3.6 million m^3, with the cost of construction amounting to approximately HK$285.9 million.

Capital expenditure

As at 31 December 2015, the Group has outstanding capital expenditure for production plants under construction during the year in the amount of HK$4,516.0 million. Details of these production plants are as below:

Projects	**Total capital expenditure for the project**	**Expended as at 31/12/2014**	**Expended during the year**	**Outstanding capital expenditure as at 31/12/2015**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Construction of production lines in Fengkai County, Guangdong, with a total capacity of 3.1 million tons of clinker	2,940.5	1,222.8	522.3	1,195.4
Construction of production lines in Anshun City, Guizhou, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker	1,499.1	265.2	47.1	1,186.8
Construction of production lines in Hepu County, Guangxi, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker	1,268.2	189.2	174.7	904.3
Construction of production lines in Lianjiang City, Guangdong, with a total capacity of 3.0 million tons of cement and 1.9 million tons of clinker	1,825.1	169.0	739.8	916.3
Construction of one set of 300 ton per day urban waste co-processing equipment at our cement production plant in Binyang County, Guangxi	134.2	0.5	78.2	55.5
Construction of six concrete batching plants with a total capacity of 3.6 million m^3 of concrete	285.9	9.3	18.9	257.7
Total	7,953.0	1,856.0	1,581.0	4,516.0

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 2015. Total payments for capital expenditure of the Group are expected to be approximately HK$3,516.4 million and HK$1,926.5 million in the years 2016 and 2017 respectively, which will be financed by borrowings and internally generated funds.

EMPLOYEES

General Information

As at 31 December 2015, our Group employed a total of 23,663 full-time employees (23,669 as at 31 December 2014) of whom 166 (176 as at 31 December 2014) were based in Hong Kong and the remaining 23,497 (23,493 as at 31 December 2014) were based in the Chinese Mainland. A breakdown of our employees by function is set out as follows:

	As at 31 December 2015	As at 31 December 2014
Management	**393**	399
Finance and administration	**3,069**	3,040
Production and technical	**17,416**	17,461
Quality control	**2,073**	2,069
Sales and marketing	**712**	700
Total	**23,663**	23,669

Among our 393 senior and middle-level managerial staff (399 as at 31 December 2014), 89% are male (90% as at 31 December 2014) and 11% are female (10% as at 31 December 2014), 65% possess university degrees (66% as at 31 December 2014), 27% have received post-secondary education (27% as at 31 December 2014) and their average age is about 44 (43 as at 31 December 2014). We offer our employees remuneration packages mainly on the basis of individual performance and experience and also having regard to common practice in the industry, including basic wages, production allowance, performance related bonuses and other staff benefits. The Company has established a long term award scheme whereby eligible employees of the Group may be granted cash benefits calculated and paid according to the shares of the Company acquired by the trustee under the scheme.

Personnel Training

China Resources Cement College is a professional school set up by the Group for achieving the Company's strategic goals, enhancing talent development and promoting professional development. By utilizing information technology in training and the electronic learning (i-learning) system, we have initially formed a mix of online and offline methods of talent development for securing personnel in coping with the rapid development of the Company. In 2015, based on business strategies, competency in the roles and talent development, the Group formulated a systematic and standardized talent development system and trained personnel by series of management, profession, skills and specialization.

In respect of management training, the Group launched different types of projects specifically for the middle and senior management with a total of 181 participants. For the basic supervisors, the Company improved their management capabilities with the establishment of basic supervisor group structure. A total of 213 employees attended the training.

As regards professional training, the Group organized sixteen training courses on various disciplines including administration, procurement, human resources, finance, logistics and marketing specifically for functional professional employees. For the technicians, a total of twenty nine technical training courses covering machinery, electrics, craft, quality, control room operation and concrete technology were organized. A total of 1,106 employees participated in the professional training.

As for training on the technical skills, the Group organized eleven training courses covering mechanical equipment, electrical equipment and industrial machinery, etc. A total of 279 employees participated in these training courses.

Regarding specialty development, 100 employees spent thirty days in China Resources Cement College for a closed training camp. Over 50 lecturers taught forty three courses in total.

STRATEGIES AND PROSPECTS

Looking ahead, China has entered a new norm whereby its economy growth is shifting from high speed to medium-to-high speed. In December 2015, the Central Economic Work Conference proposed five economic tasks: "eliminating excessive capacities, destocking, deleveraging, lowering costs and shoring up growth in weak areas", which has laid the solid foundation for the economic development during the "Thirteenth Five-Year" period. In addition, pursuant to the "One Belt One Road" Initiative, the Chinese government has entered into a series of co-operation agreements with the relevant countries for active promotion of infrastructure construction in the regions. The core area of the "One Belt One Road" Initiative covers sixteen provinces, including Guangdong, Guangxi, Fujian and Yunnan, at which the Group has operations. The Group has commenced research on the industry and market of the countries and regions along the Belt and Road of the "One Belt One Road" Initiative for a solid foundation of "internationalization" in the future and proactive seizure of development opportunities in overseas markets.

Year 2016 is the opening year for the "Thirteenth Five-Year" Plan. The Chinese government proposed to strike a good balance between stabilizing growth and restructuring, maintain economic growth within a reasonable interval, focus on promoting structural reform of the supply side and accelerate the development of new drivers of economic growth. For 2016, the Chinese government has set a GDP growth target of 6.5% to 7.0% and a FAI growth target of about 10.5%, whereby infrastructure and real estate will still be the main constituents.

According to the "Draft for Consultation on Railway Development Plan during the Thirteenth Five-Year Period", during the "Thirteenth Five-Year" period, the FAI of railway will reach RMB3.5 trillion to RMB3.8 trillion for construction of 30,000 km of new lines. In 2016, the investment plans for national railway construction will amount to over RMB800 billion. According to the "Integrated Transportation Plan for Urbanized Regions", China has planned to build 8,000 km of new intercity railways during the "Thirteenth Five-Year" period. Construction of basic intercity transportation networks will be completed in the three major city groups, namely, Beijing-Tianjin-Hebei region, Yangtze River Delta region and Pearl River Delta region. By 2020, the total operational length of national railways will reach 150,000 km, of which 30,000 km will be high-speed railways and 36,000 km will be intercity railways. For urban rail transit, according to the NDRC, subways of a total operational length of 6,000 km will be built and repaired in 50 cities in China and the annual average increase will be 670 km.

In respect of road construction, according to the "Integrated Transportation Plan for Urbanized Regions", approximately 13,000 km of national expressways will be constructed and expanded by 2020. According to "National Highway Network Planning (2013-2030)", by 2030, the total planned operational length of national expressways will reach 118,000 km with a possible extension of 18,000 km in the future.

In addition, China has actively promoted the construction of underground utility tunnels. Underground utility tunnels are public tunnels laid underground in urban areas for paving municipal pipelines including electricity, telecommunications, television broadcast, water supply, water drainage, heat and gas, etc. The Chinese government proposed to complete the construction of a batch of underground utility tunnels in line with the advanced international standards and put them into operations by 2020, which will become one of the major projects promoting infrastructure investments in the future.

In respect of real estate, the government proposed to boost real estate investments by reforming the housing and household registration systems, developing the residential property tenancy market and liberalizing the settlement and rental policy restrictions on non-registered households. On the other hand, new-type urbanization construction is being orderly promoted. According to the National Bureau of Statistics of China, as of the end of 2015, China's urbanization rate was 56.1%, representing an increase of 1.33 percentage points over last year. According to the China's "National New-type Urbanization Plan (2014-2020)", the targeted urbanization rate will reach 60% by 2020. With the promotion of new-type urbanization, the demand for investments in infrastructure constructions and public services will continue to increase and will result in sustainable and steady demand for the cement industry.

In 2015, the Group continued to consolidate its regional market share and leading position. In September and December 2015, CRC Investments entered into two agreements with Kunming Iron & Steel Holding Co., Ltd., making capital contribution to Yunnan Cement & Building Materials Group Co., Ltd. (formerly known as Yunnan Kunming Iron & Steel Building Materials Group Co., Ltd.) for twice whereby CRC Investments ultimately holds 50% equity interest in Yunnan Cement & Building Materials Group Co., Ltd. In the future, synergies are to be achieved in areas including operational management, resources allocation, sales and marketing and procurement etc., so as to further consolidate our leading position in Yunnan market. Since Yunnan is positioned as a bridgehead connecting South and Southeast Asia in the "One Belt One Road" Initiative, the construction of infrastructure will continue to promote the growth of cement demand in the future.

As at 31 December 2015, the annual production capacities of cement, clinker and concrete of the Group through its subsidiaries amounted to 79.3 million tons, 56.3 million tons and 34.5 million m^3 respectively. Our expected annual production capacities through our subsidiaries for the next three years are as follows:

Year	**Cement** *(million tons)*	**Clinker** *(million tons)*	**Concrete** *(million m^3)*
2016	83.3	61.3	38.2
2017	85.3	62.7	41.8
2018	87.3	64.3	45.4

In addition, as at 31 December 2015, the annual production capacities of cement, clinker and concrete controlled by the associates and joint ventures of the Group amounted to 58.1 million tons, 40.4 million tons and 7.4 million m^3 respectively. The respective production capacities attributable to the Company according to our share of equity interests were 19.2 million tons of cement, 13.4 million tons of clinker and 3.4 million m^3 of concrete.

The Group believed that the initiation of infrastructure projects, the gradual recovery of real estate market, the long-term national policies of the "One Belt and One Road" Initiative and "Thirteenth Five-Year" Plan will help to stabilize the cement demand in the medium and long term. The Chinese government will attach greater importance to the structural reform of the supply-side, strict control on new capacity expansion, implementation of policies of eliminating obsolete capacity, acceleration of the exit of "zombie enterprises" from the market, and encouraging industry optimization and restructuring. Additionally, in respect of the cement industry, the Chinese government will actively promote such works as energy saving, emission reduction, co-processing, elimination of obsolete capacity and product upgrade etc., which will be conducive to the sustainable development of the cement industry.

In the future, we will persistently adhere to the "3+2" development strategy through control, conversion and distribution of resources, making us the producer with the lowest total cost and leading market position in the region. While promoting lean management, cost reduction and efficiency enhancement, we will continue to seek acquisition opportunities in the regions at which the Group has operations and at the same time explore investment opportunities in countries and regions along the Belt and Road of the "One Belt One Road" Initiative, strengthen research and innovation, promote green development and contribute to the healthy development of the cement industry in China.

CORPORATE GOVERNANCE

During the year, the Company complied with the code provisions set out in the Corporate Governance Code (the "CG 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 corporate governance of the Company complies with the same level to that required under the CG Code.

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

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

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.02 per share in cash for the year ended 31 December 2015 (2014: HK$0.10 per share). Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK$0.06 per share in cash for 2015 (2014: HK$0.07 per share) and total distribution for the year ended 31 December 2015 will be HK$0.08 per share (2014: HK$0.17 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 May 2016 to Friday, 13 May 2016, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, 13 May 2016, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 6 May 2016 with the Company's share registrar, Tricor Investor Services Limited at Level 22, 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 Tuesday, 31 May 2016 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 Thursday, 19 May 2016 and the register of members of the Company will be closed on Thursday, 19 May 2016, 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 Wednesday, 18 May 2016 with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

REVIEW OF ANNUAL REPORT

This annual report encompassing the consolidated financial statements for the year ended 31 December 2015 has been reviewed by the Audit Committee of the Company.

APPRECIATION

I would like to thank the Directors, the management team and all employees for their loyalty and hard work especially in the extremely challenging business environment during the past year. On behalf of the Board, I would also like to express our sincere thank to our business partners and stakeholders for their continuing trust and unfailing support to the Group.

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

Hong Kong, 11 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. ZHOU Longshan, Mr. PAN Yonghong and Mr. LAU Chung Kwok Robert; the non-executive directors of the Company are Mr. DU Wenmin, Mr. WEI Bin, Mr. CHEN Ying and Mr. WANG Yan; and the independent non-executive directors of the Company are Mr. IP Shu Kwan Stephen, Mr. SHEK Lai Him Abraham, Mr. XU Yongmo, Madam ZENG Xuemin and Mr. LAM Chi Yuen Nelson.