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)

2016 ANNUAL RESULTS ANNOUNCEMENT

	2016	2015	**Increase (Decrease)**
Turnover *(HK$ million)*	**25,647.5**	26,778.7	(4.2)%
Profit attributable to owners of the Company *(HK$ million)*	**1,325.9**	1,015.0	30.6%
Basic earnings per share	**HK$0.203**	HK$0.155	
Proposed final dividend per share	**HK$0.075**	HK$0.02	

	As at 31/12/2016	As at 31/12/2015	**Decrease**
Total assets *(HK$ million)*	**52,156.5**	54,216.8	3.8%
Equity attributable to owners of the Company *(HK$ million)*	**26,006.8**	26,556.9	2.1%
Net borrowings *(HK$ million) (note 1)*	**14,667.7**	16,945.3	13.4%
Net gearing ratio *(note 2)*	**56.4%**	63.8%	
Net assets per share – book *(note 3)*	**HK$3.98**	HK$4.07	2.2%

notes:

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

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

3. Net assets per share – book is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the 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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Turnover	*3*	**25,647,464**	26,778,671
Cost of sales		**(18,622,005)**	(20,361,404)
Gross profit		**7,025,459**	6,417,267
Other income	*4*	**265,916**	471,941
Change in fair value of investment properties		**5,000**	4,000
Selling and distribution expenses		**(1,675,852)**	(1,756,616)
General and administrative expenses		**(2,301,638)**	(2,439,623)
Exchange loss		**(418,597)**	(902,869)
Finance costs	*5*	**(692,323)**	(565,500)
Share of results of associates		**(58,054)**	(234,955)
Share of results of joint ventures		**8,503**	(9,246)
Profit before taxation	*6*	**2,158,414**	984,399
Taxation	*7*	**(896,844)**	(47,510)
Profit for the year		**1,261,570**	936,889
Attributable to:			
Owners of the Company		**1,325,855**	1,014,969
Non-controlling interests		**(64,285)**	(78,080)
		1,261,570	936,889
Basic earnings per share	*8*	**HK$0.203**	HK$0.155
Proposed final dividend per share	*9*	**HK$0.075**	HK$0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Fixed assets		**29,783,669**	31,596,192
Prepaid lease payments		**2,674,723**	2,905,451
Investment properties		**112,499**	108,346
Intangible assets		**2,263,684**	2,394,503
Interests in associates		**5,212,992**	5,620,142
Interests in joint ventures		**1,484,271**	1,542,889
Deposits for acquisition of fixed assets		**752,008**	1,625,731
Deferred tax assets		**325,525**	365,030
Long term receivables		**440,901**	662,115
Pledged bank deposits		**32,368**	24,729
		43,082,640	46,845,128
Current assets			
Inventories		**1,943,482**	1,564,912
Trade receivables	*10*	**2,434,190**	2,194,070
Other receivables		**967,299**	1,203,441
Amounts due from associates		**486,761**	273,122
Amounts due from joint ventures		**10,929**	116,148
Taxation recoverable		**71,065**	65,130
Pledged bank deposits		**1,461**	17,091
Cash and bank balances		**3,158,684**	1,937,708
		9,073,871	7,371,622
Current liabilities			
Trade payables	*11*	**3,145,780**	3,089,768
Other payables		**4,446,121**	4,855,226
Taxation payable		**334,213**	175,512
Amount due to immediate holding company		**–**	54,956
Other unsecured short term debt – commercial paper		**558,965**	–
Unsecured bonds		**3,102,032**	–
Bank loans – amount due within one year		**3,229,723**	5,226,642
		14,816,834	13,402,104
Net current liabilities		**(5,742,963)**	(6,030,482)

	2016	2015
	HK$'000	*HK$'000*
Total assets less current liabilities	**37,339,677**	40,814,646
Non-current liabilities		
Bank loans – amount due after one year	**7,615,712**	10,597,782
Unsecured bonds	**–**	3,100,384
Unsecured medium term notes	**3,353,790**	–
Other long term payables	**20,086**	26,650
Deferred tax liabilities	**98,220**	104,153
	11,087,808	13,828,969
	26,251,869	26,985,677
Capital and reserves		
Share capital	**653,294**	653,294
Reserves	**25,353,474**	25,903,597
Equity attributable to owners of the Company	**26,006,768**	26,556,891
Non-controlling interests	**245,101**	428,786
Total equity	**26,251,869**	26,985,677

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 and by the Hong Kong Companies Ordinance.

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 HKFRSs

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

The application of the above amendments to HKFRSs in the current year has no material impact on the Group's financial performance and position 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 amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

[1] *Effective for annual periods beginning on or after 1 January 2018.*
[2] *Effective for annual periods beginning on or after 1 January 2019.*
[3] *Effective for annual periods beginning on or after a date to be determined.*
[4] *Effective for annual periods beginning on or after 1 January 2017.*

The Directors anticipate that the application of HKFRS 9 may have impact on 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 amendments to HKFRSs 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 exchange loss.

The information of segment results are as follows:

For the year ended 31 December 2016

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER				
External sales	**21,112,585**	**4,534,879**	**–**	**25,647,464**
Inter-segment sales	**628,050**	**3,302**	**(631,352)**	**–**
	21,740,635	**4,538,181**	**(631,352)**	**25,647,464**

Inter-segment sales are charged at prevailing market prices.

	Cement	**Concrete**	**Elimination**	**Total**
RESULTS				
Segment results	**3,322,666**	**401,438**	**–**	**3,724,104**
Interest income				**42,202**
Exchange loss				**(418,597)**
Finance costs				**(692,323)**
Unallocated net corporate expenses				**(447,421)**
Share of results of associates				**(58,054)**
Share of results of joint ventures				**8,503**
Profit before taxation				**2,158,414**

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.

	Cement	Concrete	Elimination	Total
RESULTS				
Segment results	2,494,911	516,980	–	3,011,891
Interest income				61,580
Exchange loss				(902,869)
Finance costs				(565,500)
Unallocated net corporate expenses				(376,502)
Share of results of associates				(234,955)
Share of results of joint ventures				(9,246)
Profit before taxation				984,399

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Government incentives	**70,306**	240,795
Interest income	**42,202**	61,580
Sales of scrap and raw materials	**55,152**	75,776
Service income	**5,408**	15,634
Rental income	**37,577**	33,801
Compensation received from insurance	**11,480**	3,323
Compensation received from suppliers and customers	**10,266**	5,362
Others	**33,525**	35,670
	265,916	471,941

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interests on:		
Bank loans, unsecured bonds, commercial paper and medium term notes	**686,633**	548,315
Loan from an intermediate holding company	**5,121**	16,770
Other long term payables	**569**	415
	692,323	565,500

6. PROFIT BEFORE TAXATION

	2016	2015
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**24,047**	8,281
Pension costs and mandatory provident fund contributions for staff, excluding Directors	**181,044**	183,710
Other staff costs	**2,563,185**	2,633,655
Total staff costs	**2,768,276**	2,825,646
(Reversal of) allowance for doubtful debts	**(21,964)**	124,502
Allowance for doubtful debts of other receivables	**26,236**	14,835
Amortisation of mining rights	**79,503**	80,846
Auditor's remuneration	**5,812**	5,210
Depreciation of fixed assets	**1,822,875**	1,885,689
Impairment of fixed assets	**138,362**	141,654
Impairment of inventories	**12,365**	11,868
Loss on disposal of fixed assets	**16,091**	97,320
Operating lease payments in respect of		
– rented premises	**145,554**	65,262
– motor vehicles	**316,302**	288,154
Release of prepaid lease payments	**79,049**	77,006

7. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**30,969**	22,671
Chinese Mainland Enterprise Income Tax	**819,624**	839,896
Under (over) provision of Chinese Mainland Enterprise Income Tax in prior years	**33,593**	(533,909)
	884,186	328,658
Deferred taxation		
Hong Kong	**(1,672)**	2,215
Chinese Mainland	**14,330**	(283,363)
	12,658	(281,148)
	896,844	47,510

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 ended 31 December 2015.

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:

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**1,325,855**	1,014,969

	As at 31 December	
	2016	2015
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

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2016 Interim – HK$0.015 per share (2015: HK$0.06 per share)	**97,994**	391,976
2015 Final – HK$0.02 per share (2014: HK$0.10 per share)	**130,659**	653,294
	228,653	1,045,270

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2016 of HK$0.075 per share (HK$0.02 per share in respect of the year ended 31 December 2015) 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$489,970,000 (2015: HK$130,659,000) 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	
	2016	2015
	HK$'000	*HK$'000*
Trade receivables from third parties	**2,429,967**	2,184,649
Trade receivables from related parties	**4,223**	9,421
	2,434,190	2,194,070

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	
	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**2,210,025**	1,898,456
91 to 180 days	**125,778**	128,173
181 to 365 days	**98,387**	167,441
	2,434,190	2,194,070

11. TRADE PAYABLES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade payables to third parties	**3,140,406**	3,081,323
Trade payables to related parties	**5,374**	8,445
	3,145,780	3,089,768

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	
	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**3,055,602**	2,993,037
91 to 180 days	**45,960**	40,674
181 to 365 days	**27,688**	26,765
Over 365 days	**16,530**	29,292
	3,145,780	3,089,768

BUSINESS ENVIRONMENT

In 2016, facing the downward pressure on economy, the Chinese government actively promoted supply-side structural reform backed by infrastructure construction so as to maintain steady economic growth. According to the information of the National Bureau of Statistics of China, China's gross domestic products ("GDP") grew by 6.7% to RMB74.4 trillion over last year.

In 2016, the Chinese government accelerated its investments in infrastructure construction and fostered public-private-partnership in infrastructure projects such as transportation, hydraulic engineering and major municipal projects. Government investments played a crucial role in stabilizing the economic growth by stimulating private investments. During the year, national fixed asset investments ("FAI") (excluding rural households) increased by 8.1% over last year to RMB59.7 trillion; among which, national infrastructure investments (excluding the production and supply of electricity, heat, gas and water) reached RMB11.9 trillion, representing an increase of 17.4% over last year.

During the year, the Chinese government further reformed the RMB exchange rate, and it was the first time RMB was included by the International Monetary Fund in the basket of currencies with the Special Drawing Rights. However, the persistently rising expectation on interest rate hike in the United States of America increases the volatility of RMB exchange rate, which adds pressure on financial systemic risk management and brings challenges to asset and liability management by Chinese enterprises.

According to the statistics published by the National Bureau of Statistics of China, in 2016, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou, at which the Group has operations, reached RMB8.0 trillion, RMB1.8 trillion, RMB2.9 trillion, RMB404.5 billion, RMB1.3 trillion, RMB1.5 trillion and RMB1.2 trillion, representing increases of 7.5%, 7.3%, 8.4%, 7.5%, 4.5%, 8.7% and 10.5% respectively, while the FAI (excluding rural households) of these provinces increased by 10.0%, 12.8%, 9.3%, 11.7%, 0.8%, 19.8% and 21.1% to RMB3.3 trillion, RMB1.8 trillion, RMB2.3 trillion, RMB374.7 billion, RMB1.4 trillion, RMB1.6 trillion and RMB1.3 trillion respectively.

In 2016, the infrastructure construction for transportation secured the coordinated development of various regions, urban and rural areas and stable economic growth. According to the Ministry of Transport of China, during the year, FAI on national railways decreased by 2.7% from last year to RMB801.5 billion. FAI on highways amounted to RMB1.8 trillion, representing an increase of 7.7% over last year. FAI on waterways reached RMB189.4 billion, representing a decrease of approximately 1.0% from last year. The infrastructure investments in transportation have provided a stable and strong support to the demand for cement.

In respect of real estate, in 2016, the Chinese government introduced various appropriate measures having regard to different circumstances of the local property markets of different cities so as to maintain steady and healthy development of the property market. Housing demand increased during the year. According to the National Bureau of Statistics of China, the contracted gross floor area of commodity housing sold in China during the year increased by 22.5% over last year to 1,570 million m^2 and the sales amount increased by 34.8% to RMB11.8 trillion. The increase in property sales propelled the recovery of real estate investments and newly commenced construction. Investments in real estate development in China reached RMB10.3 trillion, representing an increase of 6.9% over last year, which was higher than that of last year by 5.9 percentage points. The floor area of properties that commenced construction was 1,670 million m^2, representing an increase of 8.1% as compared with a decrease of 14.0% last year. The floor area of completed properties was 1,060 million m^2, representing an increase of 6.1% as compared with a decrease of 6.9% last year. The recovery of real estate investments has stabilized the demand for cement.

THE INDUSTRY

In 2016, upon recovery of the demand for cement and the significant improvement of the competition environment of the industry, cement production increased steadily and cement price had rebounded strongly from its low since March. According to the National Bureau of Statistics of China, in 2016, total cement production in China was 2.4 billion tons, representing an increase of 2.5% over last year, as compared with a decrease of 4.9% in 2015. Among which, total cement production in Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou were 150.0 million tons, 120.0 million tons, 80.9 million tons, 22.3 million tons, 36.0 million tons, 110.0 million tons and 110.0 million tons, representing increases of 4.1%, 8.2%, 4.5%, 0.1%, 0.9%, 17.8% and 8.5% respectively.

According to the statistics of Geography Cement, construction of twenty new clinker production lines was completed in China in 2016, which increased clinker production capacity by approximately 28.2 million tons, representing a decrease of 38.0% from last year. Among which, clinker production capacities in Guangdong, Guangxi, Fujian, Shanxi, Yunnan and Guizhou were increased by 3.4 million tons, 3.4 million tons, 1.6 million tons, 1.6 million tons, 3.9 million tons and 1.6 million tons respectively.

In 2016, the Chinese government steadily implemented supply-side structural reform and actively promoted green development of the cement industry. In May, the General Office of State Council issued the "Guiding Opinions on Promoting Steady Growth, Restructuring and Efficiency Improvement of Building Materials Industry" which aims to increase the production concentration of the top ten cement and clinker enterprises from 53% in 2015 to over 60% by 2020. Construction of new cement and clinker projects shall be strictly prohibited. Production capacities failing to meet the standards for environmental protection, energy consumption, safety and quality shall be required to take remedial actions or even cease operations. Meanwhile, the government shall implement multi-tiered electricity tariffs policy, promote industry consolidation and fine-tune the practice of off-peak production.

In October, the Ministry of Industry and Information Technology published the "Development Plan for the Building Materials Industry (2016-2020)" which further specifies the targets of production capacity reduction and green development. The Plan clearly states that by 2020, 10% of clinker production capacity shall be eliminated, the proportion of cement kiln production lines with co-processing capacity shall increase from 7% in 2015 to 15% by 2020, and comprehensive energy consumption for producing each ton of clinker shall decrease from 112 kg of standard coal in 2015 to 105 kg by 2020.

In December, the Ministry of Environmental Protection issued the "Policy on Pollution Prevention Technology of Co-processing Solid Wastes in Cement Kilns", which requires the cement kilns co-processing solid wastes to be built to possess a daily clinker production capacity of 3000 tons or above and provides guidance on production technology, technical equipment and pollutant treatment.

In January 2017, the General Administration of Quality Supervision, Inspection and Quarantine of PRC announced that it had revoked the manufacturing licenses for industrial products of approximately 680 cement enterprises. In February 2017, various government departments including the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine of PRC conducted special inspection on the cement and glass industries so as to clean up and rectify obsolete capacities, verify the status of elimination of obsolete capacities in the industry and implementation of standards of environmental protection policies. During the inspection, the public was encouraged to report against pollution problems, as well as production and sale of cement products without production licenses.

Under the strict supervision of the Chinese government, the implementation of policies and plans for the cement industry will help to improve the efficiency of production and operation, increase the investments in environmental protection from cement enterprises, accelerate the elimination of inefficient capacities, promote the transformation and innovation of leading cement enterprises, and foster the sustainable development of the cement industry.

BRAND BUILDING

During the year, in order to define the branding position and enhance brand awareness, the Group rebuilt the brand name "Runfeng Cement" in China, which has established an image of excellent-quality product. In the future, through strengthening its brand building, the Group will further build up a sterling product reputation, raise customers' recognition of the Group and its products, and enhance its differentiated competitive edge in the cement industry so as to lay a solid foundation for long-term business development.

GREEN DEVELOPMENT

The Group actively promotes energy saving and emission reduction, and assists local governments in co-processing household garbage and other wastes for commitment to corporate social responsibilities and drive for green development of the cement industry. All the production lines of the Group have been equipped with residual heat recovery generators and denitration systems. Upgrade of dust collection systems will be gradually completed, which has placed us at a leading position in the industry. In the future, the Group will continue to upgrade and transform equipment for energy saving and emission reduction, and promote the construction of co-processing projects in order to secure the sustainable development of the Group.

In December 2016, as the co-Chairman of the Cement Sustainability Initiative in China, the Group attended the annual Chief Executive Officer Meeting held by the organization, and exchanged views with global cement enterprises on climate and energy, safety and health, product management, sustainable construction and its domestic impact. Research on various topics including co-processing treatment and carbon emission reduction under the environmental condition in China has been conducted for the promotion of sustainable development of the cement industry in China.

In 2016, the Group's continuous efforts in environmental protection were recognized by the industry and the society. These include:

- The Company was honoured "Hong Kong Green Awards 2016－Environmental, Health and Safety Award (Large Corporation)"－Platinum Award by Green Council of Hong Kong;

- Guangxi China Resources Hongshuihe Cement Co., Ltd. was honoured "Hong Kong Green Awards 2016－Green Management Award－Service Provider (Large Corporation)"－Silver Award by Green Council of Hong Kong;

- China Resources Cement (Shangsi) Limited, China Resources Cement (Wuxuan) Limited, China Resources Cement (Changjiang) Limited and Guangxi China Resources Hongshuihe Cement Co., Ltd. were awarded "One Hundred Energy-Saving Model Enterprises in Building Materials Industry" by China Building Materials Federation;

- China Resources Cement (Yangchun) Limited was awarded the title of "Advanced Energy-Efficient Enterprises in the Cement Industry of Guangdong Province".

NEW PRODUCTION PLANTS

During the year, the Group completed the construction of (1) the sixth clinker production line with annual production capacity of approximately 1.6 million tons at Fengkai County, Guangdong; (2) one clinker production line with annual production capacity of approximately 1.9 million tons and two cement grinding lines with total annual production capacity of 2.0 million tons at Lianjiang City, Guangdong; and (3) one concrete batching plant, which increased our total annual concrete production capacity by 0.6 million m^3.

CONTRACT PRODUCTION FACILITY

During the year, the Group had 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 4.4 million tons.

CAPACITY UTILIZATION

Excluding the contract production capacity and the related production volume abovementioned, the utilization rates of our cement, clinker and concrete production lines during the year were 101.5%, 114.3% and 35.9% as compared with 99.5%, 113.3% and 36.3% respectively for 2015.

PROCUREMENT MANAGEMENT

In 2016, coal price had been rising continuously since mid-year due to shortage of coal supply in China. According to the statistics of China Coal Transportation and Distribution Association, the average value of Bohai-rim Steam-Coal Price Index for the year was approximately RMB460 per ton, representing an increase of 7.6% over last year.

The Group purchased 9.9 million tons of coal in 2016 (9.3 million tons in 2015), representing an increase of 6.3% over last year; among which, approximately 75%, 20% and 5% (75%, 19% and 6% in 2015) were sourced from northern China, neighbouring areas of our production plants and Australia respectively. The proportion of direct procurement from coal producers increased to approximately 77% (74% in 2015). The Group has engaged large-scale domestic coal companies as main suppliers and imported coal from overseas for stable supply of high-quality coal. In the future, the Group will continue to strengthen co-operation with large-scale domestic coal suppliers, streamline procurement channels of imported coal, and take advantage of centralized procurement to reduce procurement cost.

LOGISTICS MANAGEMENT

In 2016, the Group accelerated the construction of logistics information systems so as to enhance the efficiency in delivery, distribution and operation and to promote the level of its delicacy management in logistics. By the end of 2016, the truck transportation scheduling management system and the information collection system had commenced operation in all the operating regions of the Group, which helped to enhance the efficiency in vehicle scheduling, surveillance and delivery, secure supply of goods to customers and improve customer service. The information collection system also facilitated accurate distribution and higher efficiency in logistics. Furthermore, the Group's "Smart Card" system has commenced operation at our cement production plants in Dongguan City, Fengkai County and Luoding City, which increased the efficiency of delivery of these three plants. The system will be rolled out at other production plants of the Group in the future.

During the year, the shipping and silo capacities of the Group along Xijiang River remained basically stable. Annual shipping capacity maintained at approximately 34.5 million tons. At the end of 2016, the Group controlled the operations of forty seven silo terminals with annual capacity of over 30.0 million tons.

CAPABILITY OF RESEARCH AND DEVELOPMENT

The Group has been committed to boosting innovative development in products, materials and technology. In 2016, the Group's newly developed products—cement for marine engineering, pervious concrete, and decorative cement, were put into production. Cement for marine engineering is featured with high resistance on erosion and crack. Concrete made of cement for marine engineering is highly durable and meets the requirements for marine engineering. Cement for marine engineering was officially approved as the "Key Technologies in Cement-based Materials for Marine Engineering with High Resistance on Corrosion" of the "National Thirteenth Five-Year Projects" in 2016. With the advantages of high water permeability and high heat dissipation, pervious concrete effectively enhances urban draining capacity and facilitates regulation of urban temperature and humidity. The Group has been selling the product in Huizhou, Nanning and other cities. Decorative cement is easy to mix, easy to plaster, highly durable and environmentally-friendly, which can effectively enhance the efficiency in construction. The product was officially launched in the market in September 2016.

In order to protect our achievements in research and development, the Group proactively applied for patent licenses. In 2016, the Group registered 34 patent licenses, mainly including equipment and systems for energy saving, emission reduction and enhancement of production and operation efficiency, as well as new materials. Among which, 8 were inventions and 26 were utility models. As of the end of December 2016, the Group held 87 patent licenses, including 11 inventions and 76 utility models.

SUSTAINABLE DEVELOPMENT

The Group attaches great importance to corporate social responsibilities. In order to secure the green development of the Group, increase the corporate value and strengthen its competitive edge in the industry, the Group actively encourages energy saving and environmental protection, production safety and occupational health.

Energy saving and emission reduction

The Group has been proactively supporting the national policies of environmental protection on energy saving and emission reduction. By comparing the benchmark indicators of production and operation, each production plant could learn from the successful experience of the model plants for continuous reduction of energy consumption and enhancement of operational efficiency. The Group has also incorporated operating indicators including consumption of coal and electricity in the performance assessment of our production plants in order to stimulate staff initiative for further raising the level of operation. Details of operation including consumption of coal and electricity have been set out in the section of Major Production Costs in this announcement.

As regards to reduction of pollutant emission, the Group has installed denitration systems for all its clinker production lines in order to control emission of nitrogen oxides. Currently, our emission levels of nitrogen oxides are lower than the national emission standard limits. During the year, the Group added one clinker production line while the nitrogen oxides emitted in total maintained at the level of approximately 41,000 tons, which was more or less the same as last year.

In order to raise the stability and efficiency of its dust collection systems, the Group has continued the technical upgrade of dust collection systems by replacing static electricity dust collection systems with bag filter systems at all our clinker production lines. Currently, the emission levels of particulate matters of all our production lines are lower than the national emission standard limit.

The Group also pays keen attention to the control of sulphur dioxide emission. Desulfurization systems have been installed in the production lines operating in quarries with limestone of higher sulphur concentration. Desulfurizer has been used in some production lines since 2016 in order to maintain the stability of sulphur dioxide emission and ensure the emission levels of sulphur dioxide to meet the required standards. Currently, the average emission level of sulphur dioxide from the Group's production lines meets the national emission standard limit.

Co-processing

With respect to composite utilization of resources, the Group proactively advocates urban and rural waste co-processing by use of cement kilns. Compared to traditional ways of waste treatment such as landfill and combustion for power generation, waste co-processing by use of cement kilns could save land use and avoid secondary pollution, thereby achieving waste treatment in a "hazardous free, mass reduction and recyclable" manner. The problem of "Garbage Siege" is effectively solved for local governments, which brings about a healthy living environment for the local residents.

Since the commencement of operation of the urban and rural waste co-processing project in our cement production plant at Binyang County of Guangxi in December 2015, a total of approximately 100,000 tons of untreated urban waste had been processed as at the end of December 2016. Our urban sludge co-processing project in Nanning City of Guangxi had processed approximately 30,000 tons of urban sludge as at the end of December 2016 since the commencement of its operation in July 2016. The urban waste co-processing projects in Tianyang County of Guangxi and Midu County of Yunnan with respective daily processing capacities of 500 tons and 300 tons are under construction and are expected to be completed by the end of 2017. The Group will continue to foster transformation for environmental protection and roll out co-processing projects by use of cement kilns to other production plants for sustainable corporate development in the future.

Production Safety

The Group has been dedicated to production safety management by continuous improvement of its safety management system and standards, division of implementation responsibilities and assessments. The Group promotes production safety standardization and construction of EHS (environment, health and safety) model plants through strengthening safety training, actively launching safety activities and innovative management. Persistent implementation of the construction of EHS management system will improve the corporate safety management level.

As of the end of 2016, nineteen cement production plants of the Group had passed the assessments as the First-Class Enterprise in Production Safety Standardization, among which, our cement production plant at Fengkai County of Guangdong had further passed the on-site acceptance inspection as the model unit of First-Class Enterprise in Production Safety Standardization, reflecting its advanced level in the industry in terms of production safety standardization. In addition, the Group has conducted annual safety assessment checks on all the cement production plants and concrete batching plants of the Group. These assessment results were incorporated in the respective annual safety performance assessments so as to regulate the employees' behavior of production safety and arouse the employees' awareness of production safety.

Community Work

The Group proactively fulfills its corporate social responsibilities by supporting local construction development, thereby creating a harmonious and friendly community for the local residents. During the year, the Group donated approximately 6,000 tons of cement and limestone to assist the local governments of the regions at which the Group has operations in the repair and construction of roads in towns and villages and tapping water channels. Cash donations were also made to local schools and charities for more harmonious relationship between the Company and the community.

EMPLOYEES

General Information

As at 31 December 2016, our Group employed a total of 21,897 full-time employees (23,663 as at 31 December 2015) of whom 159 (166 as at 31 December 2015) were based in Hong Kong and the remaining 21,738 (23,497 as at 31 December 2015) were based in the Chinese Mainland. A breakdown of our employees by function is set out as follows:

	As at 31 December 2016	As at 31 December 2015
Management	**404**	393
Finance and administration	**2,817**	3,069
Production and technical	**16,093**	17,416
Quality control	**1,885**	2,073
Sales and marketing	**698**	712
Total	**21,897**	23,663

Among our 404 senior and middle-level managerial staff (393 as at 31 December 2015), 90% are male (89% as at 31 December 2015) and 10% are female (11% as at 31 December 2015), 64% possess university degrees (65% as at 31 December 2015), 28% have received post-secondary education (27% as at 31 December 2015) and their average age is about 45 (44 as at 31 December 2015). 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.

Care for employees

The Group regards its employees as the most valuable resource for its corporate survival and development and has been continuously improving the working environment and atmosphere for its employees. In 2016, the Group raised its employees' cohesion and sense of belonging through organizing various group activities such as ball games, photography competitions and hiking.

In 2016, the Company and its employees donated a total amount of RMB1,230,000 to the "China Resources Cement Gratitude Fund", which aims at caring for and helping the employees in need. Twenty three employees were subsidized with a total amount of RMB546,000.

Personnel Training

China Resources Cement College is an internal training institute set up by the Group for achieving the Company's strategic goals and enhancing talent development. Training was provided to managerial, professional and technical personnel according to their various demands at work. Lecturers from local and overseas consulting and training institutions were invited to give lectures to improve the leadership of the managerial personnel. Experts from local colleges and large-scale science research institutes were invited for experience sharing. Department supervisors also provided guidance and helped to solve practical problems at work. These have secured talents in coping with the business development of the Group.

In 2016, in response to the development strategy of transformation for environmental protection, the Group launched a training project on co-processing. Local and overseas experts from large-scale science research institutes and equipment suppliers were invited as lecturers. Coupled with guidance from department supervisors, professional and technical personnel of each production plant received training, which has laid a solid foundation of talent development for further promotion of co-processing projects. On the other hand, in order to promote innovative development, the Group organized innovation contests which encouraged all employees to make full use of their innovative capacity. The winning proposals were further optimized and implemented to enhance corporate efficiency and economic benefits.

In addition, the Group continued to optimize the information system for personnel training. In 2016, the Group improved the information system for training management to achieve sharing of information on courses and lecturers. Various departments may also request for training according to their needs. At the same time, the system can manage the performance and training results of the trainees, which provides support for promotion and development of personnel. In addition, the Group has further put forward the online-offline hybrid training mode. In the second half of 2016, the i-learning online learning platform had covered the entire Group with 43 online courses, providing training on procurement, production, operation and sales.

REVIEW OF OPERATIONS

Turnover

The consolidated turnover for the year ended 31 December 2016 amounted to HK$25,647.5 million, representing a decrease of 4.2% from HK$26,778.7 million for the last year. An analysis of segmental turnover by product is as follows:

	2016			2015		
	Sales volume ***'000 tons/m³***	**Average selling price** ***HK$ per ton/m³***	**Turnover** ***HK$'000***	Sales volume *'000 tons/m³*	Average selling price *HK$ per ton/m³*	Turnover *HK$'000*
Cement	**80,037**	**252.0**	**20,172,719**	76,721	269.9	20,706,812
Clinker	**4,859**	**193.4**	**939,866**	4,632	203.2	941,060
Concrete	**12,395**	**365.9**	**4,534,879**	12,311	416.8	5,130,799
Total			**25,647,464**			26,778,671

In 2016, our external sales volume of cement, clinker and concrete increased by 3.3 million tons, 227,000 tons and 84,000 m^3, representing increases of 4.3%, 4.9% and 0.7% respectively over 2015. During the year, approximately 65.4% of the cement products we sold were 42.5 or higher grades (63.2% in 2015) and approximately 49.9% were sold in bags (52.5% in 2015). Internal sales volume of cement for our concrete production was 2.6 million tons (2.7 million tons in 2015), representing 3.1% of the total volume of cement sold (3.4% in 2015).

Our cement sales by geographical areas in 2016 were as follows:

	2016			2015		
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	**30,010**	**263.9**	**7,918,982**	30,748	288.4	8,868,234
Guangxi	**23,988**	**253.3**	**6,075,048**	22,317	271.2	6,052,878
Fujian	**9,534**	**217.8**	**2,076,103**	8,660	239.2	2,071,239
Hainan	**5,053**	**311.7**	**1,574,949**	5,046	317.8	1,603,444
Shanxi	**3,245**	**171.2**	**555,704**	3,047	176.5	537,938
Yunnan	**5,827**	**254.3**	**1,481,559**	4,686	239.4	1,121,889
Guizhou	**2,380**	**206.0**	**490,374**	2,217	203.5	451,190
Total	**80,037**	**252.0**	**20,172,719**	76,721	269.9	20,706,812

The average selling prices of cement, clinker and concrete in 2016 were HK$252.0 per ton, HK$193.4 per ton and HK$365.9 per m^3 respectively, representing decreases of 6.6%, 4.8% and 12.2% respectively from 2015. The average selling prices of cement and clinker continued to slide in the first quarter and have rebounded since April when the demand for cement recovered despite the rainy season in the second and third quarters. The average selling price of concrete dropped as a result of more severe competition in the industry when producers' cost of production declined generally.

Major production costs

The Group's average price of coal purchased in 2016 was approximately HK$519 per ton, representing a decrease of 4.8% from the average price of HK$545 per ton in 2015, while the average thermal value of coal increased by 0.8% to 5,316 kcal per kg. During the year, our unit coal consumption per ton of clinker decreased from the average of 147.9 kg in 2015 to 146.2 kg, representing a decrease of 1.1%, while our standard coal consumption per ton of clinker remained the same as that in 2015 at 107.6 kg. As a result of the lower coal price and improved unit coal consumption, our average coal cost per ton of clinker decreased by 6.0% from HK$80.6 in 2015 to HK$75.8 for the year. Coal cost represented approximately 31.6% of the cost of sales of cement for the year (31.2% in 2015) and approximately 27.2% of the Group's total cost of sales for the year (26.7% in 2015).

Our average electricity cost per ton of cement decreased by 14.1% from HK$38.9 in 2015 to HK$33.4 for the year. Since the beginning of 2016, various provinces in PRC introduced direct power supply policy under which power generation enterprises and major industrial electricity users may agree on concessionary tariffs for an agreed volume of electricity consumed. During the year, we enjoyed the benefits of lower electricity tariff for a total of 1,158.1 million kwh consumed and saved approximately HK$55.3 million under direct power supply agreements and price bidding arrangements. We managed to lower our electricity consumption to 73.9 kwh per ton of cement for the year (74.6 kwh in 2015), representing a cost saving of approximately HK$36.4 million (HK$103.8 million in 2015). Our residual heat recovery generators generated 2,032.9 million kwh of electricity in the year, representing an increase of 6.0% over 1,917.1 million kwh in 2015. The electricity generated in 2016 accounted for approximately 31.7% of our required electricity consumption (31.6% in 2015) and we achieved a cost saving of approximately HK$1,101.1 million for the year (HK$1,145.3 million in 2015). Electricity cost represented approximately 18.2% of the cost of sales of cement for the year (18.7% in 2015) and approximately 15.7% of the Group's total cost of sales for the year (16.0% in 2015).

Gross profit and gross margin

The consolidated gross profit for 2016 was HK$7,025.5 million, representing an increase of 9.5% from HK$6,417.3 million for 2015 and the consolidated gross margin was 27.4%, representing an increase of 3.4 percentage points from 24.0% for 2015. The increase in consolidated gross profit for 2016 was mainly attributable to increase in sales volume and lower cost of sales of cement products as partly offset by lower selling prices compared to year 2015. The gross margins of cement, clinker and concrete for 2016 were 27.6%, 12.8% and 29.4%, as compared with 23.4%, 9.7% and 28.8% respectively for 2015.

Other income

Other income for 2016 was HK$265.9 million, representing a decrease of 43.7% from HK$471.9 million for 2015, mainly due to decrease of HK$170.5 million in government subsidies relating to the tax rebates for the comprehensive use of waste materials in the production of cement, other incentives and the expiry of rebate for investment incentives.

Selling and distribution expenses

Selling and distribution expenses for 2016 were HK$1,675.9 million, representing a decrease of 4.6% from HK$1,756.6 million for 2015. This was mainly due to lower transportation costs by approximately HK$59.9 million. As a percentage to consolidated turnover, selling and distribution expenses decreased from 6.6% in 2015 to 6.5% in 2016.

General and administrative expenses

General and administrative expenses for 2016 were HK$2,301.6 million, representing a decrease of 5.7% from HK$2,439.6 million for 2015. As a percentage to consolidated turnover, general and administrative expenses decreased to 9.0% for 2016 from 9.1% for 2015. During the year, a net allowance for doubtful debts of HK$4.3 million was charged to general and administrative expenses for the year (HK$139.3 million in 2015).

Exchange loss

During the year, RMB continued to depreciate against other major foreign currencies. An exchange loss of HK$418.6 million was generated from non-RMB net borrowings of the Group for the year (HK$902.9 million in 2015).

Share of results of associates

The associates of the Group contributed a combined loss of HK$58.1 million for the year (HK$235.0 million in 2015) of which HK$1.8 million, HK$5.3 million and HK$50.4 million (losses of HK$141.8 million, HK$43.6 million and HK$51.5 million in 2015) were attributable to the Group's associates operating in Inner Mongolia, Fujian and Yunnan respectively. The business environments in these provinces improved generally in 2016 but at different magnitudes.

Share of results of joint ventures

Our joint ventures principally operating in Guangzhou area contributed a profit of HK$8.5 million for 2016 (loss of HK$9.2 million in 2015).

Taxation

The effective tax rate of the Group for the year was 41.6% (4.8% for 2015). 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 ended 31 December 2015. Due to the unpredictability of future profit streams, no deferred tax asset has been recognized in respect of the increase in tax losses of HK$699.9 million during the year (decrease of HK$116.7 million in 2015). Had the effects of the abovementioned tax over-provision, the results of associates and joint ventures, the exchange loss as well as the unrecognized tax losses been excluded, the effective tax rate of the Group for 2016 would be 27.0% (27.1% in 2015).

Net margin

Net margin of the Group for 2016 was 4.9%, which was 1.4 percentage points higher than that of 3.5% for 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2016	2015
	'000	*'000*
HK$	**361,708**	458,077
RMB	**2,462,929**	1,273,768
US$	**9,976**	128

As at 31 December 2016, the Group's banking facilities amounted to HK$5,200.0 million, RMB11,500.0 million and US$180.0 million, of which HK$900.0 million, RMB6,200.0 million and US$100.0 million were unutilized and remained available for drawdown and the total bank loans of the Group amounting to HK$10,845.4 million equivalent (HK$15,824.4 million as at 31 December 2015) comprised loans in the following currencies:

	As at 31 December	
	2016	2015
	'000	*'000*
HK$	**4,300,000**	7,500,000
RMB	**5,300,000**	6,000,000
US$	**80,000**	150,000

The bank loans of the Group as at 31 December 2016 and 31 December 2015 were unsecured.

As at 31 December 2016, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$5,030.7 million and HK$5,814.7 million respectively (HK$5,848.8 million and HK$9,975.6 million respectively as at 31 December 2015).

As at 31 December 2016, 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.

During the year, the Company submitted an application to the National Association of Financial Market Institutional Investors of PRC for the purpose of 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 RMB9.0 billion (which was revised to RMB4.5 billion on 27 July 2016) in PRC. On 5 September 2016, the Company has completed the issuance of the first tranche of the medium-term notes in the amount of RMB3.0 billion at the coupon rate of 3.5% per annum for a term of five years and the first tranche of the commercial paper in the amount of RMB500.0 million at the coupon rate of 2.96% per annum for a term of 365 days. The proceeds have been applied to repay bank loans and increase working capital, being the intended use as disclosed in the relevant prospectuses. These medium-term notes and commercial paper are unsecured and remained outstanding at 31 December 2016.

Under the terms of certain agreements for total banking facilities of HK$3,843.5 million equivalent which will expire from June 2017 to February 2018, China Resources (Holdings) Company Limited, the Company's intermediate holding company, 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$6,995.3 million equivalent with expiry dates from August 2018 to May 2019, 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 total banking facilities of HK$9,951.1 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 2016, calculated by dividing net borrowings by equity attributable to owners of the Company, was 56.4% (63.8% as at 31 December 2015).

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 2016 and 31 December 2015.

The Group has net current liabilities of HK$5,743.0 million as at 31 December 2016. Taking into account the cash and bank balances, the unutilized banking facilities, the unissued registered amount of medium-term notes and commercial paper, 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.

CHARGES ON ASSETS

As at 31 December 2016 and 31 December 2015, there was no pledge of assets by the Group.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group has issued guarantees to banks in respect of banking facilities in the amount of RMB1,714.7 million (RMB546.5 million as at 31 December 2015) granted to associates, of which RMB1,655.2 million (RMB530.5 million as at 31 December 2015) had been utilized.

FUTURE PLAN AND CAPITAL EXPENDITURE

New construction projects

During the year, the Company had approved the following new projects under construction:

(1) One set of 300 ton per day urban waste co-processing equipment at our cement production plant in Midu County, Yunnan; and

(2) One set of 500 ton per day urban waste co-processing equipment at our cement production plant in Tianyang County, Guangxi.

Capital expenditure

As at 31 December 2016, the Group has outstanding capital expenditure for production plants under construction during the year in the amount of HK$3,650.9 million. Details of these production plants are as below:

Projects	**Total capital expenditure for the project** *HK$ million*	**Expended as at 31/12/2015** *HK$ million*	**Expended during the year** *HK$ million*	**Outstanding capital expenditure as at 31/12/2016** *HK$ million*
Construction of production lines in Fengkai County, Guangdong, with total annual capacity of 3.1 million tons of clinker	2,875.5	1,745.1	246.7	883.7
Construction of production lines in Anshun City, Guizhou, with total annual capacities of 2.0 million tons of cement and 1.4 million tons of clinker	1,419.5	312.3	19.3	1,087.9
Construction of production lines in Hepu County, Guangxi, with total annual capacities of 2.0 million tons of cement and 1.6 million tons of clinker	1,228.3	363.9	394.5	469.9
Construction of production lines in Lianjiang City, Guangdong, with total annual capacities of 3.0 million tons of cement and 1.9 million tons of clinker	1,775.9	908.8	201.9	665.2
Construction of one set of 300 ton per day urban waste co-processing equipment at our cement production plant in Binyang County, Guangxi	146.9	78.7	36.2	32.0
Construction of one set of 300 ton per day urban waste co-processing equipment at our cement production plant in Midu County, Yunnan	134.2	–	–	134.2
Construction of one set of 500 ton per day urban waste co-processing equipment at our cement production plant in Tianyang County, Guangxi	142.6	–	–	142.6
Construction of six concrete batching plants with total annual capacity of 3.6 million m^3 of concrete	251.0	15.5	0.1	235.4
Total	7,973.9	3,424.3	898.7	3,650.9

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 2016. Total payments for capital expenditure of the Group are expected to be approximately HK$2,301.1 million and HK$2,208.2 million in the years 2017 and 2018 respectively, which will be financed by borrowings and internally generated funds.

STRATEGIES AND PROSPECTS

The supply-side structural reform initiated by the Chinese government and investments in infrastructure construction will lay the foundation for stable economic growth. According to the Work Report of the Chinese government, the targeted GDP growth in 2017 is approximately 6.5% and the targeted FAI growth is approximately 9.0%.

According to the Ministry of Transport, in 2017, the FAI on railways will reach RMB800 billion for the construction of 2,100 km of new lines. The total FAI on highways and waterways will reach RMB1.8 trillion, and 5,000 km of expressways will be built. According to the White Paper on the "Development of Transportation in China" issued in December 2016, by 2020, the FAI on railways will reach RMB3.5 trillion whereas the operational length of railways will be increased from 124,000 km at the end of 2016 to 150,000 km, among which, the operational length of high-speed railways will be increased from 22,000 km at the end of 2016 to 30,000 km. The operational length of expressways will be increased from 130,000 km at the end of 2016 to over 150,000 km. The operational length of urban rail transit will be increased by 3,000 km to over 6,000 km. The construction of transportation facilities will be conducive to the steady and healthy development of the cement industry.

The Group believes that during the "Thirteenth Five-Year" period, stable infrastructure investments will provide strong support to the demand for cement in the medium to long term. Driven by the supply-side reform, the competition environment in cement industry will gradually improve. The Chinese government will continue to raise the production standards in environmental protection, energy consumption and safety as well as product quality, and will encourage qualified cement enterprises to launch solid waste co-processing projects for promotion of the healthy and sustainable development of the cement industry.

As at 31 December 2016, the aggregate annual production capacities of cement, clinker and concrete of the Group controlled by its subsidiaries together with the annual production capacities held by associates and joint ventures attributable to the Group according to its share of equity interests amounted to 100.6 million tons, 72.9 million tons and 38.5 million m^3 respectively. Currently, the annual production capacities of cement and clinker of the Group under construction are 4.0 million tons and 3.0 million tons respectively.

Looking ahead, facing the new norm of the Chinese economy, through the control, conversion and distribution of resources, the Group will persistently achieve the lowest total cost with a leading market position in the region. By utilizing resources and our market advantage, the Group will strengthen our brand building and distribution channels, accelerate environmental protection transformation and research and development of new products, and drive for further development with innovation. Meanwhile, the Group will explore the feasibility of extending our business to upstream and downstream sectors, actively seize the opportunities from supply-side reform in the cement industry, seek strategic co-operation with domestic and international leading cement enterprises, and jointly promote the sustainable and healthy development of the cement industry.

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 final dividend of HK$0.075 per share in cash for the year ended 31 December 2016 (2015: HK$0.02 per share). Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK$0.015 per share in cash for 2016 (2015: HK$0.06 per share) and total distribution for the year ended 31 December 2016 will be HK$0.09 per share (2015: HK$0.08 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 May 2017 to Friday, 12 May 2017, 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, 12 May 2017, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 5 May 2017 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 Wednesday, 31 May 2017 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, 18 May 2017 and the register of members of the Company will be closed on Thursday, 18 May 2017, 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, 17 May 2017 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

The annual report encompassing the consolidated financial statements for the year ended 31 December 2016 has been reviewed by the Audit Committee of the Company.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors, the management team and all staff for their dedication, hard work and loyalty to the Group. On behalf of the Board, I would also like to express our sincere thanks to our customers, business partners and stakeholders for their relentless support.

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

Hong Kong, 10 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. ZHOU Longshan, Mr. JI Youhong 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, Madam ZENG Xuemin and Mr. LAM Chi Yuen Nelson.