華潤建材科技控股有限公司
China Resources Building Materials Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1313)

2024 INTERIM RESULTS ANNOUNCEMENT

	For the six months ended 30 June		
	2024	2023	**(Decrease)**
	(unaudited)	(unaudited)	
		(Restated)	
Turnover *(RMB million)*	**10,311.7**	11,974.6	(13.9)%
Profit attributable to owners of the Company *(RMB million)*	**165.8**	556.0	(70.2)%
Basic earnings per share	**RMB0.024**	RMB0.080	
Interim dividend per share	**HK$0.02**	HK$0.041	

	As at 30/6/2024 (unaudited)	As at 31/12/2023 (audited)	**(Decrease)/ Increase**
Total assets *(RMB million)*	**72,614.3**	72,792.2	(0.2)%
Equity attributable to owners of the Company *(RMB million)*	**44,210.4**	44,108.5	0.2%
Gearing ratio *(note 1)*	**38.8%**	36.9%	
Net assets per share – book *(note 2)*	**RMB6.33**	RMB6.32	0.2%

notes:

1. Gearing ratio is calculated by dividing the total bank borrowings, loans from related parties and medium-term notes by equity attributable to owners of the Company.

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

The board (the "Board") of directors (the "Directors") of China Resources Building Materials Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2024 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**For the six months ended 30 June 2024** *RMB'000* **(unaudited)**	2023 *RMB'000* (unaudited) *(Restated)*
Turnover	*3*	**10,311,717**	11,974,578
Cost of sales		**(8,766,922)**	(9,961,655)
Gross profit		**1,544,795**	2,012,923
Other income		**140,192**	175,320
Selling and distribution expenses		**(208,079)**	(215,743)
General and administrative expenses		**(944,363)**	(971,046)
Exchange gain		**2,821**	1,862
Finance costs	*4*	**(256,431)**	(260,640)
Share of results of associates		**(65,159)**	(23,091)
Share of results of joint ventures		**24,111**	28,369
Profit before taxation	*5*	**237,887**	747,954
Taxation	*6*	**(102,667)**	(218,415)
Profit for the period		**135,220**	529,539
Other comprehensive (expense) income:			
Item that will not be subsequently reclassified to profit or loss:			
Change in fair value of other investment		**(2,542)**	(5,322)
Items that will be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(17,496)**	(52,155)
Share of other comprehensive (expense) income of associates		**(5,132)**	4,391
Total comprehensive income for the period		**110,050**	476,453
Profit (loss) for the period attributable to:			
Owners of the Company		**165,764**	555,953
Non-controlling interests		**(30,544)**	(26,414)
		135,220	529,539
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**140,044**	500,510
Non-controlling interests		**(29,994)**	(24,057)
		110,050	476,453
Basic earnings per share	*7*	**RMB0.024**	RMB0.080

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30/6/2024** *RMB'000* **(unaudited)**	As at 31/12/2023 *RMB'000* (audited)
Non-current assets			
Fixed assets		**31,293,907**	31,172,910
Right-of-use assets		**4,961,950**	4,924,600
Other investment		**15,763**	18,199
Intangible assets		**18,175,623**	18,372,991
Interests in associates		**5,329,788**	5,438,225
Interests in joint ventures		**1,977,824**	1,964,381
Other non-current assets		**1,613,688**	1,695,558
Deferred tax assets		**941,381**	791,895
Long term receivables		**255,139**	278,058
Pledged bank deposits		**502,175**	445,150
		65,067,238	65,101,967
Current assets			
Inventories		**2,429,406**	1,896,027
Trade receivables	*8*	**2,545,645**	1,719,622
Other receivables		**1,429,549**	1,410,000
Taxation recoverable		**26,871**	60,957
Cash and bank balances		**1,115,597**	2,603,664
		7,547,068	7,690,270
Current liabilities			
Trade payables	*9*	**2,428,627**	2,978,619
Other payables		**4,915,414**	5,499,610
Taxation payable		**125,917**	83,993
Loans from non-controlling shareholders		**136,733**	144,325
Bank loans - amount due within one year		**5,258,242**	2,273,388
		12,864,933	10,979,935
Net current liabilities		**(5,317,865)**	(3,289,665)
Total assets less current liabilities		**59,749,373**	61,812,302

	As at 30/6/2024 *RMB'000* (unaudited)	As at 31/12/2023 *RMB'000* (audited)
Non-current liabilities		
Bank loans - amount due after one year	**10,694,014**	13,816,725
Medium-term notes	**1,000,000**	-
Loans from non-controlling shareholders	**54,592**	47,000
Other long term payables	**1,851,568**	1,873,758
Deferred tax liabilities	**318,997**	327,650
	13,919,171	16,065,133
	45,830,202	45,747,169
Capital and reserves		
Share capital	**617,812**	617,812
Reserves	**43,592,548**	43,490,651
Equity attributable to owners of the Company	**44,210,360**	44,108,463
Non-controlling interests	**1,619,842**	1,638,706
Total equity	**45,830,202**	45,747,169

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the revised standards effective as of 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to HKAS 1	Classification of liabilities as current or non-current ("2020 Amendments") and non-current liabilities with covenants ("2022 Amendments")
Amendments to HKFRS 16	Lease liability in a sale and leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements

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

3. SEGMENT INFORMATION

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

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

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

The information of the segment results is as follows:

For the six months ended 30 June 2024 (unaudited)

	Cement *RMB'000*	**Concrete** *RMB'000*	**Aggregates and others** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
TURNOVER– SEGMENT REVENUE					
External sales	**6,891,141**	**1,736,957**	**1,683,619**	**-**	**10,311,717**
Inter-segment sales	**267,633**	**979**	**195,844**	**(464,456)**	**-**
	7,158,774	**1,737,936**	**1,879,463**	**(464,456)**	**10,311,717**

Inter-segment sales are charged at prevailing market prices.

RESULTS					
Segment results	**254,495**	**75,076**	**329,217**	**-**	**658,788**
Interest income					**19,508**
Exchange gain					**2,821**
Finance costs					**(256,431)**
Unallocated net corporate expense					**(145,751)**
Share of results of associates					**(65,159)**
Share of results of joint ventures					**24,111**
Profit before taxation					**237,887**

For the six months ended 30 June 2023 (unaudited) *(Restated)*

	Cement *RMB'000*	Concrete *RMB'000*	Aggregates and others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
TURNOVER– SEGMENT REVENUE					
External sales	9,286,659	1,483,772	1,204,147	-	11,974,578
Inter-segment sales	267,773	1,147	125,702	(394,622)	-
	9,554,432	1,484,919	1,329,849	(394,622)	11,974,578

Inter-segment sales are charged at prevailing market prices.

RESULTS					
Segment results	881,596	(28,860)	252,396	-	1,105,132
Interest income					43,879
Exchange gain					1,862
Finance costs					(260,640)
Unallocated net corporate expense					(147,557)
Share of results of associates					(23,091)
Share of results of joint ventures					28,369
Profit before taxation					747,954

4. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(Restated)
Interests on:		
Bank loans and medium-term notes	**240,119**	254,742
Loans from non-controlling shareholders	**2,646**	4,836
Provision for environmental restoration	**15,149**	13,764
Payable for acquisition of assets	**23,835**	33,229
Lease liabilities	**5,960**	4,871
	287,709	311,442
Less: Amount capitalized to fixed assets	**(31,278)**	(50,802)
	256,431	260,640

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(Restated)
Profit before taxation has been arrived at after charging (crediting):		
Total staff costs (including Directors' emoluments)	**1,284,462**	1,313,975
Allowance for doubtful debts	**37,223**	73,665
Reversal of allowance for doubtful debts of other receivables	**-**	(25,192)
Amortization of mining rights	**226,828**	132,833
Depreciation of fixed assets	**990,155**	952,369
Depreciation of right-of-use assets	**119,213**	100,781
Short term lease payments	**13,487**	8,360
Variable lease payments - motor vehicles	**173,578**	134,584
Interest income	**(19,508)**	(43,879)

6. TAXATION

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(Restated)
Current taxation		
Hong Kong Profits Tax	**13,658**	7,642
Chinese Mainland Enterprise Income Tax	**247,408**	306,039
	261,066	313,681
Deferred taxation		
Hong Kong	**(974)**	245
Chinese Mainland	**(157,425)**	(95,511)
	(158,399)	(95,266)
	102,667	218,415

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

Chinese Mainland Enterprise Income Tax includes the income tax calculated at 25% on the taxable income of the group entities in the People's Republic of China ("China" or "PRC") but excluding Hong Kong and Macao (the "Chinese Mainland"), the withholding tax calculated at 5% on dividends in the Chinese Mainland, and the deferred tax calculated at 5% on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong, for both periods.

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(Restated)
Earnings		
Earnings attributable to the owners of the Company for the purpose of basic earnings per share	**165,764**	555,953

	For the six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Number of share(s) of HK$0.10 each in the share capital of the Company ("Share(s)")		
Weighted average number of Shares for the purpose of basic earnings per share	**6,982,937,817**	6,982,937,817

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

8. TRADE RECEIVABLES

	As at 30/6/2024 *RMB'000* **(unaudited)**	As at 31/12/2023 *RMB'000* (audited)
Trade receivables from third parties	**2,330,047**	1,540,201
Trade receivables from related parties	**215,598**	179,421
	2,545,645	1,719,622

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

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

	As at 30/6/2024 *RMB'000* **(unaudited)**	As at 31/12/2023 *RMB'000* (audited)
0 to 90 days	**1,799,689**	1,104,190
91 to 180 days	**194,749**	162,018
181 to 365 days	**303,129**	148,680
Over 365 days	**248,078**	304,734
	2,545,645	1,719,622

9. TRADE PAYABLES

	As at 30/6/2024 *RMB'000* **(unaudited)**	As at 31/12/2023 *RMB'000* (audited)
Trade payables to third parties	**2,340,293**	2,882,184
Trade payables to related parties	**88,334**	96,435
	2,428,627	2,978,619

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

	As at 30/6/2024 *RMB'000* **(unaudited)**	As at 31/12/2023 *RMB'000* (audited)
0 to 90 days	**2,163,872**	2,886,361
91 to 180 days	**78,731**	39,912
181 to 365 days	**141,334**	29,491
Over 365 days	**44,690**	22,855
	2,428,627	2,978,619

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.02 per Share for the Period (2023: HK$0.041). The interim dividend, which amounts to approximately HK$139.7 million (2023: HK$286.3 million), will be distributed on or about Friday, 25 October 2024 to shareholders whose names appear on the register of members of the Company after the close of business on Friday, 20 September 2024.

The interim dividend will be payable in cash to each shareholder in HK$ by default. Shareholders will also be given the option to elect to receive all or part of the interim dividend in RMB at the exchange rate of HK1.0: RMB0.91654, being the benchmark exchange rate of HK$ to RMB as published by the People's Bank of China on the date of the 2024 interim results announcement, i.e. Friday, 16 August 2024. If shareholders elect to receive the interim dividend in RMB, such dividend will be paid to shareholders at RMB0.0183308 per Share. To make such election, shareholders should complete the Dividend Currency Election Form which is expected to be dispatched to shareholders in late September 2024 as soon as practicable after the record date of Friday, 20 September 2024 to determine shareholders' entitlement to the interim dividend, and lodge it with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 14 October 2024.

Shareholders who are minded to elect to receive all or part of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Friday, 25 October 2024 at the shareholders' own risk.

If no duly completed Dividend Currency Election Form in respect of the shareholder is received by the Company's share registrar by 4:30 p.m. on Monday, 14 October 2024, such shareholder will automatically receive the interim dividend in HK$. All dividend payments in HK$ will be made in the usual ways on Friday, 25 October 2024.

If shareholders wish to receive the interim dividend in HK$ in the usual way, no additional action is required.

Shareholders should seek professional advice with their own tax advisers regarding the possible tax implications of the dividend payment.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 September 2024 to Friday, 20 September 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 13 September 2024 with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

BUSINESS ENVIRONMENT

In the first half of 2024, in the face of new challenges arising from a significant increase in uncertainties in the external environment and the continued deepening of domestic structural adjustments, the Chinese government adhered to the general principle of pursuing progress while maintaining stability, thoroughly implemented the new development philosophy, accelerated the construction of a new development paradigm, and solidly promoted high-quality development, which had resulted in the overall stable operation of the national economy. In the first half of 2024, the gross domestic product ("GDP") of China grew by 5.0% year-on-year to RMB61.7 trillion, and national fixed asset investments ("FAI") (excluding rural households) increased by 3.9% year-on-year to RMB24.5 trillion.

According to the statistics published by the respective provincial bureaux of statistics, in the first half of 2024, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi, Hunan, Hubei, Shandong, Chongqing and Shaanxi, where the Group has business operations, reached RMB6.5 trillion, RMB1.3 trillion, RMB2.6 trillion, RMB360.6 billion, RMB1.5 trillion, RMB1.1 trillion, RMB1.1 trillion, RMB2.5 trillion, RMB2.7 trillion, RMB4.7 trillion, RMB1.5 trillion and RMB1.6 trillion respectively, representing year-on-year increases of approximately 3.9%, 3.6%, 5.6%, 3.1%, 3.5%, 5.3%, 1.9%, 4.5%, 5.8%, 5.8%, 6.1% and 4.3% respectively. In the first half of 2024, the year-on-year changes in FAI of the aforementioned provinces were approximately -1.5%, -8.1%, 5.7%, 6.4%, -7.9%, 1.2%, 2.8%, 0.4%, 5.9%, 4.9%, 2.6% and 2.7% respectively.

In terms of stabilizing investment, the Chinese government proposed the plan to issue ultra-long-term special government bonds for several consecutive years starting from 2024, specifically for the implementation of major national strategies and the construction of security capabilities in key areas. In 2024, RMB1 trillion will first be issued. In addition, in the first half of 2024, approximately RMB1.8 trillion of new local government bonds were issued nationwide, among which, approximately RMB1.5 trillion were new special bonds. The issuance and usage of ultra-long-term special government bonds and special bonds had secured funding for investment growth. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2024, the national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) increased by 5.4% year-on-year. According to the statistics published by the Ministry of Transport of China and the National Railway Administration of China, in the first half of 2024, FAI on highways and waterways in China amounted to approximately RMB1.3 trillion, representing a decrease of 9.1% year-on-year. In the first half of 2024, FAI on railways amounted to approximately RMB337.3 billion, representing an increase of 10.6% year-on-year. A cumulative total of 979.6 km of new lines had been completed, further improving the network layout of regional roads.

In 2024, the real estate market of China remained in a phase of transformation and adjustment. In response to the substantial changes in the supply and demand dynamics in the real estate market, various regions and departments formulated policies according to local conditions, actively adjusted and optimized real estate policies and solidly promoted the work of ensuring timely delivery of housing to support the demand for both affordable housing and housing for improving living conditions. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2024, the floor space of commodity housing sold in China decreased by 19.0% year-on-year to 480 million m^2 and the sales amount decreased by 25.0% year-on-year to RMB4.7 trillion. Real estate development investment in China decreased by 10.1% year-on-year to RMB5.3 trillion. Among which, the floor space of houses newly started construction decreased by 23.7% year-on-year to 380 million m^2 while the floor space of houses completed decreased by 21.7% to 190 million m^2. As of the end of June 2024, the floor space under construction by the real estate developers nationwide decreased by 12.0% year-on-year to 6,970 million m^2.

The Chinese government solidly advanced the “three major projects”, namely, construction of affordable housing, renovation of urban village and the construction of public infrastructure for “dual uses in normal and emergency situations” to promote transformation and upgrade of the industry and advance high-quality urban development. According to the statistics published by the Ministry of Housing and Urban-Rural Development of China, as of the end of June 2024, 33,000 old communities nationwide newly started renovations. In June 2024, the General Office of the Ministry of Natural Resources of China issued a notice on the issuance of the "Guidelines for Land and Space Planning Policies for the Renovation of Urban Villages", which required to fully leverage the coordination and leadership roles of land and space planning in the renovation of urban villages, actively and steadily advance the work of renovating urban villages and effectively eliminate latent safety hazards in order to build a liveable, resilient and intelligent city.

THE INDUSTRY

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2024, the total cement production in China amounted to approximately 850.0 million tons, representing a year-on-year decrease of 10.0%. Cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi and Hunan were approximately 59.9 million tons, 43.3 million tons, 29.8 million tons, 6.7 million tons, 44.8 million tons, 23.7 million tons, 17.9 million tons and 32.0 million tons respectively, representing year-on-year changes of approximately -9.7%, -9.4%, -8.1%, -7.5%, -5.4%, -12.7%, -14.1% and -10.4% respectively.

During the Period, according to the statistics of the China Cement Association, there were 2 new clinker production lines nationwide with new annual clinker production capacity of approximately 3.4 million tons in total. Among which, in the major operating regions of the Group, there was 1 new clinker production line in Hunan with new annual clinker capacity of approximately 1.5 million tons.

Regarding industry policies, the Chinese government had introduced a series of policies and measures to accelerate the promotion of green, low-carbon transformation and high-quality development of the industry, improve utilization efficiency for energy and resources, refine and strictly enforce capacity replacement policies, promote regular off-peak production and advance rationalization of industrial structure to lay the foundation for achieving the goals of carbon peaking and carbon neutrality. In addition, the Chinese government attaches great importance to production safety and occupational health, and fosters the high-quality and sustainable development of the building materials industry.

Regarding energy saving and emissions reduction, the Chinese government actively implemented energy saving and low-carbon actions, advanced ultra-low emissions upgrades in the cement industry and strengthened the management of carbon emissions intensity to support the green, low-carbon and high-quality development of the industry. In January 2024, the Ministry of Ecology and Environment of China, together with the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance and the Ministry of Transport of China, jointly issued the "Opinions on Promoting the Implementation of Ultra-Low Emissions in the Cement Industry" to promote the implementation of ultra-low emission upgrades for cement and clinker production enterprises (excluding mines) and independent grinding stations. It is targeted that by the end of 2025, significant progress will be achieved in key regions, striving for completing the upgrades for 50% of cement and clinker production capacity with large state-owned enterprise groups in such regions to have basically completed organized and unorganized ultra-low emission upgrades. By the end of 2028, cement and clinker production enterprises in key regions are aimed for basic completion of upgrades, striving for completing upgrades for 80% of cement and clinker production capacity nationwide. In March 2024, the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development of China jointly issued the "Work Plan for Accelerating Energy Saving and Carbon Reduction in the Construction Sector", which specified that by 2025, the regulatory framework for energy saving and carbon reduction in the construction sector will be further improved and all new buildings in cities and towns will fully implement green building standards. The construction sector is a major consumer of energy consumption and a major emitter of carbon dioxide with energy consumption and carbon dioxide emissions maintaining rigid growth, presenting huge potential for energy saving and carbon reduction. In May 2024, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Ecology and Environment, the State Administration for Market Regulation, and the National Energy Administration of China jointly issued the notice for the "Special Action Plan for Energy Saving and Carbon Reduction in the Cement Industry", which aimed at, by the end of 2025, control of cement and clinker production capacity at approximately 1.8 billion tons, with the proportion of production capacity above the energy efficiency benchmark level to have reached 30%, completion of either technological upgrade or phasing out and exit of production capacity below the energy efficiency benchmark level and the decrease of comprehensive energy consumption per unit product of cement and clinker by 3.7% compared to 2020.

In terms of green development, China adhered to the principle that "green waters and green mountains are gold mountains and silver mountains", unswervingly followed the path of eco-centric and green development, and promoted the comprehensive green transformation of economic and social development. In February 2024, the Ministry of Industry and Information Technology of China, together with the National Development and Reform Commission and seven other departments including the Ministry of Finance of China, issued the "Guiding Opinions on Accelerating the Green Development of the Manufacturing Industry", which proposed that by 2030, the output value of green factories shall account for more than 40% of the total output value of the manufacturing industry, and green development will become a solid foundation for promoting new industrialization. In addition, the opinions proposed to promote the six aspects of high-end transformation of industrial structure, low-carbon transformation of energy consumption, circular transformation of resources utilization, clean transformation of production processes, green transformation of product supply and digital transformation of manufacturing processes in order to strengthen green manufacturing, develop green service industries, expand green energy industries and develop green low-carbon industries and supply chains.

In terms of energy consumption, in May 2024, the State Council of China issued the "2024-2025 Action Plan for Energy Saving and Carbon Reduction". The plan enhanced the regulation and control of the total amount and intensity of energy consumption, focused on controlling fossil energy consumption, strengthened the management of carbon emissions intensity, and implemented sector-specific and industry-specific special actions for energy saving and carbon reduction, aiming to work on energy saving and carbon reduction at a higher level and of a higher quality and better unleash the economic, social and ecological benefits of energy saving and carbon reduction to lay a solid foundation for achieving the goals of carbon peaking and carbon neutrality. At the same time, specific goals were proposed for reduction of energy consumption per unit of GDP, reduction of carbon dioxide emissions per unit of GDP, reduction of energy consumption per unit of value added by industrial entities above a designated scale, the proportion of non-fossil energy consumption and the amounts of energy saving and carbon reduction in key sectors and industries. Specifically for the building materials industry, the plan required stronger regulation and control of production capacity and output in the building materials industry, stricter control over the approval for entry of new building materials projects and the promotion of transformation for energy saving and carbon emissions reduction in the building materials industry.

In terms of the "dual carbon" efforts, the Chinese government had steadily and orderly promoted the construction of the national carbon emission trading market with the inclusion of the cement industry in the carbon market entering the final stage. In order to strengthen the management of corporate greenhouse gas emissions, standardize the accounting reporting and verification of greenhouse gas emissions of enterprises in the cement industry and improve the construction of regulatory framework for expanding the coverage of industries in the national carbon emissions trading market, according to the "Interim Regulations on Carbon Emissions Trading Management", the Ministry of Ecology and Environment of China had organized the preparation of the "Guidelines for Accounting and Reporting of Corporate Greenhouse Gas Emissions in Cement and Clinker Production" and the "Technical Guidelines for Verification of Corporate Greenhouse Gas Emissions in Cement and Clinker Production" for public consultation. These guidelines serve as an important basis for accounting reporting and verification of greenhouse gases in the cement industry, which will help enterprises to improve the standardized management of carbon emissions data and be well prepared for the inclusion of the cement industry in the national carbon market.

In terms of industrial structure, in June 2024, in order to further consolidate the achievements of capacity reduction in the cement and glass industries, optimize the industrial layout, advance the dynamic balance between market supply and demand and promote the high-quality development of the cement and glass industries, the Ministry of Industry and Information Technology of China introduced the "Implementation Measures for Capacity Replacement in the Cement and Glass Industries (2024 Edition) (Draft for Consultation of Comments)". On the basis of the existing replacement ratio, the draft measures had added provisions for solid waste such as industrial waste and tailings slag, reflecting the government's encouragement of the comprehensive utilization of cement kilns. Through the strict prohibition of cross-province capacity replacement, the exit of obsolete production capacity is accelerated and the development of new-type green cement products is encouraged.

In terms of production safety, the Chinese government places strong emphasis on production safety. In January 2024, the National Mine Safety Administration of China issued the "Key Points for Mine Production Safety Works in 2024", which proposed to deepen the overall investigation of latent disaster-causing factors, vigorously advance the pre-emptive management and treatment of major disasters, select and adequately equip mine safety management personnel of strong capability, standardize the management of outsourced mining teams, strengthen the intelligentization construction of mines, strictly tally accidents and submit information, seriously investigate and handle accidents in order to promote the transformation of mine safety management model towards pre-emptive prevention. In February 2024, the Work Safety Commission of the State Council of China issued the "Three-Year Action Plan to Address the Root Causes of Work Safety (2024-2026)", which proposed a total of 20 specific measures in 8 aspects to encourage all units over a three-year period to continuously improve intrinsic safety levels, accelerate the promotion of modernization of governance systems and governance capabilities for production safety, and foster positive interactions between high-quality development and high-level safety.

TRANSFORMATION AND INNOVATION

In 2024, the Group actively seized development opportunities of new businesses, fully leveraged on the integrated synergistic advantages of cement, aggregates and concrete, and achieved rapid development in the aggregates business and initial success in the optimization of business structures.

In terms of basic building materials, the Group further consolidated its competitiveness in the South China market. In February 2024, the Group completed construction and commenced operation of Runsheng Quarry, with new annual production capacity of approximately 2.0 million tons of aggregates in Zhaoqing City, Guangdong. In March 2024, the Group completed construction and commenced operation of the concrete project with supporting aggregates production line with new annual production capacity of approximately 2.0 million tons of aggregates in Pingnan County, Guigang City, Guangxi. In July 2024, the Group commenced trial production of the aggregates project with new annual production capacity of approximately 5.0 million tons of aggregates in Qintang District, Guigang City, Guangxi. Our production capacity of aggregates had been further increased.

In terms of structural building materials, the Group actively implemented the integrated development strategy of cement, aggregates and concrete, positioned concrete as the sales channel for cement and aggregates, reinforced business synergy through the establishment of 10 industrial parks, controlled production capacity and boosted sales through asset-light models in core markets such as the Guangdong-Hong Kong-Macao Greater Bay Area and Hainan, which had further consolidated the Group's leadership position and influence in the terminal markets.

In terms of functional building materials, the Group had preliminarily completed its nationwide layout for the engineered stone business. Through continuous iteration and upgrade of more high-quality stone products, the Group had excelled in areas such as green manufacturing, green products, green supply chain management, social responsibility and technological creation in habitat construction, which had been recognized by the industry and customers.

The Group plans its development from the lofty perspective of harmonious coexistence between human and nature, takes “ecology, environmental protection, safety, and intensive utilization of resources” as the central theme of work, actively engages in the businesses of energy saving, emission reduction, pollution reduction and carbon reduction, continuously promotes corporate industrial transformation and upgrade and persistently pursues the path of green and sustainable development. The Group steadily and orderly advances initiatives for carbon peaking and carbon neutrality, puts the concept of “green waters and green mountains are gold mountains and silver mountains” into practice, and is dedicated to becoming a role model of green and low-carbon development in the building materials industry.

In the first half of 2024, the Group added 5 new green mines of provincial level or autonomous region (“AR”) level, including 3 limestone mines for cement production and 2 aggregates mines. The Group completed construction of 9 green mines of national level and 21 green mines of provincial level or AR level.

In the first half of 2024, the Group actively promoted research and development of new products and new technologies. During the Period, the Group promoted the application of raw material roller press and energy saving and carbon reduction technologies in cement grinding. At the same time, the Group strived to keep pace with the new era of dual carbon, led the promotion of green and innovative development, independently developed additives for raw materials and conducted trials at multiple production plants. In addition, the Group continuously advanced the construction of digital smart mines, actively promoted the application of all-electric mining trucks, unmanned driving, smart drilling and digitalization in mines to facilitate the construction of green mines.

In the first half of 2024, the Group’s unfailing efforts in technological innovation and corporate social responsibility work were recognized by the industry and the society. These include:

- In February 2024, the “Complete Set of Technology and Application Demonstration of One-Stop Utilization of Waste Rocks from Mines and Construction Solid Waste for the Production of Low-Carbon Cement and Concrete” project of the Group’s cement production plant located in Changjiang, Hainan, was awarded the scientific and technological achievement appraisal certificate by the China Building Materials Federation. The project achievements were recognized as having reached an overall level of international advancement, among which, the “Key Technologies for Producing Low-Carbon Cement and Concrete by Utilization of High-Aluminum and Low-Calcium Waste Rocks” had reached the international leading level.

- In June 2024, owing to performance in fulfilling responsibilities in environmental, social and corporate governance (“ESG”) aspects, the Company was selected into the list of “China Listed Companies ESG Pioneer 100” for the second consecutive year, with a rank of 13 on the list again and ESG performance at a "five-star" level.

PRODUCTION CAPACITY

Changes to Production Plants

In terms of clinker and cement, during the Period, the clinker and cement production capacities of the Group remained unchanged.

In terms of concrete, during the Period, the Group constructed and commenced operation of 1 new concrete batching plant. The total annual production capacity of concrete increased by approximately 1.35 million m^3 compared to the end of 2023.

Capacity Utilization

The utilization rates of the Group's cement, clinker and concrete production lines during the Period were 64.2%, 75.6% and 27.1% respectively, as compared with 63.6%, 78.9% and 21.3% respectively in the first half of 2023.

COST MANAGEMENT

Operational Management

In the first half of 2024, focusing on the management theme of "strengthening the foundations and grasping upgrades, promoting transformation through technological innovation" and by focusing on enhancing mindsets, capabilities and work styles, the Group united efforts to concentrate on strengthening the operation and management of basic building materials, implemented the strategy of the lowest total costs, continued to solidly execute project construction, and put the concept of "construction as operation" into practice for the full commitment to advancing the implementation of key tasks in the annual business plan and achieving operational targets. The Group strengthened its foundations by developing cost analysis capabilities of the whole value chain to systematically reduce production costs, resulting in significant reduction in the costs of most products compared to the corresponding period last year and the budget. The Group implemented "dual carbon" actions to continuously improve energy consumption levels; vigorously developed the aggregates business, accelerated the construction of aggregates projects, enhanced the management level of aggregates and comprehensively promoted lean management to improve corporate competitiveness.

The Group actively responded to the national strategy of "carbon peaking and carbon neutrality", promoted the implementation of operation management and control of basic building materials, steadily implemented the "Four-Year Action Plan for Energy Saving and Carbon Reduction" and continued to promote the use of alternative fuels. Standard coal consumption per ton of clinker products had decreased compared to the average in 2023. 21 production lines had reached the first-level energy consumption benchmark stipulated in the requirements of GB16780 "The Norm of Energy Consumption Per Unit Products of the Cement", representing an increase of 7 lines compared to 2023 and an increase from 33% to 44% in the proportion of production capacity.

In the first half of the year, cost reduction management system across the whole value chain was established and refined. Management work across the whole value chain was launched in various aspects including production, procurement, logistics and workforce efficiency, which had consolidated the responsibility for cost management, adopted various measures such as management and control of process supervision and launch of lean management projects to achieve cost reduction targets. We are committed to restoring the advantage of the lowest total costs.

In terms of treatment and management of mine safety, the Group controlled slope risks from the source through strengthening design reviews and regularly conducting slope stability analysis, and effectively improved the slope safety coefficients through implementing special proposals such as controlled blasting at slopes, disposal of hazardous rocks and hanging nets for support. At the same time, the Group continuously advanced the construction of digital smart mines, actively promoted the application of all-electric mining trucks, unmanned driving, smart drilling and digitalization in mines, and continuously improved the level of digitalization and intelligentization to facilitate the construction of green mines.

In terms of project construction management, the Group strictly implemented the oversight mechanism for regular project management. The headquarters held monthly project promotion meetings in which the Company's senior management participated for supervision. The Group launched supervision and inspection on prominent issues and concentrated the headquarters' efforts to expedite resolution. The Group also coordinated the deployment of project management personnel to station at project sites to promote broad and in-depth project management at the headquarters level, coordinated the launch of thorough review on licenses and risk assessment for each project, and accelerated the processing of licenses. The targets for commencement of production of projects had been included in the annual performance contracts of production plants to fully motivate the subjective initiative of the production plants and effectively accelerate the project process. The Group regularly organized and launched project management alert meetings and training for whole-process management of project construction to strengthen the risk awareness of project personnel at all levels and enhance the capabilities of project management personnel. The Group organized and launched special self-examination and self-correction in the field of infrastructure projects to deepen and solidify compliance management of engineering projects. Special inspections on safety management were carried out regularly for all projects under construction and aggregates production lines which had commenced operation in recent years to ensure that no construction or production would be launched under unsafe conditions.

In terms of aggregates business management, the Group adheres to the concept of "construction as operation" and strictly enforces safety, quality, progress and cost management and control, places great emphasis on contract performance and cost management and control throughout the construction process, and focuses on critical stages such as project construction and project trial operation by commencing production ahead of competitors to capture the markets and boost performance. In terms of production and operation, the Group had preliminarily established an aggregates operation and management system, diligently implemented whole-process lean management, conducted internal and external benchmarking and competitiveness analysis of production plant to improve quality and reduce costs.

Procurement Management

In the first half of 2024, the domestic demand for coal decreased substantially and the volume of imported coal had reached record high again, leading to downward fluctuations in the coal market price. During the first half of the year, the Group purchased a total of approximately 3.6 million tons of coal (approximately 4.6 million tons in the first half of 2023), among which, approximately 86%, 6% and 8% were sourced from northern China, neighbouring areas of our production plants and overseas respectively (90%, 9% and 1% in the first half of 2023). The proportion of direct procurement from coal producers was approximately 88% (92% in the first half of 2023).

In the future, the Group will continuously maintain the strategic cooperation with large-scale domestic coal suppliers, maintain a relatively high fulfillment rate of long-term contracts, and establish strategic channels for direct procurement of Australian coal to increase the proportion of imported coal procurement. At the same time, the Group will continue to expand procurement channels with other large-scale coal enterprises with advantageous prices and self-produced resources and combine market conditions with actual business needs to purchase low-priced market coal when opportunities arise. The Group will combine production needs to control inventory at low level and reasonably increase inventory according to market conditions, in order to reduce the overall procurement costs.

In terms of mineral admixtures, first, the Group expanded procurement channels, enhanced the frequency and quality of market research and introduced cost-effective channels. Second, the Group developed direct procurement from the source, built up coordination mechanism for cross-organizational communications and introduced new sources for direct procurement. Third, the Group strengthened regional centralized procurement, sorted out the common needs within and across regions and formulated measures for improving the effectiveness and efficiency of centralized procurement. Fourth, the Group negotiated price adjustments for cost reduction, grasped the market conditions of various mineral admixtures and conducted price negotiations in a timely manner.

Aggregates are the main raw materials for concrete production. The Group coordinated the expansion of internal aggregates collaboration to unleashed the advantages of integrated holistic efficacy, and conducted procurement business benchmarking to effect dynamic price management. At the same time, the Group enhanced the depth and breadth of market research, continued to promote exploration of direct procurement from the source and supplier development in each region, fully utilized resources in the vicinity of our production plants, developed alternative materials, and conducted joint production experiments to optimize mix proportions. In addition, according to fluctuations in market supply and demand, the Group optimized procurement strategies and flexibly introduced channels through a set of strategies to foster competition.

Logistics Management

In the first half of 2024, the Group adopted a series of measures to achieve an overall downward trend in logistics cost. In terms of shipping, the Group reduced shipping costs in multiple steps through methods such as organizing and optimizing shipping routes and adjusting ship types, adjusting shipping points based on the principle of the lowest total costs, continuously improving the compatibility of ship types and reducing the demurrage of sea ships. In terms of truck transportation, the Group continued to compress logistics costs through measures such as planning two-way logistics, leveraging on the advantages of economies of scale and exploring new energy vehicle business.

In the first half of 2024, the annual shipping capacity of the Group along the Xijiang River was approximately 45.9 million tons, which secured stable and continuous logistics capabilities for the Group's business operation. The Group continuously optimized the layout of its silo terminals and occupied high-quality silo terminal resources. During the Period, the Group controlled the operation of 30 silo terminals with total annual capacity of approximately 31.5 million tons, which are mainly located in the Pearl River Delta Region of Guangdong. This consolidates the Group's leading market position in Southern China.

Sales and Marketing

Product Promotion

In the first half of 2024, the Group continued to promote specialized products such as cement for nuclear power stations and Portland cement for roads to enhance our differentiated competitive advantages. In addition to continuing to supply to multiple nuclear power projects in Zhejiang, Fujian, Guangdong and Hainan, the Group had also extended the application of cement for nuclear power stations to nuclear island domes of nuclear power projects. At the same time, Portland cement for roads was actively promoted. In the first half of the year, the Group assisted the Highway Administration Bureau Business Development Centre of Fujian Province in formulating the "Technical Guidelines for Wear-Resistant, Low Shrinkage and Crack-Resistant Pavement Cement". In April, the Group, together with Fuzhou University, China and the Highway Administration Bureau Business Development Centre of Fujian Province, jointly hosted the "Technical Review and Promotion Meeting for Wear-Resistant and Low Shrinkage Pavement Cement", which determined the technical indicators for wear-resistant and low-shrinkage pavement cement and listed the "Runfeng Brand" Portland cement for roads as a key recommended cement and brand for highway construction in Fujian. In 2024, Portland cement for roads had been successively applied in Phase 2 of the Fuzhou Airport project and the pavement construction project of the new Xiamen Airport.

At the same time, the Group full leveraged on its collaborative advantages in resources by continuously applying specialized products such as medium-heat and low-heat cement in large-scale national infrastructure projects such as the Yalin section of the Sichuan-Tibet railway, as well as hydropower station projects at Yebatan, Tuoba, Xulong, Lawa and Rumei.

Brand Building

In the first half of 2024, the Group was committed to comprehensively enhancing the influence of the "Runfeng" brand through releasing the "Special Improvement Plan for Key Users and Renovation Companies" and organizing to conduct the "Product and Service Quality" surveys, which had led to new cooperation with over 1,200 key users and renovation companies and continuously enhanced reputation of products and brand. On 28 June, the Group successfully held the 2024 brand anniversary celebration cum business partner conference, mobilizing customers to boost confidence and create cooperation environment of symbiosis, mutual growth and shared success.

At the same time, the Group continued to build the unified brand of "Runpin" for functional building materials. The "Runpin" brand image and its ecosystem of building materials products were showcased to customers at professional exhibitions such as the China Xiamen International Stone Fair, China Concrete Exhibition and the "Runpin" Interior Design Forum. The Group had built the images of "Runpin" showroom and terminal stores, and regularly held activities such as "Master Lectures" to continuously shape the brand image.

TRANSFORMATION AND INNOVATION

New Business Development

In the first half of 2024, the Group actively promoted the development of new businesses, fully utilized the integrated collaborative advantages between cement, aggregates and concrete, accelerated the construction and operation of aggregates projects, and continued to optimize business structure, with continuous increases in the proportions of assets and revenue of new businesses.

Aggregates

In the first half of 2024, the Group accelerated the construction and commissioning of its existing aggregates projects. In February, the Group officially completed construction and commenced operation of Runsheng Quarry, with new annual production capacity of approximately 2.0 million tons of aggregates in Zhaoqing City, Guangdong. In March, the Group officially completed construction and commenced operation of the concrete project with supporting aggregates production line, with new annual production capacity of approximately 2.0 million tons of aggregates in Pingnan County, Guigang City, Guangxi.

As of 30 June 2024, based on its own existing cement mines, the Group's annual production capacity of aggregates in operation through its subsidiaries (inclusive of trial production) was approximately 93.5 million tons, and the total annual production capacities of aggregates attributable to the Group according to our equity interests of the associates located in Yunnan and Fujian were approximately 3.6 million tons. Upon completion of construction of all projects, the annual production capacity of aggregates controlled by the Group through its subsidiaries is expected to reach 135.7 million tons and the annual production capacity of aggregates attributable to the Group according to our equity interests of associates and joint ventures will reach approximately 13.5 million tons.

Functional Building Materials

In the first half of 2024, the Group had preliminarily completed the nationwide layout of its engineered stone business. The Phase 1 expansion of the second production line for inorganic engineered stone of DongGuan Universal Classical Material Ltd. in Dongguan, Guangdong had commenced operation with planned annual production capacity of approximately 1.5 million m^2. The intelligent inorganic engineered stone production line project in Laibin, Guangxi of Laibin Universal Classical Material Ltd. is under construction in two phases with total planned production capacities of 6.0 million m^2. The first phase of the two production lines with planned annual production capacities of 3.0 million m^2 had officially commenced operation in December 2023. Currently, the Group's annual production capacity of engineered stone is approximately 26.1 million m^2.

On the other hand, the Group continued to optimize its sales and marketing system and strengthen the brand promotion of "Runpin". In the first half of 2024, the "Runpin" brand image and its ecosystem of building materials products were showcased at professional exhibitions and large-scale events such as the China Xiamen International Stone Fair, China Concrete Exhibition, "Runpin" Interior Design Forum and the annual meeting for dual brands of "Runfeng" and "Runpin". At the same time, the "Runpin Luxury" showroom had become a comprehensive venue that integrates "designer exchanges, customer visits, business negotiations and brand image display". In addition, the Group fully utilized mass media such as public accounts and video accounts for inter-connections with offline marketing to continuously expand brand exposure. In the first half of 2024, the Group entered into new agreements for strategic cooperation with 4 strategic major customers, namely, Runying Property Technology Service Company Limited, Zhuhai Logic Office Furniture Ltd., Zhejiang Kingdom New Material Group Co., Ltd. and China Construction Second Engineering Bureau Ltd.

In addition, the Group continued to strengthen cost reduction and efficiency enhancement of the engineered stone business. In the first half of 2024, the Group managed to save production costs and expenses through measures such as centralization of procurement channels, substitution of raw materials, optimization of prescriptions and process adjustments.

New Materials

In terms of the new materials business, the Group continued to explore development models for the new materials business and conducted planning and research on strategic emerging industries such as integrated circuits, new energy and new materials. Among which, the tender work had been completed for a pilot production line of 500 tons of a photovoltaic new energy high-purity quartz sand project, and other projects are also progressing as planned in an orderly manner. Among which, the Group successfully obtained mining rights for both the calcium oxide project in Chongyang of Hubei and the calcium-based project in Guigang of Guangxi, with resource reserves of approximately 84.0 million tons and approximately 110.0 million tons respectively. A production line with annual production capacity of approximately 250,000 tons of calcium oxide designed for the calcium oxide project in Chongyang of Hubei is under construction, and is expected to commence production and operation in 2024. Production lines with annual production capacities of approximately 500,000 tons of calcium oxide and approximately 100,000 tons of calcium hydroxide designed for the high-end calcium-based project in Guigang of Guangxi is under construction, and is expected to commence operation in 2024. The above projects are under construction as planned. In addition, other projects are being advanced in an orderly manner as planned.

Digital Transformation

As a benchmark enterprise of China Resources Group in digitalization and intelligentization, the Company continued to promote the construction of digitalization and intelligentization, was committed to promoting the transformation and upgrade of traditional industries, and used advanced technology to help improve corporate management and operational efficiency.

In terms of intelligent factories, the Group summarized and promoted the experiences of advanced manufacturing of the "Lighthouse Factory". The Group independently developed an AI intelligent solution for machine visual inspection of alternative fuels, and replaced traditional manual inspection with "advanced control + machine visual inspection technology", which had achieved reduction in the standard deviation of decomposition furnace temperature, reduction in the standard deviation of negative pressure at horizontal screw cutter outlets, and reduction in coal consumption. It had been successfully applied in multiple production plants such as Hepu and Nanning, and had laid a technical foundation for the large-scale use of alternative fuels.

The ERP system in the engineered stone industry was promoted to Shandong Runhe New Material Co., Ltd., Runhe (Lanling) New Material Co., Ltd. and Runhe (Feixian) New Material Co., Ltd., to gradually advance the digitalization construction of the engineered stone business and help to create benchmark production plants for intelligent manufacturing of engineered stone.

The Group continued to deepen intelligent digital empowerment and promote application of mature intelligentization. Production safety management system had been launched in production plants at Nanning, Luoding and Wuxuan, which expedited the standardization of production safety and the construction of dual prevention mechanisms. In the first half of the year, the self-developed quality management system had been launched at 3 production plants, and the implementation of the new national standard GB175-2023 “General Portland Cement” had been completed at the system level, with ongoing iterations and upgrades. A new model of intelligent operation and maintenance of equipment had been built to facilitate cost reduction and efficiency enhancement across the entire value chain through intelligentization and digitalization, thereby supporting the improvement of competitiveness in traditional business. Digital standard solutions had been created for new business types to support the rapid development of new businesses such as stone and aggregates. Coverage of information system had been completed at 19 new production plants of aggregates and new materials, quickly achieving the actions for standardization of “online business operation, standardized management, and integration of business and finance” to reduce management costs.

The Group and China Resources Group jointly applied for the Guangdong database project for innovative applications in Industrial Internet identification and analysis. Online launch had been completed for three major application scenarios of cement quality traceability, logistics traceability and equipment operation and maintenance, and the construction of application scenarios of supply chain was being advanced. Cross-enterprise and cross-regional interconnection and traceability of data was promoted through platform innovation to foster the development of market standardization and protect the rights and interests of customers.

As a deputy director unit of the China Building Materials Federation, the Group participated in the formulation of industry standards and completed the release of two group standards, namely, the “5G Smart Safety Helmet for the Cement Industry” and the “Technical Requirements for 5G Virtual Private Network for the Cement Industry”.

Intelligent Logistics

In terms of intelligent logistics, during the first half of the year, the promotion and launch of the intelligent logistics system had been completed at 6 aggregates production plants and cement production plants including Jingang, Runlong and Heqing. In addition, the innovative upgrade from “Smart Card” to “Smart Code” had been achieved for cement, further simplifying the pickup process for drivers, reducing the hardware operating and maintenance costs for production plants and facilitating business development.

Intelligent Marketing

In terms of intelligent marketing, during the first half of the year, the Group’s project for digital transformation of marketing model had been fully launched in the cement, aggregates, concrete, tile adhesives and engineered stone businesses of each region with a coverage rate of 100%. The logistics distribution and supply chain financing business on the platform continued to launch steadily. As of the end of June 2024, the cumulative transaction volume of the e-commerce platform reached approximately 220.0 million tons, with approximately 40,000 registered users, 541 carriers and approximately 96,000 vehicles (vessels) settled cumulatively. At the same time, the cumulative distributed business volume of the platform reached 334,000 tons.

Research, Development and Innovation

Innovation is an important momentum to stimulate corporate vitality and motivate long-term corporate development. As of 30 June 2024, the Group had 588 technology talents, among whom, there were 3 China Resources Group-level scientific and technological leading talents, 5 company-level scientific and technological leading talents, 7 company-level scientific and technological backbone talents, and 26 company-level scientific and technological youth talents. Over 80 employees were specialized in research and development, among whom, there were 5 professor-level senior engineers, 18 employees with doctorate degrees, and 43 employees with master's degrees.

In the first half of 2024, the Group actively promoted research and development of new products and new technologies. The Group completed the development and engineering application of technical equipment for rotary furnace/walking beam furnace at the cement production plant in Hepu of Guangxi, which had met performance assessment requirements. The application of energy-saving and carbon reduction technologies in roller presses of raw materials and cement grinding had been promoted. At the same time, the Group strived to keep pace with the new era in dual-carbon, lead the promotion of green and innovative development by independently developing raw materials additives, which had been tested at the production plants of Hongshuihe, Pingnan and Guigang. The Group had developed re-engineering technology for carbon dioxide in-situ self-enrichment process with the Company’s characteristics, as well as high-solidity carbon-free autoclaved aerated concrete products, and built a research platform for carbon utilization at the cement production plant in Fengkai of Guangdong to achieve the integrated industrial process of carbon capture and carbon utilization for creating a carbon-neutral pilot line for the cement industry. The pilot project initially possesses carbon dioxide capture capacity of 100,000 tons per year. In terms of new building materials, the Group independently developed integrated technology of 3D printing edge mold for prefabricated composite floor slab had been applied at the prefabricated production line in Jiangmen. This technology had passed the appraisal for scientific and technological achievements of the Guangdong Building Materials Association and had been recognized as having overall reached an international leading standard. In addition, the Group continuously promoted the implementation of projects such as high-quality aggregates, comprehensive utilization technology of aggregates solid waste, low-carbon and high-performance concrete, low-resin engineered stone and high-quality granite waste slurry, which fostered high-quality corporate development.

In the first half of 2024, the Group executed the following four measures to create an innovation paradigm that coordinated efforts between training of scientific and technological talents, industry-academic-research collaboration, intellectual property management and construction of innovation culture. First, the Group continued to promote training of scientific and technological talents. In June 2024, the first phase of the “2024 Outstanding Engineers Practical Advancement Project” was launched to train a total of 64 outstanding engineers. Second, the Group strengthened external cooperation and increased output of scientific and technological achievements. The project of “Research and Application Demonstration of Key Technologies for the Precise and Harmless Disposal and Total Resource Utilization of Electrolytic Manganese Slag” under the Guangxi Science and Technology Scheme jointly applied with the Guilin University of Technology had been approved in 2024. The “Research, Development and Application of Key Technologies for Large-Scale Co-Processing of Dry Urban Sludge in Cement Kilns” was awarded the Third Prize of the Science and Technology Progress Award by the China Building Materials Federation. Third, the Group attached importance to intellectual property protection. As of 30 June 2024, the Company held a total of 325 valid patents, including 87 invention patents, 236 utility model patents and 2 exterior design patents. In the first half of 2024, 16 new authorized patents were added and the number of new article submissions was 25. Fourth, the Group constructed innovative culture.

EMPLOYEES

General Information

As at 30 June 2024, the Group employed a total of 17,165 employees, all of whom were full-time, among whom, 359 were based in Hong Kong and the remaining 16,806 were based in the Chinese Mainland (17,939, 343, 17,596 respectively as at 31 December 2023). A breakdown of our employees by function is set out as follows:

	As at 30/6/2024	As at 31/12/2023
Management	**475**	481
Finance, administration and others	**2,336**	2,381
Production staff	**9,325**	9,973
Technical staff	**4,265**	4,408
Sales and marketing staff	**764**	696
Total	**17,165**	17,939

Among our 475 senior and middle-level managerial staff, 86% are male and 14% are female, 84% possess university degrees or above, 14% have received post-secondary education and the average age of managerial staff is approximately 47 (481, 86%, 14%, 84%, 14%, 47 respectively as at 31 December 2023).

The Group has established a remuneration allocation mechanism based on job value and combined with performance contribution, personal ability and talent development, paid in form of cash bonuses. The total staff costs (including Directors' emoluments) of the Group was approximately RMB1,284,462,000 during the Period (RMB1,313,975,000 for the corresponding period in 2023 (Restated)).

Based on the talent training plan during the Fourteenth Five-Year period, the Group focused on the "3+1" talent team cultivation, carried out special talent training step by step, designed and launched training programmes, and provided career guidance and follow-up training for young employees.

REVIEW OF OPERATIONS

The Group had adopted RMB as the presentation currency of the Group in 2023 retrospectively. The comparative figures for the six months ended 30 June 2023 in the condensed consolidated financial statements of the Group were restated in RMB, which resulted in the restatement of certain comparative figures for the corresponding period in 2023 in this announcement.

Turnover

The consolidated turnover for the Period amounted to RMB10,311.7 million, representing a decrease of 13.9% from RMB11,974.6 million (Restated) for the corresponding period last year. An analysis of segmental turnover by product is as follows:

	For the six months ended 30 June					
	2024			2023		
	Sales volume *'000 tons/m^3*	**Average selling price** *RMB per ton/m^3*	**Turnover** *RMB'000*	Sales volume *'000 tons/m^3*	Average selling price *RMB per ton/m^3* *(Restated)*	Turnover *RMB'000* *(Restated)*
Cement	**27,687**	**240.0**	**6,644,876**	28,521	315.9	9,009,615
Clinker	**1,276**	**193.0**	**246,265**	1,023	270.8	277,044
Concrete	**5,057**	**343.5**	**1,736,957**	3,803	390.1	1,483,772
Aggregates	**29,497**	**36.8**	**1,086,961**	14,230	35.6	506,350
Others			**596,658**			697,797
Total			**10,311,717**			11,974,578

During the Period, our external sales volume of cement, clinker, concrete and aggregates decreased by 0.8 million tons, increased by 0.3 million tons, increased by 1.3 million m^3 and increased by 15.3 million tons respectively, representing a decrease of 2.9%, an increase of 24.7%, an increase of 33.0% and an increase of 107.3% respectively from the corresponding period last year. During the Period, approximately 83.4% of the cement products the Group sold were 42.5 or higher grades (82.8% for the corresponding period in 2023) and approximately 29.3% were sold in bags (29.4% for the corresponding period in 2023). Internal sales volume of cement for our concrete production was 1.1 million tons (0.8 million tons for the corresponding period in 2023), representing 3.7% of the total volume of cement sold (2.7% for the corresponding period in 2023).

The average selling prices of cement, clinker, concrete and aggregates for the Period were RMB240.0 per ton, RMB193.0 per ton, RMB343.5 per m^3 and RMB36.8 per ton respectively, representing a decrease of 24.0%, a decrease of 28.7%, a decrease of 11.9% and an increase of 3.4% respectively from the corresponding period last year.

Cost of Sales

The cost of sales of cement products of the Group (exclusive of cement sales from related parties) comprised coal, electricity, materials and other costs, which represented 40.5%, 13.7%, 17.5% and 28.3% of their costs respectively for the Period (43.4%, 12.2%, 18.5% and 25.9% for the corresponding period in 2023 (Restated) respectively). Materials cost is the major component of the cost of sales of concrete, representing 70.5% of the cost of sales of concrete for the Period (74.5% for the corresponding period in 2023 (Restated)).

The average price of coal the Group purchased for the Period was approximately RMB828 per ton, representing a decrease of 18.7% from the average price of RMB1,018 per ton for the corresponding period in 2023 (Restated), while the average thermal value of coal decreased by 0.2% to 5,187 kcal per kg. During the Period, our unit coal consumption decreased to 129.9 kg per ton of clinker produced from the average of 134.2 kg for the corresponding period last year. Our standard coal consumption decreased to 97.2 kg per ton of clinker for the Period from the average of 99.5 kg for the corresponding period last year. As a result of the decrease in coal price, our average coal cost for the Period decreased by 21.3% to RMB107.5 per ton of clinker produced from RMB136.6 for the corresponding period in 2023 (Restated).

Our average electricity cost decreased by 8.0% from RMB31.3 (Restated) per ton of cement to RMB28.8 for the Period. During the Period, our electricity consumption was 68.1 kwh per ton of cement (71.7 kwh for the corresponding period in 2023). During the Period, our residual heat recovery generators generated 682.1 million kwh of electricity, representing a decrease of 4.1% over 711.3 million kwh for the corresponding period last year. The electricity generated during the Period accounted for approximately 28.6% of our required electricity consumption (29.9% for the corresponding period in 2023) and we achieved a cost saving of approximately RMB324.1 million for the Period (RMB367.3 million for the corresponding period in 2023 (Restated)).

Other costs mainly comprised staff cost, transportation cost, depreciation, and repairs and maintenance cost. Repairs and maintenance cost included in the cost of sales of cement products for the Period was RMB209.1 million, representing a decrease of 33.7% from RMB315.3 million for the corresponding period in 2023 (Restated).

Gross Profit and Gross Margin

The consolidated gross profit for the Period was RMB1,544.8 million, representing a decrease of 23.3% from RMB2,012.9 million for the corresponding period in 2023 (Restated) and the consolidated gross margin was 15.0%, representing a decrease of 1.8 percentage points from 16.8% for the corresponding period in 2023 (Restated). The decreases in consolidated gross profit and consolidated gross margin for the Period were mainly attributable to the lower selling prices of the Group's cement products and concrete. The gross margins of cement, clinker, concrete and aggregates for the Period were 12.5%, 2.5%, 12.6% and 39.4%, as compared with 16.1%, 7.7%, 10.4% and 55.0% respectively for the corresponding period in 2023 (Restated).

Other Income

Other income for the Period was RMB140.2 million, representing a decrease of 20.0% from RMB175.3 million for the corresponding period in 2023 (Restated).

Selling and Distribution Expenses

Selling and distribution expenses for the Period were RMB208.1 million, representing a decrease of 3.6% from RMB215.7 million for the corresponding period in 2023 (Restated). As a percentage to consolidated turnover, selling and distribution expenses for the Period increased to 2.0% from 1.8% for the corresponding period in 2023 (Restated).

General and Administrative Expenses

General and administrative expenses for the Period were RMB944.4 million, representing a decrease of 2.7% from RMB971.0 million for the corresponding period in 2023 (Restated). As a percentage to consolidated turnover, general and administrative expenses increased to 9.2% for the Period from 8.1% for the corresponding period in 2023 (Restated).

Share of Results of Associates

The associates of the Group contributed a loss of RMB65.2 million for the Period (a loss of RMB23.1 million in the corresponding period in 2023 (Restated)), of which a profit of RMB17.1 million, a loss of RMB18.8 million, a loss of RMB40.5 million and a loss of RMB12.4 million (a profit of RMB20.2 million, a loss of RMB33.6 million, a profit of RMB22.4 million and a loss of RMB21.1 million for the corresponding period in 2023 (Restated)) were attributable to the Group's associates operating in Inner Mongolia, Fujian, Yunnan and Guangdong respectively.

Share of Results of Joint Ventures

The joint ventures of the Group contributed a profit of RMB24.1 million for the Period (a profit of RMB28.4 million for the corresponding period in 2023 (Restated)).

Taxation

The effective tax rate of the Group for the Period was 43.2%, as compared with 29.2% for the corresponding period in 2023 (Restated). Had the effect of the results of associates and joint ventures, the exchange difference, as well as the withholding tax in the Chinese Mainland for dividends and the deferred tax on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong been excluded, the effective tax rate of the Group for the Period would be 36.0% (27.7% for the corresponding period in 2023 (Restated)).

Net Margin

Net margin of the Group for the Period was 1.3%, which was 3.1 percentage points lower than that of 4.4% for the corresponding period last year (Restated).

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2024, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 30/6/2024	As at 31/12/2023
	'000	*'000*
HK$	**177,483**	185,521
RMB	**1,454,678**	2,888,053
US$	**153**	153

Bank and other borrowings of the Group as at 30 June 2024 and 31 December 2023 were all unsecured, with breakdown as follows:

	As at 30/6/2024	As at 31/12/2023
	RMB'000	*RMB'000*
Bank loans	**15,952,256**	16,090,113
Medium-term notes	**1,000,000**	-
Loans from related parties	**191,325**	191,325
	17,143,581	16,281,438

As at 30 June 2024, bank and other borrowings of the Group which carried interests at fixed and variable rates amounted to RMB3,892.8 million and RMB13,250.8 million respectively (RMB3,184.3 million and RMB13,097.1 million respectively as at 31 December 2023). These borrowings were denominated in the following currencies:

	As at 30/6/2024	As at 31/12/2023
	'000	*'000*
HK$	**2,300,000**	2,300,000
RMB	**15,044,409**	14,197,122

These borrowings are repayable as follows:

	As at 30/6/2024 *RMB'000*	As at 31/12/2023 *RMB'000*
Within one year	**5,394,975**	2,417,713
After one year but within two years	**4,450,156**	7,285,646
After two years but within three years	**2,087,781**	1,378,957
After three years but within four years	**923,525**	841,203
After four years but within five years	**893,679**	805,478
After five years	**3,393,465**	3,552,441

As at 30 June 2024, the Group's unsecured banking facilities amounted to HK$2,300.0 million and RMB37,359.8 million, of which RMB23,506.7 million was unutilized and remained available for drawdown.

Under the terms of certain agreements for total banking facilities of HK$2,300.0 million equivalent with expiry dates in March 2025, China Resources (Holdings) Company Limited is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for the total banking facilities of HK$2,300.0 million equivalent, the net gearing ratio of the Company (calculated by dividing net borrowings by equity attributable to owners of the Company, and as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The Group was in compliance with the above financial covenants as at 30 June 2024 and 31 December 2023.

On 28 September 2023, the Company was informed that the registration of medium-term notes of the Company in the amount of RMB15 billion had been accepted by the National Association of Financial Market Institutional Investors of PRC, valid for two years from the date of the approval notice (ref. no. Zhong Shi Xie Zhu [2023] MTN1065), i.e. 22 September 2023. On 22 April 2024, the Company has completed the issuance in China of the first tranche of the medium-term notes in the amount of RMB1 billion at the coupon rate of 2.44% per annum for a term of three years. The proceeds have been applied for the repayment of domestic bank loans of the Company and its subsidiaries, being the intended use as disclosed in the relevant prospectuses. These medium-term notes are unsecured and remained outstanding at 30 June 2024.

The Group adopts robust and prudent treasury policies in financial management. Treasury management, financing and investment activities are all managed and monitored by the senior management of the Company, and all treasury activities of the Group are centralized. The Group regularly monitors its current and expected liquidity needs as well as compliance with bank loan agreements in order to maintain its sufficient cash reserves and flexibility in funding for meeting the Group's short-term and long-term liquidity needs.

The Group's business transactions were mainly carried out in HK$ and RMB. The Group's exposure to currency risk was attributable to the bank balances and debts which were denominated in currencies other than the functional currency of the entity to which these bank balances and debts were related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management regularly monitors the relevant foreign currency exposure and will consider taking appropriate measures to control the risk arising from significant exchange fluctuations. These will include hedging significant currency exposure and/or increasing the proportion of RMB-denominated borrowings of the Group should the higher interest costs be considered justifiable against the risk of exchange losses. The Group was not engaged in any hedging contract as at 30 June 2024 and 31 December 2023. As at 30 June 2024, non-RMB denominated debts accounted for 12% of the total debts of the Group (13% as at 31 December 2023).

The Group had net current liabilities of RMB5,317.9 million as at 30 June 2024. Taking into account the cash and bank balances, the unutilized banking facilities, the unutilized medium-term notes, the expected future internally generated funds, the new banking facilities and other sources of financing 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 30 June 2024, there was no charge on assets by the Group (Nil as at 31 December 2023).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,966.1 million (RMB2,747.5 million as at 31 December 2023) granted to associates and joint venture, of which RMB1,402.1 million (RMB1,826.7 million as at 31 December 2023) had been utilized.

FUTURE PLAN AND CAPITAL EXPENDITURE

As at 30 June 2024, the outstanding capital expenditure for the Group's expansion plans to be invested was approximately RMB4,697.3 million. Total payments for capital expenditure of the Group are expected to be approximately RMB2,836.6 million in the second half of 2024, which will be financed by borrowings and internally generated funds.

STRATEGIES AND PROSPECTS

In 2024, the Chinese government adhered to the principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old. It will intensify macroeconomic control, coordinate new-type urbanization and comprehensive rural revitalization, strengthen innovation and coordination of policy tools, and continue to promote effective improvement in quality and reasonable growth in quantity of the economy.

In terms of infrastructure construction, the proactive fiscal policy in 2024 was moderately strengthened to improve quality and efficiency. The additional issuance of RMB1 trillion government bonds in 2023 had been fully allocated to local governments and had basically been implemented in projects. In addition, the Ministry of Finance of China indicated that, in the second half of the year, it would intensify policy implementation, better leverage the amplification effect of government investment, timely issue and effectively utilize ultra-long-term special government bonds, actively support the implementation of projects for major national strategic execution and safety capability construction in key aspects, guide local governments to accelerate the issuance and utilization of special bonds, accelerate the utilization progress of additional issuance of government bond funds and investments within the central government's budget to create more tangible workload.

In terms of real estate, the Chinese government proposed to incorporate the new changes in the supply and demand dynamics of the real estate market and the people's new expectations for high-quality housing to coordinate research on policies and measures to absorb existing housing inventory and optimize supply of new housing to grasp the construction of new model for real estate development. Since 2024, supportive policies have been continuously reinforced. In May 2024, the People's Bank of China issued three major housing loan policies, proposed to remove the nationwide lower limits on interest rates for first and second home commercial personal housing loans, lower interest rates for personal housing provident fund loans, and adjust the minimum down payment ratio policy for personal housing loans. The bank also announced the establishment of a RMB300 billion loan for refinancing affordable housing to support local state-owned enterprises in acquiring unsold completed commodity housing at reasonable prices to be used as placement-type or rental-type affordable housing. Since then, various regions across China successively announced the removal of the lower limits on interest rates for local first and second home loans and reduction of the minimum down payment ratio.

In terms of rural construction, the 2024 Central Document No. 1 proposed a "roadmap" for promoting comprehensive rural revitalization and pointed out that the advancement of Chinese-style modernization requires adherence to unremitting commitments to consolidating the agricultural foundation and promoting comprehensive rural revitalization. The construction of the "Four Good Rural Roads" shall be solidly promoted, transportation management and facilities for safety protection shall be improved, and the implementation of safety actions for "hazard elimination" of rural roads and bridges shall be accelerated. The document required for the continued implementation of renovation of dilapidated rural housing and seismic retrofit of rural houses, and the regulation of proper use of policy tools such as local government special bonds to support the construction of major projects for rural revitalization, which will be conducive to supporting the demand for building materials industries such as cement.

Looking ahead, the Group will accelerate the layout of strategic emerging industries, promote green development and launch innovative and entrepreneurial spirit in order to inject lasting impetus into the high-quality development of the enterprise. The Group will focus on the annual management theme of "strengthening the foundations and grasping upgrades, promoting transformation through technological innovation", reinforce the implementation of actions for reform deepening and enhancement, accelerate the pace of upgrading traditional industries and strengthening foundations to improve core competitiveness. The Group will increase investment in research and development, enable the green and intelligent industrial upgrade of traditional industries through technological innovation. The Group will unswervingly practice high-quality development, provide the public with high-quality products, services and systematic solutions, lead digital and intelligent transformation, achieve a long-term foundation, and build a world-class building materials technology enterprise.

CORPORATE GOVERNANCE

During the Period, the Company has complied with the applicable code provisions set out in Part 2 of Appendix C1 of the Listing Rules.

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

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

REVIEW OF INTERIM REPORT

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

APPRECIATION

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

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

The Company's interim report for the Period will be published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cr-bmt.com) in due course.

By order of the Board
CHINA RESOURCES BUILDING MATERIALS TECHNOLOGY HOLDINGS LIMITED
JI Youhong
Chairman

Hong Kong, 16 August 2024

As at the date of this announcement, the executive Directors are Mr. JI Youhong and Mr. JING Shiqing; the non-executive Directors are Mr. ZHU Ping, Mr. YU Shutian, Mr. ZHOU Bo and Mr. YANG Changyi; and the independent non-executive Directors are Mr. SHEK Lai Him Abraham, Mr. NG Kam Wah Webster and Madam YAN Bilan.