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)

# 2013 ANNUAL RESULTS ANNOUNCEMENT

| | **2013** | 2012 | **Increase** |
|---|---|---|---|
| Turnover *(HK$ million)* | **29,340.6** | 25,345.3 | 15.8% |
| Profit attributable to owners of the Company *(HK$ million)* | **3,338.4** | 2,324.4 | 43.6% |
| Basic earnings per share | **HK$0.512** | HK$0.357 | |
| Proposed final dividend per share | **HK$0.07** | HK$0.07 | |

| | **As at 31/12/2013** | As at 31/12/2012 | **Increase (Decrease)** |
|---|---|---|---|
| Total assets *(HK$ million)* | **54,179.7** | 52,159.1 | 3.9% |
| Equity attributable to owners of the Company *(HK$ million)* | **24,820.9** | 21,375.7 | 16.1% |
| Net borrowings *(HK$ million) (note 1)* | **17,618.1** | 18,641.9 | (5.5)% |
| Net gearing ratio *(note 2)* | **71.0%** | 87.2% | |
| Net assets per share – book *(note 3)* | **HK$3.80** | HK$3.28 | 15.9% |

*notes:*

1. Net borrowings equal to total indebtedness 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 (the “Group”) for the year ended 31 December 2013 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2013*

| | *Notes* | **2013** *HK$'000* | 2012 *HK$'000* |
|---|---|---|---|
| Turnover | *3* | **29,340,619** | 25,345,328 |
| Cost of sales | | **(20,980,867)** | (19,245,807) |
| Gross profit | | **8,359,752** | 6,099,521 |
| Other income | *4* | **811,895** | 413,646 |
| Change in fair value of an investment property | | **10,000** | 8,000 |
| Selling and distribution expenses | | **(1,633,235)** | (1,223,114) |
| General and administrative expenses | | **(2,727,475)** | (1,807,814) |
| Finance costs | *5* | **(704,459)** | (835,228) |
| Share of results of associates | | **98,406** | 136,640 |
| Share of results of joint ventures | | **99,593** | 81,836 |
| Profit before taxation | *6* | **4,314,477** | 2,873,487 |
| Taxation | *7* | **(1,035,808)** | (528,310) |
| Profit for the year | | **3,278,669** | 2,345,177 |
| Attributable to: | | | |
| Owners of the Company | | **3,338,373** | 2,324,370 |
| Non-controlling interests | | **(59,704)** | 20,807 |
| | | **3,278,669** | 2,345,177 |
| Basic earnings per share | *8* | **HK$0.512** | HK$0.357 |
| Proposed final dividend per share | *9* | **HK$0.07** | HK$0.07 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **32,526,564** | 31,552,919 |
| Prepaid lease payments | | **2,752,320** | 2,510,484 |
| Investment property | | **77,000** | 67,000 |
| Intangible assets | | **2,200,216** | 1,964,627 |
| Interests in associates | | **2,392,943** | 2,286,023 |
| Interests in joint ventures | | **1,727,042** | 1,381,417 |
| Deposits for acquisition of fixed assets | | **1,632,062** | 933,819 |
| Deferred tax assets | | **152,878** | 124,456 |
| Long term receivables | | **620,686** | 633,048 |
| | | **44,081,711** | 41,453,793 |
| **Current assets** | | | |
| Inventories | | **2,131,961** | 2,322,153 |
| Trade receivables | *10* | **3,191,885** | 2,492,210 |
| Other receivables | | **1,555,543** | 1,606,607 |
| Amounts due from joint ventures | | **388,593** | 663,526 |
| Taxation recoverable | | **5,024** | 54,002 |
| Pledged bank deposits | | **3,171** | 4,977 |
| Cash and bank balances | | **2,821,782** | 3,561,863 |
| | | **10,097,959** | 10,705,338 |
| **Current liabilities** | | | |
| Trade payables | *11* | **3,246,173** | 3,386,392 |
| Other payables | | **4,365,452** | 4,215,348 |
| Taxation payable | | **560,041** | 183,312 |
| Amount due to immediate holding company | | **54,956** | 54,956 |
| Loans from intermediate holding companies | | **–** | 1,330,881 |
| Bank loans – amount due within one year | | **6,171,482** | 7,607,433 |
| | | **14,398,104** | 16,778,322 |
| Net current liabilities | | **(4,300,145)** | (6,072,984) |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total assets less current liabilities | **39,781,566** | 35,380,809 |
| **Non-current liabilities** | | |
| Bank loans – amount due after one year | **11,169,690** | 10,169,739 |
| Unsecured bonds | **3,101,840** | 3,100,696 |
| Other long term payables | **28,535** | 37,877 |
| Deferred tax liabilities | **119,750** | 114,297 |
| | **14,419,815** | 13,422,609 |
| | **25,361,751** | 21,958,200 |
| **Capital and reserves** | | |
| Share capital | **653,294** | 651,926 |
| Reserves | **24,167,560** | 20,723,739 |
| Equity attributable to owners of the Company | **24,820,854** | 21,375,665 |
| Non-controlling interests | **540,897** | 582,535 |
| Total equity | **25,361,751** | 21,958,200 |

*Notes:*

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The consolidated financial statements have been prepared on the historical cost basis except for investment property, which is measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

## 2. APPLICATION OF NEW AND REVISED HKFRS

In the current year, the Group has applied the following new and revised HKFRSs issued by HKICPA:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009 – 2011 cycle |
| Amendments to HKFRS 7 | Disclosures – Offsetting financial assets and financial liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance |
| HKFRS 10 | Consolidated financial statements |
| HKFRS 11 | Joint arrangements |
| HKFRS 12 | Disclosure of interests in other entities |
| HKFRS 13 | Fair value measurement |
| HKAS 19 (as revised in 2011) | Employee benefits |
| HKAS 28 (as revised in 2011) | Investments in associates and joint ventures |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income |
| HK(IFRIC) – INT 20 | Stripping costs in the production phase of a surface mine |

Except as described below, the application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Impact of the application of HKFRS 10**

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT – 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the initial application of HKFRS 10 has no material impact on the consolidated financial statements.

**Impact of the application of HKFRS 11**

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

**Impact of the application of HKFRS 12**

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

**Impact of the application of HKFRS 13**

HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

**Amendments to HKAS 1 Presentation of items of other comprehensive income**

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**New and revised HKFRSs issued but not yet effective**

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 cycle[2] |
| HKFRS 9 | Financial instruments[3] |
| HKFRS 14 | Regulatory deferral accounts[5] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory effective date of HKFRS 9 and transition disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment entities[1] |
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions[2] |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities[1] |
| Amendments to HKAS 36 | Recoverable amount disclosures for non-financial assets[1] |
| Amendments to HKAS 39 | Novation of derivatives and continuation of hedge accounting[1] |
| HK(IFRIC) – INT 21 | Levies[1] |

[1] *Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.*

[3] *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*

[4] *Effective for annual period beginning on or after 1 July 2014, with limited exceptions.*

[5] *Effective for the first annual HKFRS financial statements beginning on or after 1 January 2016.*

The directors of the Company do not anticipate that the application of the above amendments will have a significant impact on the Group's consolidated financial statements.

## 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 under HKFRS 8 are as follows:
Cement – manufacture and sale of cement and related products
Concrete – manufacture and sale of concrete and related products

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

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

The information of segment results are as follows:

**For the year ended 31 December 2013**

| | **Cement** *HK$'000* | **Concrete** *HK$'000* | **Elimination** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| TURNOVER | | | | |
| External sales | **23,497,477** | **5,843,142** | **–** | **29,340,619** |
| Inter-segment sales | **1,021,290** | **947** | **(1,022,237)** | **–** |
| | **24,518,767** | **5,844,089** | **(1,022,237)** | **29,340,619** |

Inter-segment sales are charged at prevailing market prices.

| | **Cement** *HK$'000* | **Concrete** *HK$'000* | **Elimination** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| RESULTS | | | | |
| Segment results | **4,607,234** | **210,304** | **–** | **4,817,538** |
| Interest income | | | | **65,373** |
| Finance costs | | | | **(704,459)** |
| Unallocated net corporate expenses | | | | **(61,974)** |
| Share of results of associates | | | | **98,406** |
| Share of results of joint ventures | | | | **99,593** |
| Profit before taxation | | | | **4,314,477** |

**For the year ended 31 December 2012**

| | Cement<br>*HK$'000* | Concrete<br>*HK$'000* | Elimination<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|
| TURNOVER | | | | |
| External sales | 20,372,901 | 4,972,427 | – | 25,345,328 |
| Inter-segment sales | 878,341 | 887 | (879,228) | – |
| | 21,251,242 | 4,973,314 | (879,228) | 25,345,328 |

Inter-segment sales are charged at prevailing market prices.

| | Cement | Concrete | Elimination | Total |
|---|---|---|---|---|
| RESULTS | | | | |
| Segment results | 3,391,945 | 351,839 | – | 3,743,784 |
| Interest income | | | | 59,451 |
| Finance costs | | | | (835,228) |
| Unallocated net corporate expenses | | | | (312,996) |
| Share of results of associates | | | | 136,640 |
| Share of results of joint ventures | | | | 81,836 |
| Profit before taxation | | | | 2,873,487 |

## 4. OTHER INCOME

| | **2013**<br>***HK$'000*** | 2012<br>*HK$'000* |
|---|---|---|
| Government incentives | **210,292** | 236,463 |
| Interest income | **65,373** | 59,451 |
| Sales of scrap materials | **54,371** | 54,096 |
| Service income | **18,441** | 14,041 |
| Rental income | **14,282** | 11,547 |
| Compensation received from insurance | **3,129** | 8,084 |
| Gain on disposal of prepaid lease payments | **–** | 994 |
| Exchange gain | **416,329** | – |
| Others | **29,678** | 28,970 |
| | **811,895** | 413,646 |

## 5. FINANCE COSTS

| | 2013 | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interests on: | | |
| Bank loans and unsecured bonds wholly repayable within five years | **675,260** | 871,064 |
| Bank loans not wholly repayable within five years | **–** | 2,433 |
| Loans from intermediate holding companies | **41,609** | 27,190 |
| Other long term payables | **1,099** | 3,018 |
| | **717,968** | 903,705 |
| *Less*: Amount capitalised to fixed assets | **(13,509)** | (68,477) |
| | **704,459** | 835,228 |

Capitalisation rate of borrowing costs to expenditure on qualifying assets is approximately 5.9% (2012: 6.2%).

## 6. PROFIT BEFORE TAXATION

| | 2013 | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Directors' emoluments | **19,994** | 29,869 |
| Pension costs and mandatory provident fund contributions excluding Directors | **145,532** | 116,848 |
| Other staff costs | **2,579,279** | 1,943,891 |
| Total staff costs | **2,744,805** | 2,090,608 |
| Allowance for doubtful debts | **72,597** | 14,711 |
| Allowance for (reversal of) doubtful debts of other receivables | **2,846** | (24,225) |
| Amortisation of mining rights | **55,788** | 48,146 |
| Auditor's remuneration | **7,110** | 5,889 |
| Depreciation of fixed assets | **1,760,229** | 1,635,497 |
| Impairment loss on fixed assets | **353,310** | – |
| Impairment loss on inventories | **22,595** | – |
| Exchange (gain) loss | **(416,329)** | 14,111 |
| Operating lease payments in respect of | | |
| – rented premises | **56,755** | 47,427 |
| – motor vehicles | **166,588** | 56,151 |
| Release of prepaid lease payments | **61,107** | 61,640 |

## 7. TAXATION

| | 2013 | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current taxation | | |
| Hong Kong Profits Tax | **10,479** | 14,643 |
| Chinese Mainland Enterprise Income Tax | **1,032,730** | 526,634 |
| Under provision of Chinese Mainland Enterprise Income Tax in prior years | **15,106** | 4,072 |
| | **1,058,315** | 545,349 |
| Deferred taxation | | |
| Hong Kong | **1,475** | 2 |
| Chinese Mainland | **(23,982)** | (17,041) |
| | **(22,507)** | (17,039) |
| | **1,035,808** | 528,310 |

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 the prevailing tax rate on the taxable income of the group entities in the Chinese Mainland.

According to the Chinese Mainland tax laws and regulations, certain subsidiaries, which are established in the Chinese Mainland, are exempted from Chinese Mainland Foreign Enterprise Income Tax ("FEIT") for the first two years starting from their first profit-making year after offsetting the accumulated losses brought forward from previous five years, followed by a 50% reduction on the FEIT for the next three years ("Tax Holiday").

Under the Law of the Chinese Mainland on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Chinese Mainland is 25% in respect of 2012 and 2013, except for certain subsidiaries that previously enjoyed a preferential tax rate prior to 1 January 2008, which have been gradually transited to the new tax rate over five years from 1 January 2008 and certain subsidiaries that previously enjoyed the Tax Holiday will continue to enjoy such preferential tax treatment until the expiry of such prescribed period.

## 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:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Earnings attributable to owners of the Company for the purpose of basic earnings per share | **3,338,373** | 2,324,370 |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| **Number of shares** | | |
| Weighted average number of shares for the purpose of basic earnings per share | **6,522,479,250** | 6,519,255,462 |

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

## 9. DIVIDENDS

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends recognised as distribution during the year: | | |
| 2013 Interim – HK$0.035 per share (2012: Nil) | **228,174** | – |
| 2012 Final – HK$0.07 per share (2011: HK$0.06 per share) | **456,348** | 391,155 |
| | **684,522** | 391,155 |

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2013 of HK$0.07 per share (2012: HK$0.07 per share in respect of the year ended 31 December 2012) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming general meeting. The total amount of HK$457,306,000 (2012: HK$456,348,000) of the proposed final dividend, calculated 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 | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables from third parties | **3,160,638** | 2,475,199 |
| Trade receivables from fellow subsidiaries | **31,247** | 17,011 |
| | **3,191,885** | 2,492,210 |

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

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 | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **3,011,119** | 2,299,264 |
| 91 to 180 days | **102,471** | 106,317 |
| 181 to 365 days | **78,295** | 86,629 |
| | **3,191,885** | 2,492,210 |

## 11. TRADE PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables to third parties | **3,225,011** | 3,361,872 |
| Trade payables to fellow subsidiaries | **21,162** | 24,520 |
| | **3,246,173** | 3,386,392 |

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 | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **2,973,675** | 3,132,940 |
| 91 to 180 days | **182,079** | 137,577 |
| 181 to 365 days | **49,660** | 67,524 |
| Over 365 days | **40,759** | 48,351 |
| | **3,246,173** | 3,386,392 |

## 12. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

## BUSINESS ENVIRONMENT

In 2013, China maintained stable economic growth. Export demand from overseas market was weak in the first half of 2013, with a negative growth rate in China's total value of imports and exports in June, causing a slowdown in economic growth. In the second half of the year, the Chinese government implemented prudent monetary policies and proactive fiscal policies to stimulate domestic consumption. According to the National Bureau of Statistics, the China's gross domestic products ("GDP") reached RMB56.9 trillion in 2013 with a growth rate of 7.7%, achieving the government's target set in the beginning of the year. Fixed asset investments ("FAI") remained the key driver of economic growth. During the year, FAI, consumption and net export contributed to the GDP growth by 4.2, 3.9 and –0.3 percentage points respectively.

In 2013, China's FAI increased by 19.3%, amounting to RMB44.7 trillion, and the investment in infrastructure (excluding production and supply of electricity, heat, gas and water) was RMB7.2 trillion, representing an increase of 21.2%. As of 31 December 2013, M2 money supply reached RMB110.7 trillion, representing an increase of 13.6% compared to 2012. The Consumer Price Index rose by 2.6%, which was lower than the government's control target of 3.5%. That helped to alleviate the government's pressure on an interest rate hike.

According to the data released by the relevant provincial Bureau of Statistics, in 2013, the GDP of Guangdong, Guangxi, Fujian, Hainan, Shanxi and Yunnan, the areas at which we operate, were RMB6.2 trillion, RMB1.4 trillion, RMB2.2 trillion, RMB0.3 trillion, RMB1.3 trillion and RMB1.2 trillion, representing increases of 8.5%, 10.2%, 11.0%, 9.9%, 8.9% and 12.1% respectively. The FAI in Guangdong, Fujian, Hainan and Shanxi reached RMB2.3 trillion, RMB1.6 trillion, RMB0.3 trillion and RMB1.1 trillion, representing increases of 18.3%, 22.2%, 27.0% and 22.1% respectively. The FAI (excluding rural households) in Guangxi and Yunnan were RMB1.1 trillion and RMB1.0 trillion, representing increases of 21.8% and 27.4% respectively.

In 2013, China's FAI in railways reached RMB663.8 billion, with a growth rate of 5.2%. During the year, a total of 5,586 km of new railway lines has been put into operations (including 1,672 km of high-speed railways). As of the end of 2013, the operating length of national railway lines has exceeded 100,000 km, of which more than 10,000 km were high-speed railways.

In March 2013, the Ministry of Railways of China underwent a reform and after which, the China Railway Corporation has been responsible for the operation and management, as well as the investment and construction planning, of the national railways; while the Ministry of Transport of China has taken over the development planning, policy making, technical standard establishment, as well as supervision and administration of the national railway network. In addition, as announced by the State Council of China in the "Opinion on Reforming the Railway Investment and Financing System to Accelerate and Promote Railway Construction" in August, it was proposed that ownership and operational rights of certain railways shall be liberalized. The Opinion emphasized the introduction of capital in various ways, so as to relieve the funding need of railway constructions and maintain the healthy and stable development of the railway industry, bringing in a sustainable and continual demand for cement.

According to the "Twelfth Five-Year" plan, the operating length of national railways in China will reach 120,000 km by the end of 2015. In 2014, China's targeted FAI in railways will amount to RMB630 billion. Forty four new construction projects will commence and over 6,600 km of new railway lines is expected to be in operation this year.

According to the statistics of the Ministry of Transport of China, the FAI in highways and waterways rose by 5.6%, reaching RMB1.5 trillion in 2013. During the year, there has been an increase in the total length of respectively 8,260 km and 339 km of highways newly built and rebuilt in China. According to "National Highway Network Planning (2013-2030)", it is targeted that urban cities with population of more than 200,000 will be connected by national highways. The operating length of national highways is targeted to be 118,000 km, with a possible extension of 18,000 km, making a total planned length of national highway network of 136,000 km. The investment in the construction of highway and waterway infrastructure will contribute to the sustainable demand for cement.

In 2013, China continued to implement control policies on real estate, including the introduction of house purchase restriction, property developer pricing restriction, differential housing credit policies and real estate tax policies as well as other measures to control property prices from excessive increase. However, investment in the real estate continued to grow steadily under the rigid market demand. According to the data of the National Bureau of Statistics, China's real estate investment reached RMB8.6 trillion in 2013, representing an increase of 19.8%; the total area of commodity housing sold was 1,310 million square metres, representing an increase of 17.3% and as compared to the same period last year, an increase in growth rate of 15.5 percentage points; the total area of land purchases in real estate industry was 390 million square metres, representing an increase of 8.8% and an increase in growth rate of 28.3 percentage points; the total area of newly commenced real estate projects was 2,010 million square meters, representing an increase of 13.5%; the total area of completed real estate projects was 1,010 million square metres, representing an increase of 2.0%. The increase in property prices continues to slow down. In December 2013, prices of new residential housing in 70 major cities increased by 9.9% over last year, and since September 2012, the monthly increase has been narrowed to 0.4%.

In 2013, the construction of 6.7 million units of urban social housing has been commenced and 5.4 million units have been completed, which exceeded the annual target with a total investment of RMB1.1 trillion. According to the "Government Work Report" delivered in the second session of the Twelfth National People's Congress of PRC, it is targeted that the construction of over 7 million units of social housing shall commence and 4.8 million units shall be completed in 2014. We expect the real estate industry will continue to grow healthily and steadily, and provide strong support for sustainability in cement consumption.

According to the data released by the National Audit Office of China, as of the end of June 2013, direct debt (including contingent liabilities) carried by the Chinese governments at various levels stood at around RMB30.3 trillion, among which, local government debt accounted for RMB17.9 trillion. At the same time, the National Audit Office proposed four suggestions: 1) to establish a standard mechanism for government financing; 2) to make the level of government liability an important basis for officials' appraisals; 3) to further specify the relationship between the government and the market and promote the reform of investment, financing and taxation systems; 4) to set up credit risk alert system and contingency plan to properly handle existing debt and strictly control the increase of new debts. These measures can strengthen the management and risk control on government debts, preserve capital channels for social development, and continue to facilitate the long term demand for cement.

Urbanization will become the key driver for China's medium to long term growth, which supports the sustainable development of cement industry. According to the data released by the National Bureau of Statistics, China's urbanization rate of 2013 was 53.7%, representing an increase of 1.1 percentage points over 2012. The Central Urbanization Work Conference held in December 2013 proposed the urbanization of tier-2 and tier-3 cities which will provide strong support for the medium to long term growth of China. The urbanization rate of China is expected to rise with an annual growth rate of 1%. By 2030, the urbanization rate will rise to 70% with tremendous room for higher growth in the future. The urbanization process will create sustainable cement demand from rural development, urban infrastructure construction and real estate development.

## THE INDUSTRY

In 2013, demand for cement in China continued to grow. According to the National Bureau of Statistics, the total cement production increased by 9.6%, reaching 2,410 million tons. Among them, the cement production of Guangdong, Guangxi, Fujian, Hainan, Shanxi and Yunnan were 133.9 million tons, 107.1 million tons, 78.9 million tons, 19.9 million tons, 49.8 million tons and 90.1 million tons, representing increases of 17.1%, 9.5%, 9.2%, 19.5%, 1.4% and 13.6% respectively.

In 2013, China maintained strict control on capacity expansion, and continued the task of eliminating obsolete capacity, both of which played an important role in the improvement of demand and supply dynamics of the cement industry. According to Digital Cement, in 2013, there were 81 new clinker production lines, which increased clinker production capacity by approximately 100.0 million tons in China and represented a decrease of 36.2%, compared to last year. Among them, there were 6 production lines which commenced operation in Southern China, increasing clinker production capacity by 7.6 million tons and representing a decrease of 64.9%; 9 production lines which commenced operation in Shanxi, increasing clinker production capacity by 10.9 million tons and representing an increase of 19.9%; 3 production lines which commenced operation in Yunnan, increasing clinker production capacity by 2.8 million tons and representing a decrease of 73.1%. In 2013, the Ministry of Industry and Information Technology of China issued three lists of companies with obsolete capacities, and explicitly required the production plants with 94.2 million tons of obsolete capacities in total set out in the lists to be demolished by the end of year (including 15.0 million tons in Guangdong, 4.5 million tons in Guangxi, 7.6 million tons in Fujian, 3.5 million tons in Shanxi and 1.0 million tons in Yunnan).

To further promote the policy of suppressing overcapacity of the cement industry, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly published the "Notice on curbing the blind expansion of serious overcapacity industries" (No. 892) in May 2013, which stated that the overcapacity issue and new capacity control of certain industries, including the cement industry, will be the emphasis of work plan for the year so as to strictly control the new production capacities for those industries. In addition, the State Council of China announced the "Guidance on resolving the conflict concerning severe overcapacity" in October 2013, which proposed measures including further elimination of a total of 100 million tons of cement capacity (clinker and cement grinding capacity) by the end of 2015, promotion of industry consolidation and restructuring, removal of grade 32.5 composite cement, and the development of top grade cement and special cement. The Ministry of Environmental Protection of China and the General Administration of Quality Supervision, Inspection and Quarantine of China jointly published a new "Air pollutant emission standard on cement industry" in December 2013, which announced tighter emission limits on nitrogen oxides (NOx) and particulate matter (PM). In January 2014, the National Development and Reform Commission published the "Notice on improving and regulating the approval of investment projects and strengthening supervision of collaborative agreements", to preserve the project approval rights on industries with overcapacity issue, including the cement industry, and suppress capacity expansion. Under the encouragement and promotion of the Chinese government, industry consolidation and restructuring will be accelerated. Energy conservation, emission reduction and sustainable growth will be the major tasks for future development. Meanwhile, the effective implementation of elimination of obsolete capacity and stringent approval of capacity expansion will continue to improve the supply and demand dynamics, which is conducive to healthy long-term development for the industry.

## SOCIAL RESPONSIBILITY

The Group is committed to the protection of the environment and sustainable development of the cement industry, striving to minimize the waste produced during the cement manufacturing process, as well as assisting in the treatment of residential and industrial wastes in the city. The Group is in a leading position in China's cement industry in various aspects including energy saving, emission reduction and circular economy. In addition, we will gradually complete the technological upgrade of our clinker production lines for denitrogenation and dust collection system, as a contribution to energy saving and environmental protection in China.

During the course of our promotion for green development, we always value our interaction with international cement peers on energy saving, emission reduction and social responsibility. In May 2013, we hosted a meeting in Guigang, Guangxi for the Safety Work Group of China, which is under the Cement Sustainability Initiative, for experience sharing. In July and November 2013, the Group participated in the CEO conference held by the Cement Sustainability Initiative in Heidelberg of Germany and Istanbul of Turkey, where we discussed with other cement companies worldwide regarding the future development of the organization and to pursue the sustainable development of the cement industry.

## INTEGRITY ENHANCEMENT

The Group always recognizes the importance of integrity and honesty. In 2013, to strengthen the integrity risk prevention in business operation, we implemented the "China Resources Cement Business Integrity Guidance" with the Operation Department of the Group as the pilot department. We sorted out critical process, risk points and developed prevention and control measures, and integrated the integrity risk control and business process. These prevention measures are to strengthen the supervision and management of integrity within the Group. At the same time, the Group implemented the "Sunshine Declaration", which requires strict self-discipline of personnel responsible for raw materials procurement, equipment bidding, sales and marketing and logistics management so that our suppliers and business partners shall not develop business relationship with the Group through improper means. We continue to strive for integrity enhancement and have established favorable organizational atmosphere within the Group.

## ACQUISITIONS

On 2 January 2013, the Company approved the acquisition from six independent third parties of 100% equity interests in Hainan Wuzhishan Dajiangnan Cement Limited at the total consideration of RMB54.9 million (equivalent to approximately HK$69.2 million). Hainan Wuzhishan Dajiangnan Cement Limited operates a cement grinding line with annual production capacity of 600,000 tons in Maoyang Town, Wuzhishan City, Hainan. The acquisition was completed on 29 September 2013.

## NEW PROJECTS WITH THIRD PARTY

On 25 February 2013, the Company entered into a framework agreement with an independent party, Zhihai Group Company Limited, for the proposed establishment of a joint venture company. The Company will hold the majority interests in the joint venture company. The joint venture company intends to acquire certain concrete and cement assets/businesses located in Southern China and Shanxi that are currently owned by Zhihai Group Company Limited. The Company and Zhihai Group Company Limited will gradually negotiate for determining the consideration of the assets/businesses and the proportion of the equity interests each party holds in the joint venture company. As at the date of this announcement, the final agreement on the proposed joint venture company has not yet been reached.

On 30 September 2013, China Resources Cement Investments Limited ("CRC Investments") entered into a capital contribution agreement with Fujian Energy Group Company Limited to establish a strategic cooperative platform to jointly develop and expand the cement and concrete business in Fujian. Fujian Energy Group Company Limited indirectly owns the entire interest of Fujian Building Material (Holdings) Company Limited which holds various assets and business entities in Fujian. Fujian Building Material (Holdings) Company Limited will undergo a restructuring such that its sole asset will be the 28.78% equity interest in Fujian Cement Joint Stock Company Limited, which is listed on the Shanghai Stock Exchange. CRC Investments shall contribute capital to Fujian Building Material (Holdings) Company Limited in the form of equity shares of 9 companies operating concrete business in Fujian and cash such that Fujian Building Material (Holdings) Company Limited will be owned as to 51% and 49% by Fujian Energy Group Company Limited and CRC Investments respectively. The amount of cash to be contributed shall be determined with reference to the valuation reports on the 28.78% equity interest in Fujian Cement Joint Stock Company Limited and the 9 concrete companies. As at the date of this announcement, the valuation reports have not yet been completed and the amount of cash for the purpose of the capital contribution is yet to be determined. On the same day, CRC Investments has also entered into a framework agreement with Fujian Energy Group Company Limited, for the establishment of a joint venture company to develop a cement grinding plant in Huian County, Quanzhou City, Fujian with annual production capacity of 4 million tons. The total investment of the joint venture company is expected to reach RMB600 million (approximately HK$756 million). CRC Investments and Fujian Energy Group Company Limited will each own 50% interest of the joint venture company. Details of the joint venture have not yet been agreed by both parties.

## NEW PRODUCTION PLANTS AND CESSATION OF OPERATION

During the year, the Group completed the construction of a 4500 tons per day clinker production line and two cement grinding lines at Changzhi, Shanxi, which increased the Group's total annual clinker and cement production capacities by 1.4 million tons and 2.0 million tons respectively; and five concrete batching plants, which increased our total annual concrete production capacity by 2.9 million $m^3$. As the two 1200 tons per day clinker production lines in Shanxi will unlikely be able to comply with the new environmental emission standards economically, the Group decided to cease operation of these two clinker production lines and the related annual cement production capacity of 1.0 million tons during the year.

## CAPACITY UTILIZATION

During the year, we strategically maintained production activities at high level and the utilization rates of our cement, clinker and concrete production lines were 94.0%, 118.9% and 43.2% respectively as compared with 83.9%, 110.9% and 41.8% for 2012.

## PROCUREMENT MANAGEMENT

In 2013, the Group has adopted a short-cycle and multi-channel sourcing strategy to control procurement costs and risk management effectively. We have continued improving our procurement channels, enlarging tender pools and centralizing procurement, transportation and inventory management for coal and other materials.

The total volume of coal procured in 2013 was 9.1 million tons, representing an increase of 4.6% compared to 8.7 million tons in 2012, of which, approximately 57%, 17%, 18% and 8% were sourced from northern China, neighbouring areas of our plants, Vietnam and other countries respectively (2012: 47%, 16%, 33% and 4%).

The Group will further expand procurement channels, stabilize the supply of imported coal, strengthen the management of suppliers and enhance the function of the headquarters on centralization of procurement.

## LOGISTICS MANAGEMENT

In 2013, the Group continued the use of multiple logistic channels, including waterway freight, road freight and transshipment, to ensure supply and achieve the aim of lowest system cost in the region. We have established a logistics information database and assessment system. In order to enhance distribution by road freight, the Group has introduced global positioning system in July 2013 for scheduling management in the Pearl River Delta region to improve logistical efficiency and service quality.

As of 31 December 2013, through tendering, the Group has secured 650,000 tons of shipping capacity at the Xijiang River region, reaching annual shipping capacity of 25 million tons. In addition, Guangxi Rungui Water Transportation Limited, of which 49% of the equity interest is held by the Group, currently owns 80 vessels with shipping capacity of 100,000 tons and annual shipping capacity of 4.5 million tons. These provide us with long-term and stable shipping capacity, enhancing our cost control over transportation along Xijiang River. In addition, as of 31 December 2013, the Company has been operating a total of 43 silo terminals (mainly at Pearl River Delta region in Guangdong) with an annual capacity of 30.0 million tons, enhancing our competitiveness in terms of logistics and transportation through the "waterway freight and transshipment" model.

## ENERGY SAVING AND EMISSION REDUCTION

The Group is committed to energy conservation, emission reduction and environmental protection. In order to comply with the new emission standards for nitrogen oxides and duct emission reduction for the cement industry in China as introduced by the Chinese government, the Group has accelerated the process of technological upgrades on denitrogenation of production lines. As of 31 December 2013, such upgrades have been completed for 37 clinker production lines. Upgrades of the remaining 2 production lines will be completed in the first half of 2014 as scheduled. The Group has also completed technological upgrades on dust collection systems for 5 clinker production lines, while upgrades for 8 other production lines are in progress.

## SAFETY AND ENVIRONMENTAL PROTECTION

In 2013, the Group has been promoting production safety standardization. Until now, 14 cement production plants have been awarded the title of First-Class Enterprise in Production Safety Standardization by the State Administration of Work Safety in China. In addition, with its continuing efforts in environmental management and sustainable development, China Resources Cement (Fengkai) Limited has stood out in the areas of energy conservation, water conservation, waste reduction, air pollution control, carbon emission control, green procurement and promotion and training in environmental protection, and was honoured with the Hong Kong Green Awards 2013 (Services Provider) Silver Award from the Green Council of Hong Kong.

## REVIEW OF OPERATIONS

### Turnover

The consolidated turnover for the year ended 31 December 2013 amounted to HK$29,340.6 million, representing an increase of 15.8% over HK$25,345.3 million for the last year. An analysis of segmental turnover by product is as follows:

| | **2013** | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Sales volume** | **Average selling price** | **Turnover** | Sales volume | Average selling price | Turnover |
| | ***'000 tons/m³*** | ***HK$*** | ***HK$'000*** | *'000 tons/m³* | *HK$* | *HK$'000* |
| Cement | **67,143** | **321.3** | **21,571,667** | 55,901 | 324.3 | 18,126,000 |
| Clinker | **7,774** | **247.7** | **1,925,810** | 8,739 | 257.1 | 2,246,901 |
| Concrete | **15,205** | **384.3** | **5,843,142** | 13,407 | 370.9 | 4,972,427 |
| Total | | | **29,340,619** | | | 25,345,328 |

In 2013, our external sale volume of cement, clinker and concrete increased by 11.2 million tons, decreased by 1.0 million tons and increased by 1.8 million $m^3$, representing increase of 20.1%, decrease of 11.0% and increase of 13.4% respectively over 2012. During the year, approximately 67.0% of the cement products we sold were 42.5 or higher grades (67.3% in 2012) and approximately 45.2% were sold in bags (44.6% in 2012). Internal sales volume of cement for our concrete production was 3.3 million tons (2.7 million tons in 2012), representing 4.7% of the total volume of cement sold (4.7% in 2012). The intra-group transaction amount of HK$1,021.3 million was eliminated from the consolidated turnover (HK$878.3 million in 2012).

Our cement sales by geographical areas in 2013 were as follows:

| | **2013** | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Sales volume** | **Average selling price** | **Turnover** | Sales volume | Average selling price | Turnover |
| **Province** | ***'000 tons*** | ***HK$*** | ***HK$'000*** | *'000 tons* | *HK$* | *HK$'000* |
| Guangdong | **23,238** | **344.2** | **7,998,564** | 17,956 | 347.2 | 6,234,654 |
| Guangxi | **23,507** | **307.3** | **7,223,116** | 20,724 | 307.9 | 6,381,876 |
| Fujian | **9,436** | **309.4** | **2,919,213** | 7,343 | 309.1 | 2,269,738 |
| Hainan | **4,014** | **345.2** | **1,385,493** | 3,971 | 352.5 | 1,399,913 |
| Shanxi | **3,803** | **266.9** | **1,015,181** | 3,162 | 292.6 | 925,172 |
| Yunnan | **3,145** | **327.5** | **1,030,100** | 2,745 | 333.2 | 914,647 |
| Total | **67,143** | **321.3** | **21,571,667** | 55,901 | 324.3 | 18,126,000 |

The average selling prices of cement, clinker and concrete in 2013 were HK$321.3 per ton, HK$247.7 per ton and HK$384.3 per $m^3$ respectively, representing decreases of 0.9% and 3.7% and an increase of 3.6% respectively over 2012. As expected, selling prices of cement products dropped as the Chinese new year holiday began. However, since April, economic activities have become more active resulting in strong demand for cement products. As the cement market in Southern China entered into the traditional peak season from September, the robust demand drove up cement selling prices. The average selling price of concrete in 2013 was relatively stable until the fourth quarter when it increased by approximately 7.6%.

**Major production costs**

The average price of coal we purchased in 2013 was around HK$691 per ton, representing a decrease of 13.1% from the average price of HK$795 per ton in 2012, while the average thermal value of coal increased by 4.3% to 5,138 kcal per kg. During the year, our unit coal consumption decreased from the average of 161.0 kg per ton of clinker produced in 2012 to 152.8 kg, representing a decrease of 5.1%. Our standard coal consumption improved from 109.3 kg per ton of clinker in 2012 to 107.8 kg for the year. As the result of the lower coal price and improved coal consumption, our average coal cost of production decreased by 17.6% from HK$128.1 per ton of clinker produced in 2012 to HK$105.6 for the year. Coal cost represented approximately 38.2% of the cost of sales of cement for the year (43.2% in 2012) and approximately 31.9% of the Group's total cost of sales for the year (37.0% in 2012).

Our average electricity cost decreased by 4.2% from HK$42.9 per ton of cement in 2012 to HK$41.1 for the year due to the reduced electricity consumption and higher utilization of the residual heat recovery generators. We managed to improve our electricity consumption to 77.6 kwh per ton of cement for the year (84.1 kwh in 2012), representing a cost saving of approximately HK$328.3 million (HK$116.9 million in 2012). Our residual heat recovery generators generated 1,767.2 million kwh of electricity in the year, representing an increase of 16.5% over 1,517.3 million kwh in 2012. The electricity generated in 2013 accounted for approximately 29.5% of our required electricity consumption (27.9% in 2012) and we achieved a cost saving of approximately HK$1,124.4 million for the year (HK$945.0 million in 2012). Electricity cost represented approximately 18.3% of the cost of sales of cement for the year (17.6% in 2012) and approximately 15.3% of the Group's total cost of sales for the year (15.0% in 2012).

**Gross profit and gross margin**

The consolidated gross profit for 2013 was HK$8,359.8 million, representing an increase of 37.1% from HK$6,099.5 million for 2012 and the consolidated gross margin was 28.5%, representing an increase of 4.4 percentage points from 24.1% for 2012. The increase in consolidated gross profit for 2013 was mainly attributable to the increase in sales volume and improved gross margins due to production cost reduction. The gross margins of cement, clinker and concrete for 2013 were 31.0%, 13.7% and 23.9%, as compared with 25.0%, 11.5% and 26.2% respectively for 2012.

**Other income**

Other income for 2013 was HK$811.9 million, representing an increase of 96.3% from HK$413.6 million for 2012. Due to the appreciation of RMB against other currencies, the Group generated an exchange gain of HK$416.3 million from the net borrowings denominated in non-RMB currencies in 2013. An exchange loss was derived in 2012 when RMB depreciated against other currencies and such loss was charged to general and administrative expenses. During the year, the Group received government incentive of HK$210.3 million as compared with HK$236.5 million for the last year.

**Selling and distribution expenses**

Selling and distribution expenses for 2013 were HK$1,633.2 million, which was 33.5% more than HK$1,223.1 million for 2012. As a percentage to consolidated turnover, selling and distribution expenses increased from 4.8% in 2012 to 5.6% in 2013. The increase was due to higher transportation costs because of increased volume of cement and clinker being delivered from Guangxi to Guangdong and higher logistic costs of the concrete operation as the Group relied more on the lease instead of acquisition of concrete mixer trucks.

**General and administrative expenses**

General and administrative expenses for 2013 were HK$2,727.5 million, representing an increase of 50.9% over HK$1,807.8 million for 2012. As a percentage to consolidated turnover, general and administrative expenses increased to 9.3% for 2013 from 7.1% for 2012. During the year, the Group decided to shut down operations of two inefficient 1200 tons per day clinker production lines and together with certain projects that were forgiven, the total impairment loss on fixed assets of HK$353.3 million was charged to general and administrative expenses. The increase in general and administrative expenses was also due to our expanded operations, and increase in staff costs and other costs. In 2013, general staff costs increased by HK$312.8 million as a result of a general average pay rise of 7.5% and extra bonus payments as incentive to employees for the outstanding performance of the Group in 2013.

**Share of results of associates**

The share of results of associates attributable to the Group for the year amounted to HK$98.4 million (HK$136.6 million in 2012). The associates operated mainly in Inner Mongolia where competition was more intense, resulting in lower selling prices and operating margins.

### Share of results of jointly ventures

The share of results of joint ventures attributable to the Group for 2013 amounted to HK$99.6 million, representing an increase of 21.8% from HK$81.8 million for 2012. The joint ventures incurred additional major repair costs of approximately HK$25.4 million during the year. Apart from this, their performance was in line with the Group's operation in the vicinity.

### Taxation

The effective tax rate of the Group for 2013 was 24.0%, representing an increase of 5.6 percentage points from 18.4% of 2012. Excluding the results of joint ventures and associates, the effective tax rate of the Group for 2013 would be 25.2%, representing an increase of 5.3 percentage points from 19.9% of 2012. This was because tax holidays previously enjoyed by certain subsidiaries ceased in the year of 2013 and the Group has accounted income tax at the rate of 25% on the profit generated by subsidiaries operating in the Chinese Mainland.

### Net margin

Net margin of the Group for 2013 was 11.2%, which was 1.9 percentage points higher than that of 9.3% for 2012. After full allocation of other income and corporate expenses but excluding share of results of associates and joint ventures, net profit per ton of cement products and per $m^3$ of concrete were about HK$42.7 (HK$28.4 in 2012) and HK$8.9 (HK$16.0 in 2012) respectively.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's cash and bank balances and pledged bank deposits included the following amounts:

| | **As at 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| HK$ | **417,600** | 754,530 |
| RMB | **1,864,378** | 2,204,326 |
| US$ | **4,645** | 12,092 |

As at 31 December 2013, the Group's banking facilities amounted to US$120.0 million, HK$11,300.0 million and RMB15,169.0 million, of which HK$300.0 million and RMB10,915.0 million were unutilized and remained available for drawdown and the total bank loans of the Group amounting to HK$17,341.2 million equivalent (HK$17,777.2 million as at 31 December 2012) comprised loans in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| HK$ | **11,000,000** | 9,820,000 |
| RMB | **4,254,000** | 5,507,500 |
| US$ | **120,000** | 150,000 |

These bank loans were unsecured as at 31 December 2013 (total amount of HK$339.1 million equivalent of the bank loans denominated in RMB was secured by non-current fixed assets of the Group and the remaining balances of HK$17,438.1 million was unsecured as at 31 December 2012).

As at 31 December 2013, bank loans which carried interests at fixed and variable rates amounted to HK$2,416.6 million and HK$14,924.6 million respectively (HK$986.6 million and HK$16,790.6 million respectively as at 31 December 2012).

During 2013, the Group obtained certain loans from China Resources (Holdings) Company Limited ("CR Holdings"), China Resources Co., Limited and their respective subsidiaries. As at 31 December 2013, all these loans have been fully repaid (HK$1,330.9 million outstanding which comprised loans in the following currency as at 31 December 2012):

| | As at 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| HK$ | **–** | 80,000 |
| RMB | **–** | 1,014,200 |

The above loans were unsecured, interest bearing at prevailing market rates and repayable within six months from the date of drawdown.

On 5 October 2012, the Company issued 2.125% credit enhanced senior bonds in the amount of US$400.0 million due October 2017 for refinancing and general corporate purposes. 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.. The bonds remain in good credit standing at the date of this announcement.

Under the terms of certain agreements for total banking facility of HK$14,739.2 million equivalent which will expire from February 2014 to October 2016, CR Holdings is required to hold not less than 51% of the voting share capital in the Company. Under the terms of 2.125% credit enhanced senior bonds, CR Holdings is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for total banking facility of HK$14,439.2 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Company as at 31 December 2013, calculated by dividing net borrowings by equity attributable to owners of the Company, was 71.0% (87.2% as at 31 December 2012).

The Group's business transactions were mainly carried out in HK$ and RMB. The Group's exposure to currency risk was attributable to the bank balances and bank loans which were denominated in currencies other than the functional currency of the entity to which these bank balances and bank loans were related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise. As at 31 December 2013, the Group was not engaged in any hedging contract (US$100.0 million for the purpose of the settlement of a US$ bank loan as at 31 December 2012).

The Group has net current liabilities of HK$4,300.1 million as at 31 December 2013. Taking into account of the cash and bank balances, the unutilized banking facilities, the expected future internally generated funds and the new banking facilities to be obtained, the Company is confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. The Company will obtain more bank loan facilities with longer maturity dates in order to strengthen the liquidity position.

## CHARGES ON ASSETS

As at 31 December 2013, these was no pledge of assets by the Group (certain assets of the Group with an aggregate carrying value of HK$311.7 million were pledged with banks for banking facilities used by its subsidiaries as at 31 December 2012).

## CONTINGENT LIABILITIES

As at 31 December 2013, the Group has issued guarantees to banks in respect of banking facilities in the amount of RMB715.7 million and HK$50.0 million granted to an associate and a joint venture respectively, of which RMB545.6 million and HK$29.3 million had been utilized.

## FUTURE PLAN AND CAPITAL EXPENDITURE

**New construction projects**

During the year, the Company approved and commenced the following construction:

(1) a clinker production line with annual capacity of 1.6 million tons and two cement grinding lines with total annual capacity of 2.0 million tons in Jinsha County, Guizhou with total cost of construction amounting to approximately RMB1,051.8 million (equivalent to approximately HK$1,337.8 million);

(2) a clinker production line with annual capacity of 1.2 million tons and two cement grinding lines with total annual capacity of 2.0 million tons in Midu County, Yunnan with total cost of construction amounting to approximately RMB871.0 million (equivalent to approximately HK$1,107.8 million);

(3) a clinker production line with annual capacity of 1.6 million tons and two cement grinding lines with total annual capacity of 2.0 million tons in Hepu County, Guangxi with total cost of construction amounting to approximately RMB1,031.1 million (equivalent to approximately HK$1,311.5 million);

(4) a clinker production line with annual capacity of 1.9 million tons and three cement griding lines with total annual capacity of 3.0 million tons in Lianjiang County, Guangdong with total cost of construction amounting to approximately RMB1,336.1 million (equivalent to approximately HK$1,699.4 million; and

(5) thirteen concrete batching plants with total annual capacity of 7.8 million $m^3$, with the cost of construction amounting to approximately HK$542.3 million.

## Modification to construction plan

As previously reported, China Resources Cement (Xinzhou) Limited, our non-wholly owned subsidiary, was looking for other limestone reserves for the purpose of construction of a 4500 tons per day NSP clinker production line and two cement grinding lines with total annual production capacity of 2.0 million tons in Xinzhou City, Shanxi. A piece of limestone reserve has been located recently and the Company will resume the construction of these intended production lines once the quarry can be confirmed and the revised construction plan is approved by the relevant government authorities.

We have previously reported in our Annual Report 2011 that we would commence the construction of a clinker production line with annual capacity of 1.6 million tons and two cement grinding lines with total annual capacity of 2.0 million tons in Fangshan County, Lüliang City, Shanxi. In June 2012, the local government issued a notice requesting all construction work be temporarily suspended on the grounds that the construction site has been included in the new town planning zone. Therefore, our production lines may have to be relocated to another piece of land. We are in negotiation with the local government regarding the possible relocation and will report to shareholders when appropriate.

## Capital expenditure

As at 31 December 2013, the Group has outstanding capital expenditure for projects under construction in the amount of HK$10,956.2 million of which approximately HK$5,535.4 million are expected to be expended in 2014. Details of these projects are as below:

| **Projects** | **Total capital expenditure for the project** | **Expended as at 31/12/2012** | **Expended during the year** | **Outstanding capital expenditure as at 31/12/2013** |
|---|---|---|---|---|
| | *HK$ million* | *HK$ million* | *HK$ million* | *HK$ million* |
| **Completed projects** | | | | |
| Construction of production lines in Fengkai County, Guangdong, with a total capacity of 6.0 million tons of cement and 6.2 million tons of clinker | 6,761.1 | 6,146.8 | 400.4 | 213.9 |
| Construction of production lines in Fuchuan County, Guangxi, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker | 1,206.0 | 1,137.7 | 64.9 | 3.4 |

| Projects | Total capital expenditure for the project *HK$ million* | Expended as at 31/12/2012 *HK$ million* | Expended during the year *HK$ million* | Outstanding capital expenditure as at 31/12/2013 *HK$ million* |
|---|---|---|---|---|
| Construction of production lines in Shangsi County, Guangxi, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker | 1,579.7 | 1,400.5 | 141.6 | 37.6 |
| Construction of production lines in Tianyang County, Guangxi, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker | 1,116.1 | 938.3 | 141.8 | 36.0 |
| Construction of production lines in Wuxuan County, Guangxi, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker | 1,069.6 | 873.9 | 98.4 | 97.3 |
| Construction of production lines in Shantou City, Guangdong, with a total capacity of 1.8 million tons of cement | 263.4 | 251.1 | 12.3 | – |
| Construction of production lines in Luchuan County, Guangxi, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker | 1,162.5 | 993.4 | 92.3 | 76.8 |
| Construction of production lines in Yongding County, Fujian, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker | 1,407.8 | 1,185.5 | 44.0 | 178.3 |
| Construction of production lines in Yangchun County, Guangdong, with a total capacity of 1.0 million tons of cement and 800,000 tons of clinker | 358.1 | 320.7 | 13.3 | 24.1 |
| Construction of production lines in Longyan City, Fujian, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker | 1,487.8 | 1,095.9 | 117.3 | 274.6 |

| Projects | Total capital expenditure for the project *HK$ million* | Expended as at 31/12/2012 *HK$ million* | Expended during the year *HK$ million* | Outstanding capital expenditure as at 31/12/2013 *HK$ million* |
|---|---|---|---|---|
| Construction of production lines in Liulin County, Shanxi, with a total capacity of 4.0 million tons of cement and 2.7 million tons of clinker | 2,689.7 | 2,474.8 | 142.1 | 72.8 |
| Construction of the second set of production lines in Shangsi County, Guangxi, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker | 698.3 | 593.7 | 38.2 | 66.4 |
| Construction of production lines in Changzhi City, Shanxi, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker | 1,557.7 | 841.7 | 328.3 | 387.7 |
| Acquisition of production lines in Changzhi City, Shanxi, with a total capacity of 600,000 tons of cement and 372,000 tons of clinker | 177.5 | 111.6 | 61.2 | 4.7 |
| Construction of production lines in Yanshi Town, Longyan City, Fujian, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker | 1,339.0 | 927.9 | 138.9 | 272.2 |
| Acquisition of production lines in Fangshan County, Shanxi, with a total capacity of 700,000 tons of cement and 372,000 tons of clinker | 232.6 | 197.6 | 35.0 | – |
| Construction of production lines in Luoding County, Guangdong, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker | 1,245.9 | 853.6 | 204.2 | 188.1 |
| Subtotal | 24,352.8 | 20,344.7 | 2,074.2 | 1,933.9 |

| Projects | Total capital expenditure for the project<br>*HK$ million* | Expended as at 31/12/2012<br>*HK$ million* | Expended during the year<br>*HK$ million* | Outstanding capital expenditure as at 31/12/2013<br>*HK$ million* |
|---|---|---|---|---|
| **Projects under construction** | | | | |
| Construction of production lines in Fengkai County, Guangdong, with a total capacity of 3.1 million tons of clinker | 2,948.6 | 614.5 | 192.2 | 2,141.9 |
| Construction of production lines in Anshun City, Guizhou, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker | 1,443.7 | – | 26.5 | 1,417.2 |
| Construction of production lines in Jinsha County, Guizhou, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker | 1,337.8 | – | 693.6 | 644.2 |
| Construction of production lines in Midu County, Yunnan, with a total capacity of 2.0 million tons of cement and 1.2 million tons of clinker | 1,107.8 | – | 194.9 | 912.9 |
| Construction of production lines in Hepu County, Guangxi, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker | 1,311.5 | – | 134.6 | 1,176.9 |
| Construction of production lines in Lianjiang County, Guangdong, with a total capacity of 3.0 million tons of cement and 1.9 million tons of clinker | 1,699.4 | – | 94.3 | 1,605.1 |
| Construction of 13 concrete batching plants with a total capacity of 7.8 million $m^3$ of concrete | 542.3 | 36.6 | 47.4 | 458.3 |
| Technological upgrade projects and other purchases of fixed assets | 665.8 | – | – | 665.8 |
| Subtotal | 11,056.9 | 651.1 | 1,383.5 | 9,022.3 |
| Total | 35,409.7 | 20,995.8 | 3,457.7 | 10,956.2 |

Apart from the foregoing, the Group had no other significant planned capital expenditure or commitment as at 31 December 2013. The above planned and intended capital expenditures and commitments will be financed by bank loans and internally generated funds.

## EMPLOYEES

### General Information

As at 31 December 2013, our Group employed a total of 23,889 full time employees (23,296 as at 31 December 2012) of whom 173 (186 as at 31 December 2012) were based in Hong Kong and the remaining 23,716 (23,110 as at 31 December 2012) were based in the Chinese Mainland. A breakdown of our employees by function is set out as follows:

| | **As at 31 December 2013** | As at 31 December 2012 |
|---|---|---|
| Management | **358** | 315 |
| Finance and administration | **3,045** | 2,951 |
| Production and technical | **17,682** | 17,348 |
| Quality control | **2,125** | 2,051 |
| Sales and marketing | **679** | 631 |
| Total | **23,889** | 23,296 |

Among our 358 senior and middle managerial staff, 90% are male (90% as at 31 December 2012) and 10% are female (10% as at 31 December 2012), 66% possess university degrees (64% as at 31 December 2012), 27% have received post-secondary education (29% as at 31 December 2012) and their average age is about 44 (42 as at 31 December 2012). We offer our employees remuneration packages mainly on the basis of individual performance and experience and also having regard to industrial practice, which include 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 shares acquired by the trustee under this scheme.

### Personnel Training

In 2013, the Group have strengthened personnel training of middle management and enforced the TWI (Training Within Industry) program for supervisors of production plants in order to improve their leadership skills, promote lean management and standardize production process. We also value the promotion of "5C" management concepts (Capital Structure, Cash Generation, Cash Management, Capital Raising and Capital Allocation) in the training of our finance personnel, so as to improve their professional skills and to establish a solid foundation for corporate development in future. During the year, we have organized 28 classes of professional training on various aspects including safety and environment, quality management, equipment management, procurement, logistic management and marketing. There were 16 members of the management sharing their views on corporate culture and future development of the cement industry with the employees. A total of 916 employees and 100 instructors (of whom 61 were managers in key positions) benefited in the training and the level of the Group's professional skills has been enhanced through the process of teaching and learning.

### Care for Employees

The Group always emphasizes the care for employees. Every year, the Group coordinates voluntary donations by employees and the Group will donate the same amount to the "CR Cement Thanks Giving Fund" to care for and help the employees in need. During the year, a total of RMB1.2 million has been donated to the fund by our employees and the Group, and 20 employees received assistance in a total amount of over RMB500,000 from the fund. In addition, we have actively strengthened the communication between the Group and the employees by organizing regular meeting days with the General Managers of cement production plants for opinion sharing and hearing employees' requests. During the year, approximately 2,500 employees met with the General Managers in 165 meeting days. In 2013, the Group's management and the employee representatives of production plants organized 13 seminars with approximately 200 employees participated. Relevant action plans were made after the seminars and regular follow-up actions have been taken to monitor the results.

## STRATEGIES AND PROSPECTS

In 2013, the Group adopted a "full-scaled production and sale" marketing strategy which has lifted our utilization rate, expanded our market share and further strengthened the leading position in the region. In the Fujian market, we entered into a capital injection agreement with Fujian Energy Group Company Limited, with a view to further consolidating and expanding our cement business in the region through equity investment. In addition to the China Resources Hezhou Circular Economy Demonstration Zone, the Group has entered Guizhou in 2013 to develop a circular economy project in cooperation with the coal and thermal power businesses of China Resources Power Holdings Company Limited. It is expected that the Group's clinker and cement production lines will commence operation in the third quarter this year.

As at 31 December 2013, the annual production capacities of cement, clinker and concrete in operation held by our subsidiaries amounted to 75.5 million tons, 51.0 million tons and 36.1 million $m^3$ respectively. Provided that we do not have any further acquisition, we expect our annual production capacities for cement, clinker and concrete held by subsidiaries will amount to 79.5 million tons, 53.8 million tons and 43.9 million $m^3$ respectively by the end of 2014; 86.5 million tons, 60.2 million tons and 51.1 million $m^3$ respectively by the end of 2015; 94.5 million tons, 67.8 million tons and 58.3 million $m^3$ respectively by the end of 2016.

In addition, as at 31 December 2013, the joint ventures that operate in Guangzhou and the associated companies that operate in Inner Mongolia, in which we have equity interests, had total annual cement and clinker production capacities of 25.3 million tons and 14.5 million tons, of which the annual cement and clinker production capacities attributable to the Group in proportion to our equity interests amounted to 11.5 million tons and 6.5 million tons respectively.

In November 2013, the Third Plenary Session of the 18th Central Committee of the Communist Party of China proposed a comprehensive reform in economic, political, cultural and social aspects, as well as other areas. The reform includes the improvement of an open economic system and a modernized market system, restructuring of government organization, taxation system, urban and rural development mechanism. In December 2013, the Central Economic Work Conference also pointed out that the government will insist on its keynote policy as "Progress while maintaining stability, reform with innovation", which is to maintain a reasonable growth for China's GDP by promoting industrial restructuring, resolving overcapacity issue and controlling credit risk.

In 2014, the Chinese government will continue its reforms to improve the quality and efficiency of economic growth, support a healthy, stable and sustainable economic development and improve the supply and demand dynamics of the cement industry. Moreover, the government will proactively promote energy conservation and production standard to improve the environment for the development of the cement industry. In the future, we will continue to adhere to the "3+2" development strategy, through control, conversion and distribution of resources, making us the lowest total cost producer with leading market position in the region. We will continue to perform market consolidation, promote energy conservation and emission reduction, develop circular economy, and contribute to sustainable and healthy development of the cement industry in China.

## CORPORATE GOVERNANCE

During the year, the Company complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that all non-executive Directors were not appointed for a specific term. Since all Directors are subject to re-election by shareholders at annual general meetings and at least about once every three years on a rotation basis in accordance with the Articles of Association of the Company, there are sufficient measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

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

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

## DIVIDEND

The Board recommends the payment of a final dividend of HK$0.07 per share for the year ended 31 December 2013 (2012: HK$0.07 per share). Subject to approval by shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about 27 May 2014 to shareholders whose names appear on the register of members of the Company on 15 May 2014. Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK$0.035 per share in cash with scrip option for 2013 (2012: Nil) and total distribution for the year ended 31 December 2013 will be HK$0.105 per share (2012: HK$0.07 per share).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 May 2014 to Friday, 9 May 2014, 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, 9 May 2014, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 2 May 2014 with the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014).

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders 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, 15 May 2014 and the register of members of the Company will be closed on Thursday, 15 May 2014, 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, 14 May 2014 with the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014).

## APPRECIATION

I would like to thank the Directors, the management team and all employees for their sustained diligence and dedication to the Group which contributed to the significant improvement of the Group's business. On behalf of the Board, I would also like to express our heartfelt thanks to our business partners and stakeholders for their continuing trust and support to the Group.

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

Hong Kong, 7 March 2014

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