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)

2017 INTERIM RESULTS ANNOUNCEMENT

	For the six months ended 30 June		
	2017 (unaudited)	2016 (unaudited)	**Increase**
Turnover *(HK$ million)*	**13,188.4**	11,315.6	16.6%
Profit attributable to owners of the Company *(HK$ million)*	**1,639.8**	257.5	536.7%
Basic earnings per share	**HK$0.251**	HK$0.039	
Interim dividend per share	**HK$0.115**	HK$0.015	
	As at 30/6/2017 (unaudited)	As at 31/12/2016 (audited)	**Increase**
Total assets *(HK$ million)*	**55,215.0**	52,156.5	5.9%
Equity attributable to owners of the Company *(HK$ million)*	**27,976.0**	26,006.8	7.6%
Net borrowings *(HK$ million) (note 1)*	**14,733.8**	14,667.7	0.5%
Net gearing ratio *(note 2)*	**52.7%**	56.4%	
Net assets per share – book *(note 3)*	**HK$4.28**	HK$3.98	

notes:

1. Net borrowings equal to total bank borrowings, unsecured bonds, commercial paper, medium term notes and loan from a fellow subsidiary 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 relevant reporting period.

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	**2017**	2016
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**13,188,384**	11,315,608
Cost of sales		**(9,292,790)**	(8,618,553)
Gross profit		**3,895,594**	2,697,055
Other income		**141,162**	128,811
Selling and distribution expenses		**(779,575)**	(768,132)
General and administrative expenses		**(939,971)**	(879,123)
Exchange gain (loss)		**148,713**	(163,141)
Finance costs	*4*	**(308,779)**	(353,602)
Share of results of associates		**(4,521)**	(108,409)
Share of results of joint ventures		**33,595**	(44,652)
Profit before taxation	*5*	**2,186,218**	508,807
Taxation	*6*	**(573,454)**	(286,728)
Profit for the period		**1,612,764**	222,079
Attributable to:			
Owners of the Company		**1,639,802**	257,527
Non-controlling interests		**(27,038)**	(35,448)
		1,612,764	222,079
Basic earnings per share	*7*	**HK$0.251**	HK$0.039

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30/6/2017** *HK$'000* **(unaudited)**	As at 31/12/2016 *HK$'000* (audited)
Non-current assets			
Fixed assets		**30,151,063**	29,783,669
Prepaid lease payments		**2,721,690**	2,674,723
Investment properties		**112,882**	112,499
Intangible assets		**2,203,476**	2,263,684
Interests in associates		**5,310,560**	5,212,992
Interests in joint ventures		**1,531,654**	1,484,271
Deposits for acquisition of fixed assets		**917,139**	752,008
Deferred tax assets		**227,017**	325,525
Long term receivables		**450,635**	440,901
Pledged bank deposits		**52,220**	32,368
		43,678,336	43,082,640
Current assets			
Inventories		**2,417,066**	1,943,482
Trade receivables	*8*	**3,184,828**	2,434,190
Other receivables		**1,043,777**	967,299
Amounts due from associates		**510,756**	486,761
Amounts due from joint ventures		**12,221**	10,929
Taxation recoverable		**64,787**	71,065
Pledged bank deposits		**894**	1,461
Cash and bank balances		**4,302,327**	3,158,684
		11,536,656	9,073,871

	Note	As at 30/6/2017 HK$'000 (unaudited)	As at 31/12/2016 HK$'000 (audited)
Current liabilities			
Trade payables	9	**3,388,057**	3,145,780
Other payables		**4,159,548**	4,446,121
Taxation payable		**267,506**	334,213
Loan from a fellow subsidiary		**1,728,270**	–
Other unsecured short term debt-commercial paper		**576,090**	558,965
Unsecured bonds		**3,122,132**	3,102,032
Bank loans – amount due within one year		**3,067,048**	3,229,723
		16,308,651	14,816,834
Net current liabilities		**(4,771,995)**	(5,742,963)
Total assets less current liabilities		**38,906,341**	37,339,677
Non-current liabilities			
Bank loans – amount due after one year		**7,139,156**	7,615,712
Unsecured medium term notes		**3,456,540**	3,353,790
Other long term payables		**22,851**	20,086
Deferred tax liabilities		**83,127**	98,220
		10,701,674	11,087,808
		28,204,667	26,251,869
Capital and reserves			
Share capital		**653,294**	653,294
Reserves		**27,322,662**	25,353,474
Equity attributable to owners of the Company		**27,975,956**	26,006,768
Non-controlling interests		**228,711**	245,101
Total equity		**28,204,667**	26,251,869

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 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 investment properties, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Amendments to HKFRS12 included in Annual improvements to HKFRS 2014-2016 cycle

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 and concrete. 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 gain or loss.

The information of segment results is as follows:

For the six months ended 30 June 2017 (unaudited)

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER – SEGMENT REVENUE				
External sales	**10,895,010**	**2,293,374**	**–**	**13,188,384**
Inter-segment sales	**362,698**	**1,265**	**(363,963)**	**–**
	11,257,708	**2,294,639**	**(363,963)**	**13,188,384**

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	**2,306,061**	**141,860**	**–**	**2,447,921**
Interest income				**33,283**
Exchange gain				**148,713**
Finance costs				**(308,779)**
Unallocated net corporate expenses				**(163,994)**
Share of results of associates				**(4,521)**
Share of results of joint ventures				**33,595**
Profit before taxation				**2,186,218**

For the six months ended 30 June 2016 (unaudited)

	Cement *HK$'000*	Concrete *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	9,166,803	2,148,805	–	11,315,608
Inter-segment sales	276,958	2,207	(279,165)	–
	9,443,761	2,151,012	(279,165)	11,315,608

Inter-segment sales are charged at prevailing market prices.

	Cement *HK$'000*	Concrete *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
RESULTS				
Segment results	1,079,775	248,031	–	1,327,806
Interest income				16,818
Exchange loss				(151,799)
Finance costs				(353,602)
Unallocated net corporate expenses				(177,355)
Share of results of associates				(108,409)
Share of results of joint ventures				(44,652)
Profit before taxation				508,807

4. FINANCE COSTS

	For the six months ended 30 June	
	2017 ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited)
Interests on:		
Bank loans, unsecured bonds, commercial paper and medium term notes	**301,539**	353,297
Loan from a fellow subsidiary	**7,106**	–
Other long term payables	**134**	305
	308,779	353,602

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Total staff costs (including Directors' emoluments)	**1,162,841**	1,256,012
Allowance for doubtful debts	**18,745**	17,070
Amortisation of mining rights (included in general and administrative expenses)	**41,567**	38,956
Depreciation of fixed assets	**898,089**	899,226
Impairment of fixed assets	**36,231**	–
Impairment of goodwill	**78,934**	–
Operating lease payments in respect of		
– rented premises	**22,747**	24,002
– motor vehicles	**176,020**	141,222
Release of prepaid lease payments	**35,311**	38,291
Interest income	**(33,283)**	(16,818)

6. TAXATION

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**14,791**	15,221
Chinese Mainland Enterprise Income Tax	**469,522**	318,179
	484,313	333,400
Deferred taxation		
Hong Kong	**(2,672)**	402
Chinese Mainland	**91,813**	(47,074)
	89,141	(46,672)
	573,454	286,728

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

Chinese Mainland Enterprise Income Tax represents the income tax in the Chinese Mainland which is calculated at 25% on the taxable income of the group entities in the Chinese Mainland 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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**1,639,802**	257,527

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**6,532,937,817**	6,532,937,817

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

8. TRADE RECEIVABLES

	As at	As at
	30/6/2017	31/12/2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables from third parties	**3,179,014**	2,429,967
Trade receivables from related parties	**5,814**	4,223
	3,184,828	2,434,190

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 30/6/2017 HK$'000 (unaudited)	As at 31/12/2016 HK$'000 (audited)
0 to 90 days	**2,835,279**	2,210,025
91 to 180 days	**160,285**	125,778
181 to 365 days	**189,264**	98,387
	3,184,828	2,434,190

9. TRADE PAYABLES

	As at 30/6/2017 HK$'000 (unaudited)	As at 31/12/2016 HK$'000 (audited)
Trade payables to third parties	**3,380,068**	3,140,406
Trade payables to related parties	**7,989**	5,374
	3,388,057	3,145,780

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 30/6/2017 HK$'000 (unaudited)	As at 31/12/2016 HK$'000 (audited)
0 to 90 days	**3,279,851**	3,055,602
91 to 180 days	**55,172**	45,960
181 to 365 days	**35,819**	27,688
Over 365 days	**17,215**	16,530
	3,388,057	3,145,780

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.115 per share for the Period (2016: HK$0.015). The interim dividend, which amounts to approximately HK$751.3 million (2016: HK$98.0 million), will be distributed on or about Friday, 22 September 2017 to shareholders whose names appear on the register of members of the Company after the close of business on Friday, 25 August 2017. Such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28 August 2017 to Friday, 1 September 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. 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, 25 August 2017 with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

BUSINESS ENVIRONMENT

In the first half of 2017, the Chinese government promoted supply-side structural reform and the national economy grew steadily. According to the National Bureau of Statistics of China, in the first half of this year, China's gross domestic products ("GDP") grew by 6.9% over the corresponding period last year to RMB38.1 trillion. National fixed asset investments (excluding rural households) ("FAI") increased by 8.6% over the corresponding period last year to RMB28.1 trillion.

According to the data published by the respective provincial bureaus of statistics, in the first half of 2017, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou, at which the Group has operations, reached RMB4.2 trillion, RMB818.0 billion, RMB1.3 trillion, RMB219.8 billion, RMB657.8 billion, RMB644.8 billion and RMB573.2 billion, representing increases of 7.8%, 7.2%, 8.3%, 7.5%, 6.9%, 9.5% and 10.4% respectively over the corresponding period last year. Meanwhile, according to the National Bureau of Statistics of China, the FAI of the aforementioned provinces reached RMB1.5 trillion, RMB942.1 billion, RMB1.2 trillion, RMB178.5 billion, RMB325.0 billion, RMB744.5 billion and RMB571.5 billion, representing increases of 14.6%, 12.8%, 14.4%, 12.8%, 5.1%, 16.0% and 21.0% respectively as compared with the corresponding period last year.

In the first half of the year, in order to foster steady economic growth, local governments increased the investments in infrastructure projects and accelerated the construction of transportation projects through public-private-partnership. According to the National Bureau of Statistics of China, in the first half of this year, national infrastructure investments (excluding the production and supply of electricity, heat, gas and water) reached RMB5.9 trillion, representing an increase of 21.1% over the corresponding period last year. Among which, according to China Railway, FAI on national railways increased by 1.9% over the corresponding period last year to RMB312.5 billion, which accounted for 39.1% of the annual target. According to the Ministry of Transport of China, FAI on highways and waterways amounted to RMB967.3 billion in total, which accounted for 53.7% of the annual target. Among which, FAI on highways increased by 28.9% over the corresponding period last year to RMB897.6 billion. The construction of infrastructure had a positive impact on boosting the demand for cement.

In respect of real estate, having regard to different circumstances of the local property markets, local governments introduced various measures such as restrictions on purchase and mortgage for stabilizing property prices, so as to maintain the stable and healthy development of the property market. However, the market demand for housing remained strong and real estate investments remained stable with a mild increase in the first half of the year. According to the National Bureau of Statistics of China, in the first half of the year, the floor space of commodity housing sold in China increased by 16.1% over the corresponding period last year to 750 million m^2 and the sales amount increased by 21.5% to RMB5.9 trillion. Investment in real estate development in China reached RMB5.1 trillion, representing an increase of 8.5% over the corresponding period last year, which was higher than that of last year by 1.6 percentage points. The floor space of houses newly started construction increased by 10.6% over the corresponding period last year to 860 million m^2 while the floor space of houses completed increased by 5.0% over the corresponding period last year to 420 million m^2. At the end of June, the floor space under construction by the real estate developers reached 6,920 million m^2, representing an increase of 3.4% over the corresponding period last year. The land area purchased by real estate developers in the first half of the year amounted to 100 million m^2, representing an increase of 8.8% over the corresponding period last year. The stable real estate investments have laid the foundation for the demand of cement.

THE INDUSTRY

In the first half of 2017, the demand for cement in China remained stable. The supply-side structural reform further improved the supply-demand dynamics in the industry, which resulted in a higher cement price as compared with the corresponding period last year. During the Period, new production capacities in China decreased continuously. Our information showed that construction of four new clinker production lines, located in Shandong, Henan, Hebei and Hunan respectively, was completed in China in the first half of the year. New clinker production capacity amounted to 5.1 million tons in total, representing a decrease of 34.0% from the corresponding period last year.

According to the National Bureau of Statistics of China, in the first half of the year, total cement production in China was 1,110 million tons, representing an increase of 0.4% over the corresponding period last year. Among which, total cement production in Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou were 73.8 million tons, 56.2 million tons, 38.3 million tons, 10.1 million tons, 14.8 million tons, 56.0 million tons and 51.6 million tons, representing changes of 8.7%, 0.9%, 3.5%, 2.8%, –2.3%, 7.7% and 5.3% respectively as compared with the corresponding period last year.

In June 2017, the China Cement Association published the "Thirteenth Five-Year Plan for the Cement Industry" to relieve overcapacity. The filing for construction of new and expanded cement and clinker production capacities is strictly prohibited. Production capacities failing to meet the standards for environmental protection, energy consumption, safety and quality after taking remedial actions shall cease operations and exit the market orderly. By 2020, the Plan aims to eliminate 400 million tons of clinker capacity in aggregate, reduce the comprehensive energy consumption per ton of clinker to 105 kg of standard coal and increase the proportion of cement kiln production lines with waste co-processing equipment to 15% by capacity. Besides, the Plan promotes industry consolidation with the target of increasing the market share of the top ten enterprises by clinker production capacities. It also aims to implement the multi-tiered electricity tariffs policy, accelerate the upgrade and reform of cement products by eliminating PC32.5 grade cement and encouraging the use of 42.5 or higher grade cement.

In terms of eliminating overcapacity, in April this year, the Yunnan provincial government released the "Opinion on Strict Implementation of Capacity Replacement for Relieving Overcapacity in the Cement Industry", which aims to eliminate over 10 million tons of cement and clinker capacities in aggregate by 2020. According to the Opinion, the government will provide financial support in the amount of RMB20 million every year to encourage the exit of obsolete capacity, excess capacity and uncompetitive capacity.

Besides, the Chinese government continued to strengthen the supervision on environmental protection. In February 2017, various government departments including the Ministry of Environmental Protection of China, the General Administration of Quality Supervision, Inspection and Quarantine of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology of China and the State Administration of Work Safety conducted inspection on the cement and glass industries. They have cleaned up and rectified obsolete capacities, verified the status of elimination of obsolete capacities in the industries and implementation of standards of environmental protection policies, and advised on relevant remedial actions.

At the end of June, the Ministry of Industry and Information Technology of China conducted supervision on energy saving in major national industries. Energy consumption, compliance with the standard limits of energy consumption of each unit of product produced, and implementation of multi-tiered electricity tariffs policy were monitored.

Since July last year, the Ministry of Environmental Protection of China has conducted three batches of central environmental protection inspections which focus on understanding each local government's plans for full implementation of the national environmental protection decisions, solutions to outstanding environmental issues and implementation of accountability for environmental protection. The environmental protection inspection has been carried out in 22 provinces, municipalities and autonomous regions, and will be extended countrywide this year.

In June, the General Administration of Quality Supervision, Inspection and Quarantine of China proposed to conduct supervision and inspection on the cement enterprises holding production licenses and the quality of their products. The production licenses of those cement enterprises using obsolete equipment banned by the Chinese government or failing to fulfill the license conditions after taking remedial actions shall be revoked. In addition, the National Development and Reform Commission announced that the national carbon emission trading market would be launched by the end of the year. So far, nine provinces and cities including Guangdong and Fujian have launched carbon emission trading policies and commenced pilot projects.

The promotion of supply-side structural reform in the cement industry and the intensive efforts in execution of environmental protection policies will help to accelerate the elimination of inefficient capacities, further increase industrial concentration, and enhance the long-term healthy and steady development of the cement industry.

GREEN DEVELOPMENT

The Group attaches great importance to corporate social responsibilities, actively promotes energy saving, emission reduction and waste co-processing in order to transform the Group into an environmentally-friendly enterprise and foster sustainable development of the cement industry. Currently, emission levels of nitrogen oxides, particulate matters and sulphur dioxide of all the production lines of the Group are in full compliance with the national standards. We will continue to improve and upgrade our equipment for energy saving and emission reduction, and minimize energy consumption and pollutant emission for consolidation of the Group's cutting edge in environmental protection in the cement industry.

The successful experience gained from the Group's urban waste co-processing project in Binyang County, Guangxi and sludge co-processing project in Nanning City, Guangxi will be gradually rolled out to other cement production plants. The implementation of waste co-processing projects has effectively solved the local issue of "Garbage Siege", brought about a decent living environment for local residents and laid the foundation for sustainable corporate development. Apart from urban waste and sludge, the Group is conducting research on co-processing hazardous waste by use of cement kilns.

In the first half of 2017, the Group's continuous efforts in environmental protection were recognized by the industry and the society. These include:

- China Resources Cement Holdings Limited was honoured "BOCHK Corporate Environmental Leadership Awards 2016 – Manufacturing Sector" – Silver Award by the Federation of Hong Kong Industry;

- Guangxi China Resources Hongshuihe Cement Co., Ltd. was granted the title of "Clean Production Enterprise (2015-2020)" by the Commission of Industry and Information Technology, the Department of Environmental Protection and the Development and Reform Commission of Guangxi jointly;

- The "mechanical biological pretreatment + HOTDISC incineration" technology applied in the urban and rural waste co-processing project in Binyang County, Guangxi was awarded an appraisal certificate of scientific and technological achievement by the China Building Materials Federation and the China Cement Association.

CAPACITY UTILIZATION

The utilization rates of the Group's cement, clinker and concrete production lines during the Period were 87.2%, 105.9% and 34.8% as compared with 94.8%, 111.9% and 33.8% respectively for the corresponding period last year.

COST MANAGEMENT

Operational Management

By benchmarking the performance indicators of production and operation, each production plant of the Group could learn from the successful experience of the model plants for continuous reduction of energy consumption and enhancement of operational efficiency. The Group has also incorporated certain key performance indicators including coal and electricity consumption into the performance appraisal of our production plants in order to stimulate the staff's motivation for further improvement on the level of operation.

The Group has continued the practice of lean management to reduce waste, cut costs and enhance efficiency. In the first half of 2017, the Group launched seventeen lean improvement projects, including composite utilization of limestone resources in our quarries, and efficiency improvement and composite energy-saving technological upgrade of our coal grinders.

In the first half of the year, the Group launched an intelligent factory pilot scheme at its cement production plants in Fengkai County, Guangdong and Nanning City, Guangxi to achieve cost reduction, efficiency improvement, personnel structure optimization and product quality enhancement. Among which, the intelligent manufacture project in Fengkai has been included in the "List of 2017 Pilot Demonstration Projects of Intelligent Manufacture" published by the Guangdong Provincial Government.

Besides, the Group has centralized marketing and strategic plans as well as operational management schemes in order to fully maximize the synergy of collaborating cement and concrete businesses, accomplish business collaboration and mutual sharing of resources, and create differentiated advantages.

Procurement Management

In order to secure stable supply of high-quality coal, the Group has engaged large-scale domestic coal companies as main suppliers, and expanded channels of imported coal when needed based on our views on the market supply and demand. In the first half of 2017, the Group purchased a total of 4.84 million tons of coal (4.66 million tons in the first half of 2016), representing an increase of 3.9% over the corresponding period last year; among which, approximately 65%, 19% and 16% (73%, 20% and 7% in the first half of 2016) were sourced from Northern China, neighbouring areas of our production plants and Australia respectively. The proportion of direct coal procurement from coal producers maintained at approximately 75%. In the future, the Group will continue to strengthen co-operation with large-scale domestic coal suppliers and maintain the procurement channels of imported coal at an appropriate level so as to reduce procurement cost.

The Group emphasizes on the whole life-cycle management of eligibility, co-operation, evaluation and exit of suppliers. Outstanding suppliers have been introduced through multiple channels. Suppliers which meet the Group's requirements are selected for co-operation after our comprehensive data evaluation and field trip study. Performance reviews on the co-operation and feedback are regularly provided to the suppliers for continuous improvement on the quality of their services. In order to ensure the openness, equality and fairness of all our procurement processes, the Group has developed its own supplier relationship management (SRM) system, which standardizes supplier management strategies and business workflow, improves procurement efficiency, and helps to establish and maintain long-term partnerships with suppliers.

Logistics Management

In the first half of 2017, the Group achieved the integration of sales and logistics, unified the resources allocation of sales and logistics, and collaborated fully in the aspects of product pricing, workflow control and delivery service etc. for further enhancement of its market competitiveness.

During the Period, in order to provide convenient, timely and quality services to its customers, the Group had developed a mobile application for placing sales orders. At present, trial work has been completed in Guangdong. The mobile application is expected to be rolled out to other operating regions by the end of this year. In addition, the "Smart Card" system launched at our cement production plants in Dongguan City, Fengkai County and Luoding City in 2016 had been expanded to our cement production plant in Huizhou City in June this year. This system facilitates the informatisation and automation of goods delivery, increases the efficiency of delivery and improves the level of customer service. This system will be rolled out to other production plants of the Group in the future.

During the Period, the annual shipping capacity of the Group along Xijiang River maintained at approximately 34.5 million tons. As of the end of June 2017, the Group controlled the operations of forty three silo terminals with an annual capacity of approximately 33.0 million tons, which are mainly located in the Pearl River Delta region of Guangdong. This secures stable and continuous logistics for the Group's business development.

SUSTAINABLE DEVELOPMENT

The Group believes that corporate social responsibility is essential to the survival and development of the Company, and the works on promotion of energy-saving, environmental protection, production safety and occupational health secure sustainable development of the Company.

Energy-Saving and Environmental Protection

The Group has been proactively supporting the national policies of environmental protection on energy saving and emission reduction. Denitration systems and bag filter systems have been installed at all our clinker production lines. Desulphurization systems have been installed at the production lines using limestones of higher sulphur concentration. Trial application of desulphurizer was undertaken at some production lines.

With respect to composite utilization of resources, the Group has proactively advocated co-processing projects of untreated urban and rural waste as well as urban sludge by use of cement kilns for participation in urban environmental protection and environmental purification based on the principles of "hazard-free, mass reduction and recycling". The untreated urban and rural waste co-processing project at our cement production plant in Binyang County, Guangxi (with a daily processing capacity of 300 tons) and the urban sludge co-processing project in Nanning City, Guangxi (with a daily processing capacity of 300 tons) have been operating normally since their respective commencement of operation in 2015 and 2016. Besides, the untreated urban and rural waste co-processing projects in Tianyang County, Guangxi and Midu County, Yunnan with respective daily processing capacities of 500 tons and 300 tons are under construction and are expected to be completed by the end of 2017. The Group will continue to roll out waste co-processing projects by use of cement kilns to other production plants and research on hazardous waste co-processing by use of cement kilns for promoting sustainable corporate development.

Production Safety

The Group has constantly improved regulations and standards, and implemented risk management of production safety by job position. In the first half of 2017, the Group issued policies such as "Emergency Plan for Responding to On-Site Production Safety Accidents" and "Regulations on Management of Works at Heights", and had continually undertaken supervision, inspection and guidance on each production plant, covering areas of quarries, transportation and safety of hazardous chemicals. A letter of accountability on EHS (environment, health and safety) had been prepared with clear quantitative and non-quantitative indicators of production safety for individual assessments. The Group also pays keen attention to safety training. In the first half of the year, a total of 34 employees including managers of all levels and safety and environmental protection management personnel attended the training programmes of production safety standardization and safety management organized by the State Administration of Work Safety, in order to encourage all-staff participation in safety management and promote corporate safety culture.

The Group has been committed to production safety standardization and persistent in consolidating its achievements in safety standardization. As of the end of June 2017, twenty two cement production plants of the Group had passed the assessments as the First-Class Enterprise in National Production Safety Standardization. The construction of First-Class Enterprises in Production Safety Standardization has laid the foundation for the Group's continuous improvement of its safety management level.

INNOVATION, RESEARCH AND DEVELOPMENT

All-Staff Innovation

Fully aware of the importance of innovation in the long-term development of cement enterprises, the Group has established an innovation team to encourage the creative work of all its employees, which enhances operational efficiency and optimizes cost management. In March 2017, the Group organized the first annual innovation conference, at which topics discussed included business models, products, technology/production process and management innovation. Meanwhile, the Group officially launched its internal innovation platform to encourage all employees to contribute more creative concepts and project plans. In May, the Group formulated the "Construction Plan for Innovation Management System" to make specific plans and arrangements for the construction of innovation management systems of the Company in terms of innovation process, innovation incentive and innovation security.

Capability of Research and Development

In order to enhance the capability of research and development on new products, new technologies and new materials, the Research and Development Center of the Group has continuously strengthened the allocation of professional talents and conducted various checks and tests. In the first half of the year, the Group had conducted waste co-processing analysis, minerals analysis, chemical analysis and physical performance tests on cement and concrete.

The Group has always put emphasis on the research, development and application of new technologies and new materials, which reduces energy consumption and costs through technological upgrade. The Group has applied new materials at some of its concrete plants, such as replacement of fly ash with limestone, to reduce unit materials costs.

The Group applies for patent licenses for its various research and development achievements. In the first half of 2017, the Group was granted 15 patent licenses, mainly including equipment and systems for energy saving, emission reduction and enhancement of production and operation efficiency, as well as new materials. As of the end of June 2017, the Group held 92 patent licenses, including 79 utility models and 13 inventions.

EMPLOYEES

General Information

As at 30 June 2017, the Group employed a total of 21,316 full-time employees (21,897 as at 31 December 2016) of whom 160 were based in Hong Kong (159 as at 31 December 2016) and the remaining 21,156 were based in the Chinese Mainland (21,738 as at 31 December 2016). A breakdown of our employees by function is set out as follows:

	As at 30 June 2017	**As at 31 December 2016**
Management	396	404
Finance and administration	2,773	2,817
Production and technical	15,675	16,093
Quality control	1,802	1,885
Sales and marketing	670	698
Total	21,316	21,897

Among our 396 senior and middle-level managerial staff (404 as at 31 December 2016), 89% are male (90% as at 31 December 2016) and 11% are female (10% as at 31 December 2016), 64% possess university degrees (64% as at 31 December 2016), 28% have received post-secondary education (28% as at 31 December 2016) and their average age is about 45 (45 as at 31 December 2016). We offer our employees remuneration packages mainly on the basis of individual performance and experience and also having regard to common practice in the industry, including basic wages, production allowance, performance related bonuses and other staff benefits. The Company has established a long term award scheme whereby eligible employees of the Group may be granted cash benefits calculated and paid according to the shares of the Company acquired by the trustee under the scheme.

Personnel Training

The Group attaches great importance to personnel training. Integrating the needs of business strategies, job requirements and talent development, the Group has established a systematic and standardized talent development system to provide classified trainings on management, professions, skills and specialization of talents.

China Resources Cement College is an internal training institute set up by the Group for achieving the Company's strategic goals, promoting development of qualified employees and enhancing their professional qualities. In the first half of 2017, China Resources Cement College organized a total of 23 training courses with 1,153 participants.

In addition, by utilizing information technology in training and the i-learning online learning platform, the Group has formed an online-offline hybrid mode of talent development for securing personnel in coping with the development of the Company. In the first half of the year, over 6,800 online learners had used the electronic learning (i-learning) system with an aggregate learning duration of approximately 37,000 hours.

REVIEW OF OPERATIONS

Turnover

The consolidated turnover for the Period amounted to HK$13,188.4 million, representing an increase of 16.6% from HK$11,315.6 million for the corresponding period last year. An analysis of segmental turnover by product is as follows:

	For the six months ended 30 June					
	2017			2016		
	Sales volume *'000 tons/m³*	**Average selling price** *HK$ per ton/m³*	**Turnover** *HK$'000*	Sales volume *'000 tons/m³*	Average selling price *HK$ per ton/m³*	Turnover *HK$'000*
Cement	**33,608**	**294.6**	**9,901,588**	37,095	237.9	8,824,670
Clinker	**4,003**	**248.2**	**993,422**	1,975	173.2	342,133
Concrete	**6,175**	**371.4**	**2,293,374**	5,740	374.4	2,148,805
Total			**13,188,384**			11,315,608

During the Period, our external sales volume of cement, clinker and concrete decreased by 3.5 million tons, increased by 2.0 million tons and increased by 435,000 m^3, representing a decrease of 9.4%, an increase of 102.7% and an increase of 7.6% respectively from the corresponding period last year. During the Period, approximately 68.3% of the cement products we sold were 42.5 or higher grades (65.9% for the corresponding period in 2016) and approximately 46.2% were sold in bags (51.2% for the corresponding period in 2016). Internal sales volume of cement for our concrete production was 1.3 million tons (1.2 million tons for the corresponding period in 2016), representing 3.7% of the total volume of cement sold (3.1% for the corresponding period in 2016).

Our cement sales by geographical areas for the Period were as follows:

	For the six months ended 30 June					
	2017			2016		
Province/Autonomous Region	**Sales volume** *'000 tons*	**Average selling price** *HK$ per ton*	**Turnover** *HK$'000*	Sales volume *'000 tons*	Average selling price *HK$ per ton*	Turnover *HK$'000*
Guangdong	**13,546**	**307.9**	**4,170,332**	13,821	247.1	3,414,707
Guangxi	**9,794**	**265.5**	**2,600,339**	11,337	242.2	2,745,404
Fujian	**3,593**	**268.7**	**965,401**	4,320	204.4	883,056
Hainan	**2,411**	**368.0**	**887,288**	2,202	299.3	659,148
Shanxi	**870**	**267.2**	**232,456**	1,448	151.5	219,403
Yunnan	**2,558**	**324.1**	**829,168**	2,887	244.3	705,402
Guizhou	**836**	**259.1**	**216,604**	1,080	182.9	197,550
Total	**33,608**	**294.6**	**9,901,588**	37,095	237.9	8,824,670

The average selling prices of cement, clinker and concrete for the Period were HK$294.6 per ton, HK$248.2 per ton and HK$371.4 per m^3, representing an increase of 23.8%, an increase of 43.3% and a decrease of 0.8% respectively from the corresponding period last year. The average selling prices of our products were stable throughout the Period with mild decrease since the commencement of the rainy season in the second quarter.

Costs of sales

The consolidated cost of sales of the Group comprised coal, electricity, materials and other costs, which represented 32.4%, 13.3%, 31.3% and 23.0% of the cost of sales respectively for the Period (25.5%, 16.3%, 32.8% and 25.4% for the corresponding period in 2016 respectively). As for cement products, coal, electricity, materials and other costs represented 37.8%, 15.6%, 21.8% and 24.8% of its costs respectively for the Period (29.8%, 19.0%, 24.0% and 27.2% for the corresponding period in 2016 respectively). Materials cost is the major component of the cost of sales of concrete, representing 90.3% of the cost of sales of concrete for the Period (88.5% for the corresponding period in 2016).

The average price of coal we purchased for the Period was approximately HK$698 per ton, representing an increase of 48.2% from the average price of HK$471 per ton for the corresponding period last year, while the average thermal value of coal decreased by 1.1% to 5,273 kcal per kg. During the Period, our unit coal consumption slightly decreased to 146.4 kg per ton of clinker produced from the average of 146.5 kg for the corresponding period in 2016. Our standard coal consumption decreased to 106.4 kg per ton of clinker for the Period from the average of 107.7 kg for the corresponding period last year. As a result of the increase in coal price, our average coal cost of production for the Period increased by 48.1% to HK$102.2 per ton of clinker produced from HK$69.0 for the corresponding period in 2016.

Our average electricity cost decreased by 8.6% from HK$34.8 per ton of cement to HK$31.8 for the Period. During the Period, we enjoyed the benefits of lower electricity tariff for a total of 1,581.2 million kwh of electricity consumed, which accounted for 54.1% of the total electricity consumption for the production of cement products, and saved HK$69.2 million under direct power supply agreements and price bidding arrangements. We managed to improve our electricity consumption to 74.6 kwh per ton of cement for the Period (75.9 kwh for the corresponding period in 2016), representing a cost saving of approximately HK$27.2 million (HK$14.8 million for the corresponding period in 2016). Our residual heat recovery generators generated 962.5 million kwh of electricity for the Period, representing an increase of 0.7% over 955.7 million kwh in the corresponding period last year. The electricity generated during the Period accounted for approximately 32.9% of our required electricity consumption (31.7% for the corresponding period in 2016) and we achieved a cost saving of approximately HK$473.6 million for the Period (HK$520.4 million for the corresponding period in 2016).

Other costs mainly comprised staff cost, depreciation, and repairs and maintenance cost. Repairs and maintenance cost included in the cost of sales of cement products for the Period was HK$446.5 million, representing a decrease of 2.1% from HK$456.0 million for the corresponding period last year.

Gross profit and gross margin

The consolidated gross profit for the Period was HK$3,895.6 million, representing an increase of 44.4% from HK$2,697.1 million for the corresponding period last year and the consolidated gross margin was 29.5%, representing an increase of 5.7 percentage points from 23.8% for the corresponding period last year. The increases in consolidated gross profit and gross margin for the Period were mainly attributable to the higher selling prices of our products compared to the corresponding period last year. The gross margins of cement, clinker and concrete for the Period were 31.0%, 23.1% and 26.0%, as compared with 23.0%, 4.7% and 30.4% respectively for the corresponding period last year.

Other income

Other income for the Period was HK$141.2 million, representing an increase of 9.6% from HK$128.8 million for the corresponding period last year. This was partly due to increase in interest income of HK$16.5 million as a result of higher bank balance during the Period.

Selling and distribution expenses

Selling and distribution expenses for the Period were HK$779.6 million, representing an increase of 1.5% from HK$768.1 million for the corresponding period last year. As a percentage to consolidated turnover, selling and distribution expenses decreased to 5.9% for the Period from 6.8% for the corresponding period last year.

General and administrative expenses

General and administrative expenses for the Period were HK$940.0 million, representing an increase of 6.9% from HK$879.1 million for the corresponding period last year. During the Period, an impairment of goodwill in respect of our operations in Shanxi in the amount of HK$78.9 million was made. As a percentage to consolidated turnover, general and administrative expenses decreased to 7.1% for the Period from 7.8% for the corresponding period last year.

Exchange gain (loss)

An exchange gain of HK$148.7 million was generated from non-RMB denominated net borrowings of the Group mainly due to the appreciation of RMB against other currencies during the Period (HK$163.1 million exchange loss due to depreciation of RMB for the corresponding period in 2016).

Share of results of associates

The associates of the Group contributed a combined loss of HK$4.5 million for the Period (loss of HK$108.4 million for the corresponding period in 2016) of which profit of HK$8.5 million, loss of HK$21.5 million and profit of HK$8.4 million (losses of HK$39.8 million, HK$31.4 million and HK$35.1 million for the corresponding period in 2016) were attributable to the Group's associates operating in Inner Mongolia, Fujian and Yunnan respectively.

Share of results of joint ventures

Our joint ventures principally operating in Guangzhou area contributed a profit of HK$33.6 million for the Period (loss of HK$44.7 million for the corresponding period in 2016).

Taxation

The effective tax rate of the Group for the Period was 26.2%, as compared with 56.4% for the corresponding period last year. Had the effect of the results of associates and joint ventures as well as the exchange gain (loss) been excluded, the effective tax rate of the Group for the Period would be 28.6% (34.8% for the corresponding period in 2016).

Net margin

Net margin of the Group for the Period was 12.2%, which was 10.2 percentage points higher than that of 2.0% for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 30 June 2017 ***'000***	As at 31 December 2016 *'000*
HK$	**257,732**	361,708
RMB	**3,555,655**	2,462,929
US$	**117**	9,976

As at 30 June 2017, the Group's banking facilities amounted to HK$2,300.0 million, RMB12,400.0 million and US$80.0 million, of which RMB6,080.0 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK$10,206.2 million equivalent (HK$10,845.4 million equivalent as at 31 December 2016) comprised loans in the following currencies:

	As at 30 June 2017 ***'000***	As at 31 December 2016 *'000*
HK$	**2,300,000**	4,300,000
RMB	**6,320,000**	5,300,000
US$	**80,000**	80,000

The bank loans are repayable as follows:

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
Within one year	**3,067,000**	3,230,000
After one year but within two years	**7,139,000**	4,198,000
After two years but within three years	**Nil**	3,418,000

The bank loans of the Group as at 30 June 2017 and 31 December 2016 were unsecured.

As at 30 June 2017, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$7,281.8 million and HK$2,924.4 million respectively (HK$5,030.7 million and HK$5,814.7 million as at 31 December 2016).

During 2017, the Group obtained a loan from China Resources Gas Group Limited, an associated corporation of the Company. As at 30 June 2017, the total amount of the outstanding loan was RMB1,500.0 million (equivalent to HK$1,728.3 million) (Nil as at 31 December 2016). The above loan is unsecured, interest bearing at the rate of 3.915% per annum and repayable in November 2017.

As at 30 June 2017, the Company had outstanding bonds in the amount of US$400.0 million due in October 2017 (US$400.0 million as at 31 December 2016). The bonds are unsecured and payments of principal and interest in respect of the bonds are supported by an irrevocable standby letter of credit issued by DBS Bank Ltd., Hong Kong Branch.

In 2016, the Company submitted an application to and was granted by the National Association of Financial Market Institutional Investors of PRC for the issuance of medium-term notes in an aggregate amount of not more than RMB9.0 billion and commercial paper in an aggregate amount of not more than RMB4.5 billion in PRC. On 5 September 2016, the Company completed the issuance of the first tranche of the medium-term notes in the amount of RMB3.0 billion at the coupon rate of 3.50% per annum for a term of five years which will expire in September 2021 and the first tranche of the commercial paper in the amount of RMB500.0 million at the coupon rate of 2.96% per annum for a term of 365 days which will expire in September 2017. These medium-term notes and commercial paper are unsecured and remained outstanding at 30 June 2017.

Under the terms of certain agreements for the total banking facilities of HK$970.1 million equivalent which will expire from August 2017 to February 2018, China Resources (Holdings) Company Limited, the Company's intermediate holding company, is required to hold not less than 51% of the voting share capital in the Company. Under the terms of the aforesaid outstanding US$ bonds and certain agreements for total banking facilities of HK$7,139.2 million equivalent with expiry dates from August 2018 to May 2019, China Resources (Holdings) Company Limited is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for the total banking facilities of HK$8,109.3 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Group as at 30 June 2017, calculated by dividing net borrowings by equity attributable to owners of the Company, was 52.7% (56.4% as at 31 December 2016).

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 2017 and 31 December 2016. As at 30 June 2017, non-RMB denominated debts accounted for 32% of the total debts of the Group (45% as at 31 December 2016).

The Group had net current liabilities of HK$4,772.0 million as at 30 June 2017. Taking into account the cash and bank balances, the unutilized banking facilities, the unissued registered amount of medium-term notes and commercial paper, the expected future internally generated funds, 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 2017, there was no charge on assets by the Group (Nil as at 31 December 2016).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,659.0 million (RMB1,714.7 million as at 31 December 2016) granted to associates, of which RMB1,624.8 million (RMB1,655.2 million as at 31 December 2016) had been utilized.

FUTURE PLAN AND CAPITAL EXPENDITURE

Capital expenditure

As at 30 June 2017, the Group had outstanding capital expenditure for production plants under construction in the amount of HK$1,840.8 million. Details of these production plants are as follows:

Projects	**Total capital expenditure for the project**	**Expended as at 31/12/2016**	**Expended during the Period**	**Outstanding capital expenditure as at 30/6/2017**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Construction of production lines in Anshun City, Guizhou, with total annual capacites of 2.0 million tons of cement and 1.4 million tons of clinker	1,452.7	331.6	5.2	1,115.9
Construction of production lines in Hepu County, Guangxi, with total annual capacites of 2.0 million tons of cement and 1.6 million tons of clinker	1,240.9	758.4	96.0	386.5
Construction of one set of 300 ton per day urban waste co-processing equipment at our cement production plant in Midu County, Yunnan	136.1	–	57.7	78.4
Construction of one set of 500 ton per day urban waste co-processing equipment at our cement production plant in Tianyang County, Guangxi	148.5	–	52.5	96.0
Construction of six concrete batching plants with total annual capacity of 3.9 million m^3 of concrete	200.4	13.3	23.1	164.0
Total	3,178.6	1,103.3	234.5	1,840.8

Payment of capital expenditure

In addition to the capital expenditure on the production plants under construction, the Group had outstanding payment for the construction of production plants completed in the previous years, which have already been included under other payables in the condensed consolidated statement of financial position as at 30 June 2017. Total payments for capital expenditure of the Group are expected to be approximately HK$1,008.4 million in the second half of 2017 and HK$2,958.6 million in the year ending 31 December 2018, which will be financed by borrowings and internally generated funds.

STRATEGIES AND PROSPECTS

As the year of intensifying the supply-side structural reform, in 2017, the Chinese government will further eliminate excess capacities, de-stock, de-leverage, reduce costs and make improvement on the areas of weaknesses in order to maintain the steady and healthy economic development. According to the Work Report of the Chinese government, the targeted GDP growth in 2017 is approximately 6.5% and the targeted FAI growth is approximately 9.0%. The government will continue to boost the construction of transportation and other major projects. This year, the targeted FAI on railways is RMB800 billion and the targeted FAI on highways and waterways is RMB1.8 trillion.

In February this year, the State Council of China issued the "Thirteenth Five-Year Plan on the Development of Modern Complex Transportation System", which proposes the construction of "ten vertical and ten horizontal" lines for upgrading the high-speed railway network. It is targeted that by 2020, during the "Thirteenth Five-Year" period, the operational length of railways will be increased by approximately 30,000 km to 150,000 km, the operational length of highways will be increased by approximately 450,000 km to 5,000,000 km, and the operational length of urban rail transit will be nearly doubled to 6,000 km.

According to the Ministry of Transportation of China, during the "Thirteenth Five-Year" period, the total investments in transportation will reach RMB15 trillion, representing an increase of approximately 20% from RMB12.5 trillion during the "Twelfth Five-Year" period. Among which, the investments in railways and highways will be RMB3.5 trillion and RMB7.8 trillion respectively.

Integrated with the Belt and Road Initiative, the Plan proposes to construct a hub in Yunnan connecting China with South Asia and Southeast Asia, an international channel in Guangxi connecting China with ASEAN countries, and a core region of the Maritime Silk Road in Fujian for enhancing the port service in coastal areas and strengthening the connection between ports and domestic complex transportation networks.

In May this year, the Ministry of Housing and Urban-Rural Development of China and the National Development and Reform Commission published the "Thirteenth Five-Year Plan for Construction of National Urban Municipal Infrastructure", which proposes to commence orderly construction of underground utility tunnels and accelerate the construction of sponge cities. According to the Work Report of the Chinese government, the targeted length of urban underground utility tunnels that commence construction in 2017 is above 2,000 km, among which, the targeted length of urban underground utility tunnels that complete construction and commence operations in Guangdong and Guangxi during the "Thirteenth Five-Year" period will be 1,000 km and 200 km respectively.

Furthermore, the State Council proposed in the Work of Report of the Chinese government to research and formulate a development plan for a city cluster in the Guangdong-Hong Kong-Macau Greater Bay Area. Through consolidation of regional resources and competitive edges and intensification of regional integration, the plan will strengthen the competitiveness of the Pearl River Delta region and propel steady economic growth in the region.

The Group believes that the construction of domestic transportation infrastructure and urban underground utility tunnels, together with the gradual upgrade of regional development plans, will be conducive to stabilizing the demand for cement. Upon the continuous intensification of the supply-side reform, the Chinese government will continue to promote elimination of obsolete capacity, energy saving, emission reduction and product upgrade. The supply-demand dynamics in the cement industry will gradually improve, which will be helpful to the long-term healthy development of the cement industry in China.

Looking ahead, facing the opportunities and challenges of the cement industry in China, the Group will persistently strive for the lowest total cost with a leading market position in the region through the control, conversion and distribution of resources. Meanwhile, the Group will promote technological upgrade, energy saving, emission reduction and waste co-processing by use of cement kilns at other cement production plants. In order to drive for further development with innovation and deliver differentiated products to clients, the Group will continue research and development on products, technology and materials. In the future, the Group will actively explore the opportunities of upstream and downstream expansion in the industry, seek strategic co-operation with domestic and international leading cement enterprises for joint promotion of the sustainable development of the cement industry in China.

CORPORATE GOVERNANCE

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

REVIEW OF INTERIM REPORT

The interim report encompassing the condensed consolidated financial statements for the Period has been reviewed by the Audit Committee of the Company.

APPRECIATION

I would like to thank the Directors, the management team and all employees for their dedication and hard work which contributed to the significant improvement of the Group's business. On behalf of the Board, I would also like to express our sincere thanks to shareholders, clients, suppliers, business partners and other stakeholders for their continuing trust and unfailing support.

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 official website for corporate communication of the Company (www.irasia.com/listco/hk/crcement/index.htm) in due course.

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

Hong Kong, 4 August 2017

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