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)

2012 ANNUAL RESULTS ANNOUNCEMENT

	2012	2011	**Increase/ (Decrease)**
Turnover *(HK$ million)*	**25,345.3**	23,240.0	9.1%
Profit attributable to owners of the Company *(HK$ million)*	**2,324.4**	4,179.0	(44.4)%
Basic earnings per share	**HK$0.357**	HK$0.641	
Proposed final dividend per share	**HK$0.07**	HK$0.06	
	As at 31/12/2012	As at 31/12/2011	**Increase**
Total assets *(HK$ million)*	**52,159.1**	50,579.7	3.1%
Equity attributable to owners of the Company *(HK$ million)*	**21,375.7**	19,298.7	10.8%
Net borrowings *(HK$ million) (note 1)*	**18,641.9**	17,625.5	5.8%
Net gearing ratio *(note 2)*	**87.2%**	91.3%	
Net assets per share – book *(note 3)*	**HK$3.28**	HK$2.96	10.8%

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 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Turnover	*3*	**25,345,328**	23,239,961
Cost of sales		**(19,245,807)**	(16,015,976)
Gross profit		**6,099,521**	7,223,985
Other income	*4*	**413,646**	606,254
Change in fair value of an investment property		**8,000**	7,000
Selling and distribution expenses		**(1,223,114)**	(1,227,954)
General and administrative expenses		**(1,807,814)**	(1,324,979)
Finance costs	*5*	**(835,228)**	(667,538)
Share of results of jointly controlled entities		**81,836**	155,000
Share of results of associates		**136,640**	134,416
Profit before taxation	*6*	**2,873,487**	4,906,184
Taxation	*7*	**(528,310)**	(561,622)
Profit for the year		**2,345,177**	4,344,562
Attributable to:			
Owners of the Company		**2,324,370**	4,179,010
Non-controlling interests		**20,807**	165,552
		2,345,177	4,344,562
Basic earnings per share	*8*	**HK$0.357**	HK$0.641
Proposed final dividend per share	*9*	**HK$0.07**	HK$0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated) (Note 2)
Non-current assets			
Fixed assets		**31,552,919**	30,014,245
Prepaid lease payments		**2,510,484**	2,344,276
Investment property		**67,000**	59,000
Intangible assets		**1,964,627**	1,829,845
Interests in associates		**2,286,023**	2,119,177
Interests in jointly controlled entities		**1,381,417**	1,571,398
Deposits for acquisition of fixed assets		**933,819**	1,305,430
Deferred tax assets		**124,456**	95,844
Long term receivables		**633,048**	425,108
		41,453,793	39,764,323
Current assets			
Inventories		**2,322,153**	2,296,035
Trade receivables	*10*	**2,492,210**	1,949,858
Other receivables		**1,606,607**	2,424,565
Amounts due from jointly controlled entities		**663,526**	371,620
Taxation recoverable		**54,002**	23,645
Pledged bank deposits		**4,977**	11,815
Cash and bank balances		**3,561,863**	3,737,839
		10,705,338	10,815,377
Current liabilities			
Trade payables	*11*	**3,386,392**	3,428,508
Other payables		**4,211,572**	5,498,562
Provisions		**3,776**	4,252
Taxation payable		**183,312**	164,181
Amount due to immediate holding company		**54,956**	37,688
Loans from intermediate holding companies		**1,330,881**	880,813
Bank loans – amount due within one year		**7,607,433**	10,458,948
		16,778,322	20,472,952
Net current liabilities		**(6,072,984)**	(9,657,575)

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Total assets less current liabilities	**35,380,809**	30,106,748
Non-current liabilities		
Bank loans – amount due after one year	**10,169,739**	10,035,426
Unsecured bonds	**3,100,696**	–
Provisions	**25,111**	25,328
Long term payables	**12,766**	41,285
Deferred tax liabilities	**114,297**	103,459
	13,422,609	10,205,498
	21,958,200	19,901,250
Capital and reserves		
Share capital	**651,926**	651,926
Reserves	**20,723,739**	18,646,806
Equity attributable to owners of the Company	**21,375,665**	19,298,732
Non-controlling interests	**582,535**	602,518
Total equity	**21,958,200**	19,901,250

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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, as explained in the accounting policies set out below. 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 HKAS 12	Deferred tax: Recovery of underlying asset;
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012.

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.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the Directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is rebutted. Accordingly, the application of the amendments to HKAS 12 has no impact to the consolidated financial statements of the Group.

Amendments to HKAS 1 Presentation of financial statements
(as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has made retrospective adjustments upon finalisation of its acquisition accounting in respect of acquisition of a subsidiary in 2011. The restatements have no effect on the information in the consolidated statement of financial position as at 1 January 2011 as it is related to companies acquired in 2011. In accordance with the amendments to HKAS 1, the Group has not presented a third statement of financial position as at 1 January 2011.

The effects of restatement on consolidated statement of financial position as at 31 December 2011 are as follows:

	Originally reported	**Adjustment**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Intangible assets	1,707,968	121,877	1,829,845
Other payables	5,376,685	121,877	5,498,562

The above changes in accounting policies have no impact on the Group's basic earnings per share for the current and prior years.

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 2009 – 2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

1 *Effective for annual periods beginning on or after 1 January 2013.*
2 *Effective for annual periods beginning on or after 1 January 2014.*
3 *Effective for annual periods beginning on or after 1 January 2015.*
4 *Effective for annual periods beginning on or after 1 July 2012.*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted, provided that all of these standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards will not have material impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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 amount 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 jointly controlled entities, interest income and finance costs and taxation.

The information of segment results are as follows:

For the year ended 31 December 2012

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'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.

RESULTS				
Segment results	**3,391,945**	**351,839**	**–**	**3,743,784**
Interest income				**59,451**
Finance costs				**(835,228)**
Unallocated corporate expenses				**(312,996)**
Share of results of jointly controlled entities				**81,836**
Share of results of associates				**136,640**
Profit before taxation				**2,873,487**

For the year ended 31 December 2011

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	18,296,778	4,943,183	–	23,239,961
Inter-segment sales	1,032,348	216	(1,032,564)	–
	19,329,126	4,943,399	(1,032,564)	23,239,961

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	4,949,078	373,205	–	5,322,283
Interest income				70,347
Finance costs				(667,538)
Unallocated corporate expenses				(108,324)
Share of results of jointly controlled entities				155,000
Share of results of associates				134,416
Profit before taxation				4,906,184

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Government incentives	**236,463**	94,452
Interest income	**59,451**	70,347
Sales of scrap materials	**54,096**	43,242
Service income	**14,041**	8,000
Rental income	**11,547**	12,186
Compensation received from insurance	**8,084**	1,567
Gain on disposal of prepaid lease payments	**994**	9,951
Exchange gain	**–**	318,518
Others	**28,970**	47,991
	413,646	606,254

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interests on:		
Bank loans and unsecured bonds wholly repayable within five years	**871,064**	707,806
Bank loans not wholly repayable within five years	**2,433**	6,230
Loans from intermediate holding companies	**27,190**	67,912
Long term payables	**3,018**	1,717
	903,705	783,665
Less: Amount capitalised to fixed assets	**(68,477)**	(116,127)
	835,228	667,538

Capitalisation rate of borrowing costs to expenditure on qualifying assets is approximately 6.2% (2011: 5.8%).

6. PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**29,869**	23,014
Pension costs and mandatory provident fund contributions excluding Directors	**116,848**	88,589
Other staff costs	**1,943,891**	1,461,790
Total staff costs	**2,090,608**	1,573,393
Allowance for (reversal of) doubtful debts	**14,711**	(44,417)
Amortisation of mining rights	**48,146**	29,166
Auditor's remuneration	**5,889**	5,123
Depreciation of fixed assets	**1,635,497**	1,273,118
Reversal of impairment loss on other receivables	**(24,225)**	(4,355)
Loss on exchange	**14,111**	–
Operating lease payments in respect of		
– rented premises	**47,427**	35,343
– motor vehicles	**56,151**	55,399
Release of prepaid lease payments	**61,640**	47,138

7. TAXATION

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**14,643**	11,806
Chinese Mainland Enterprise Income Tax	**526,634**	518,286
Under provision of Chinese Mainland Enterprise Income Tax in prior years	**4,072**	3,800
	545,349	533,892
Deferred taxation		
Hong Kong	**2**	(83)
Chinese Mainland	**(17,041)**	27,813
	(17,039)	27,730
	528,310	561,622

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 2011 and 2012, 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:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**2,324,370**	4,179,010

	As at 31 December	
	2012	2011
Number of shares		
Number of shares for the purpose of basic earnings per share	**6,519,255,462**	6,519,255,462

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

9. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2012 Interim – Nil (2011: HK$0.05 per share)	**–**	325,963
2011 Final, paid – HK$0.06 per share (2010: HK$0.045 per share)	**391,155**	293,366
	391,155	619,329

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2012 of HK$0.07 per share (2011: HK$0.06 per share in respect of the year ended 31 December 2011) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The total amount of HK$456,348,000 (2011: HK$391,155,000) 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	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables from third parties	**2,475,199**	1,932,955
Trade receivables from fellow subsidiaries	**17,011**	16,903
	2,492,210	1,949,858

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	
	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**2,299,264**	1,777,292
91 to 180 days	**106,317**	126,653
181 to 365 days	**86,629**	45,913
	2,492,210	1,949,858

11. TRADE PAYABLES

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Trade payables to third parties	**3,361,872**	3,374,944
Trade payables to fellow subsidiaries	**24,520**	53,564
	3,386,392	3,428,508

The Group normally receives credit period of 30 days 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	
	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**3,132,940**	3,022,217
91 to 180 days	**137,577**	193,034
181 to 365 days	**67,524**	194,349
Over 365 days	**48,351**	18,908
	3,386,392	3,428,508

12. REVIEW OF ANNUAL RESULTS

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

BUSINESS ENVIRONMENT

In 2012, the global economy was still in a downturn and China's economic growth continued to slow down. However, under the "Steady Growth" economic policies implemented by the Chinese government, the national economy had shown a stable and recovery trend. According to the data released by China's National Bureau of Statistics, China's gross domestic products ("GDP") reached RMB51.9 trillion in 2012, representing an increase of 7.8%. Driven by the adjustments of monetary policies and the thrust of infrastructure investments such as railways in the second half of the year, fixed asset investments ("FAI") growth in China has been gradually increasing. China's FAI reached RMB37.5 trillion in 2012, representing a nominal increase of 20.3%. In the future, along with the continued implementation of the stable economic policies and the respective commencement of construction of the approved projects since May 2012, the Chinese economy will maintain its momentum of growth. According to the forecasts of the International Monetary Fund and the World Bank, the economic growth in China for 2013 will exceed 8%, which will bring a better environment for the development of the cement industry.

According to the Bureau of Statistics of relevant provinces, the GDP of Guangdong, Guangxi, Fujian, Hainan, Shanxi and Yunnan, where we operate, were RMB5,706.8 billion, RMB1,303.1 billion, RMB1,970.2 billion, RMB285.5 billion, RMB1,211.3 billion and RMB1,031.0 billion for 2012, representing increases of 8.2%, 11.3%, 11.4%, 9.1%, 10.1% and 13.0% respectively over last year. The FAI in Guangdong, Guangxi, Fujian, Hainan and Shanxi for 2012 were RMB1,930.8 billion, RMB1,263.5 billion, RMB1,271.0 billion, RMB214.5 billion and RMB917.6 billion, representing increases of 15.5%, 24.4%, 25.5%, 33.1% and 24.5% respectively over 2011. The FAI (excluding rural households) in Yunnan for 2012 was RMB755.4 billion, representing an increase of 27.3% over 2011.

According to the National Bureau of Statistics, China's urbanization rate for 2012 was 52.6%, representing an increase of 1.3 percentage points over 2011. Urbanization has caused the construction of infrastructure and properties, which generated incessant demand for cement. The Chinese government has recently expressed that urbanization will be the greatest potential for development in the future decades. We believe that urbanization will become the main driving force for the Chinese economic growth, and will drive the long term development of cement industry.

In recent years, China has introduced a series of austerity measures to slow down the growth in real estate investment. According to the National Bureau of Statistics, China's real estate investment reached RMB7.2 trillion in 2012, representing an increase of 16.2% over last year. The total area of properties completed in 2012 was approximately 994.0 million square meters, representing an increase of 7.3% over last year. The total area of the commodity residential housing sold was 1.1 billion square meters, representing an increase of 1.8% over last year. In 2012, the construction of social housing has been sped up, with construction of 7.8 million units newly being commenced and 6.0 million units being completed. According to the targets of the Ministry of Housing and Urban-Rural Development, China will commence the construction of 6.0 million units and complete the construction of 4.6 million units of social housing in 2013. We expect a steady development in the property industry will continue, which will bring stable demand for cement in the near future.

In 2012, investment in railways rebounded quickly. According to the Ministry of Railways, China's FAI in railways reached RMB631.0 billion in 2012, representing an increase of 6.8% over last year; among which, infrastructure investment was RMB520.0 billion, representing an increase of 12.7% over last year. In 2013, the Ministry of Railways has plans for China's FAI in railways to reach RMB650.0 billion, among which, RMB520.0 billion will be infrastructure investment, and a total of 5,200 kilometers of new railways will be put into operation. Meanwhile, the Chinese government will set up the National Railway Development Fund, in order to attract capital from the private sector for railway construction. In the future, the railway investment will grow steadily, and continue to drive the growth in cement demand.

According to the Ministry of Water Resources, China's water conservancy investment reached RMB430.0 billion in 2012, representing an increase of 24.7% over last year. China's "Development Plan on Water Resources (Years 2011 – 2015)" has proposed to place water conservancy as the priority of national infrastructure construction, irrigation and water conservancy as the key focus for rural infrastructure construction, and will substantially increase the water conservancy investment. According to the plan, the total investment in water conservancy will reach RMB1.8 trillion during the Twelfth Five-Year period. In the future, the water conservancy construction in China will have a large development prospect, and will provide a strong support for the development of cement business.

THE INDUSTRY

In 2012, the demand for cement continued to grow. According to the National Bureau of Statistics, the total cement production for 2012 reached 2,210.0 million tons, representing an increase of 5.7% over 2011. Among them, the cement production of Guangdong, Guangxi, Fujian, Hainan, Yunnan and Shanxi were 113.8 million tons, 98.6 million tons, 72.0 million tons, 16.7 million tons, 77.9 million tons and 47.2 million tons, representing increases of 3.2%, 13.1%, 15.3%, 16.1%, 17.2% and 23.9% over 2011, respectively.

In 2012, China's policy on curbing the overproduction capacity and redundancy of selective industries (including cement) has continued to be implemented effectively. According to the China Cement Association, 124 clinker production lines commenced operation, providing 160.0 million tons of new production capacity in 2012, representing a decrease of 21.9% from 2011, and the total clinker production capacity reached 1.6 billion tons. Among them, 26 clinker production lines with 32.0 million tons of production capacity commenced operation in Southern China in 2012, representing a decrease of 20.8% from 2011 and the total clinker production capacity in Southern China reached 276.5 million tons. There were 9 clinker production lines commenced operation in Shanxi in 2012, providing 9.1 million tons of new production capacity, representing a decrease of 9.3% from 2011, and the total clinker production capacity in Shanxi reached 55.3 million tons. A decreasing trend of production capacity growth became more apparent over recent years.

In 2012, the Ministry of Industry and Information Technology issued a list of companies with obsolete capacities, and explicitly required the listed 280.0 million tons of obsolete capacities in total to be shut down before 30 September 2012 and demolished by 31 December 2012 (including 8.9 million tons in Guangdong, 23.0 million tons in Guangxi, 9.3 million tons in Fujian, 1.0 million tons in Hainan, 1.7 million tons in Yunnan and 24.0 million tons in Shanxi). The continuous and effective implementation of obsolete capacity elimination over the past years has played an important role in the improvement of demand and supply dynamics of the cement industry.

On 22 January 2013, twelve ministries (including the Ministry of Industry and Information Technology) jointly issued the "Guidance on accelerating corporate mergers and restructuring of key industries", which stipulates that by 2015, the top ten cement players shall reach a market concentration of 35%, encourages the development of large-scale building material conglomerates with control over the complete industry chain including mines, aggregate, ready-mixed concrete, etc.; and fully supports the prominent cement enterprises to carry out cross-regional mergers and acquisitions. This policy will benefit the fast development of large-scale, cement and concrete vertically integrated building material conglomerates including our Group in attaining a more favorable competitive status.

SOCIAL RESPONSIBILITY

Our circular economy business has achieved a breakthrough. In November 2012, the China Resources Hezhou Industry Demonstration Zone of Circular Economy project, which the Group has participated, commenced full operation, and has brought significant environmental and economic benefits. We are undertaking preparatory works for similar projects in other business regions and expect there will be more projects commencing operation in the coming 3 to 5 years.

We are consistently promoting energy saving and emission control. During the year, the Group has completed technological upgrades on denitrogenation for nine clinker production lines and technological upgrades on dust collection systems for three clinker production lines, which significantly reduced the nitrogen oxides and dust emission levels of these production lines. The emission levels after upgrades will comply with the new emission control standards for cement industry in China, which will soon be promulgated. In addition, in order to save energy, the Group has completed energy saving upgrades on 45 high-power electrical equipment. In the future, we will continue to upgrade other manufacturing facilities with energy saving and environmental protection capability in order to contribute to the society.

We always value our communication with peers. In September 2012, the Cement Sustainability Initiative held its sixth annual forum for the first time in China. The Group, as the co-chairman of the Cement Sustainability Initiative in China, co-hosted this event. In the future, we will devote to fostering the communication among the Chinese cement enterprises and global peers, and further contribute to the sustainable development of the Chinese cement industry in terms of technology, environmental protection and corporate management.

ANTI-CORRUPTION

The Group highly regards the importance of the anti-corruption and the construction of its prevention and punishment systems. During the year, the Group implemented the "Honesty Working Reporting System for Managers", which regulated that the assessment of honesty working ethics would be the critical criteria for assessment, reward, punishment and promotion of managers. The Group strictly implemented the "Collective Decision-making System for Major Issues" to avoid personal arbitrary and set up strict and transparent procedures as well as regular investigation and audit for raw material procurements and equipment tenders. Honesty has been placed as a prerequisite for business partners. Anti-corruption efforts have created a favourable organizational atmosphere within the Group, and have enhanced the integrity of the managers and employees.

OPERATIONAL PERFORMANCE REVIEW

Acquisitions

On 13 January 2012, the Company successfully won the tender of 1.878% equity interests in China Resources Cement (Changjiang) Limited held by a non-controlling shareholder in a public tender at the consideration of approximately RMB20.6 million (equivalent to approximately HK$25.2 million). The acquisition was completed in March 2012 and thereafter, the Company has owned 96.4% equity interests in this subsidiary.

Subsequent to the year end 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 RMB53.0 million (equivalent to approximately HK$65.2 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. Please refer to the Company's announcement dated 2 January 2013 for details of the acquisition. As at the date of this announcement, a total of RMB6.8 million (equivalent to approximately HK$8.4 million) has been paid.

New projects with third party

On 27 December 2012, the Company approved the establishment of a joint venture namely China Resources Cement (Anshun) Limited with an independent third party. China Resources Cement Investments Limited ("CRC Investments"), a wholly owned subsidiary of the Company, will contribute RMB175.0 million (equivalent to approximately HK$215.3 million) in cash, representing 62.5% of the registered capital of the joint venture and the joint venture partner will contribute assets amounting to approximately RMB105.0 million (equivalent to approximately HK$129.2 million), representing 37.5% of the registered capital of the joint venture.

The joint venture partner currently owns a permit for the construction and operation of one 4500 tons per day (annual production capacity of approximately 1.4 million tons) clinker production line and the matching cement grinding lines (total annual production capacity of approximately 2.0 million tons) in Anshun City, Guizhou. Upon the establishment of the joint venture, the joint venture partner will proceed to change the registered owner of the permit as the joint venture. Immediately after the change of the registered owner of the permit and the completion of the assets contribution by the joint venture partner, the joint venture partner will transfer 17.5% equity interests in the joint venture to CRC Investments at the consideration of RMB49.0 million (equivalent to approximately HK$60.3 million) in cash. Upon completion of the capital injection and the transfer of equity interests, CRC Investments and the joint venture partner will hold 80% and 20% equity interests in the joint venture respectively. The construction of the clinker and cement production lines is expected to be completed by the end of 2014. As at the date of this announcement, a deposit of RMB4.9 million (equivalent to approximately HK$6.0 million) has been paid to the joint venture partner.

New production plants

Apart from the above acquisitions, the Group completed the construction of two self-constructed clinker production lines during the year which increased the Group's annual clinker production capacity by 2.8 million tons. They were Yanshi 1st line (4500 tons per day) in Fujian in April and Luoding 1st line (4500 tons per day) in Guangdong in October. A total of six cement grinding lines were also constructed and four small grinding lines were demolished during the year which led to net increase in annual cement grinding production capacity by 5.2 million tons. There were also two concrete batching plants being completed during 2012, increasing our total annual concrete production capacity by 1.2 million m^3.

Production capacities and utilization

As at 31 December 2012, the Group controlled total cement, clinker and concrete production capacities of 73.9 million tons, 50.2 million tons and 33.2 million m^3 respectively. In addition, the total cement and clinker production capacities attributable to the Group according to the effective equity interests in jointly controlled entities and associated companies amounted to 10.7 million tons and 6.5 million tons respectively. During 2012, we managed to maintain production activities at high level and the utilization rates of our cement, clinker and concrete production lines were 83.9%, 110.9% and 41.8% respectively as compared with 85.1%, 117.4% and 47.2% for 2011.

Procurement Management

In 2012, the Group has accomplished the unification of procurement, centralized transportation and inventory management for coal and other materials, which has lowered costs effectively. In order to ensure the steady supply of coal, the Group has continued to expand the procurement channels for coal, and has formed strategic partnerships with major coal producers and dealers in the Chinese Mainland. In 2012, the Group's coal procurement by volume was sourced from northern China (47%), neighbor areas of the plants (16%), Vietnam (33%) and other countries (4%).

Logistics Management

In 2012, the Group continued to implement logistics strategies, utilizing multiple logistic methods (including vehicles, river vessels, sea ships, transshipment and railways) to secure supplies and reduce costs. So far, through tendering, the Group has secured 320,000 tons of shipping capacities on the Xijiang river. In addition, the Guangxi Rungui Water Transportation Limited, which the Group holds 49% equity interests, currently has 76 vessels with annual shipping capacity of 4.4 million tons. The Group has broadly launched the automotive transportation and distribution networks in the Pearl River Delta region with a daily transportation capacity of 60,000 tons. As at 31 December 2012, the Company operated a total of 35 silo terminals (32 in 2011) along the Xijiang River and its tributaries (mainly in Guangdong Pearl River Delta region) with an annual transshipment capacity of 26.0 million tons (20.0 million tons in 2011).

Sustainability Development

Circular Economy

In November 2012, the China Resources Hezhou Industry Demonstration Zone of Circular Economy project, which was jointly formed by the Group, China Resources Power Holdings Company Limited and China Resources Snow Breweries Limited, commenced full operation. The project has successfully achieved zero emission of pollutants and utilized water recycling within the demonstration zone, and brought significant economic benefits. In the future, we will replicate this development model in other regions.

Energy Saving and Emission Reduction

According to China's Twelfth Five-Year Plan, the national emission of nitrogen oxides should be reduced by 10% during the Twelfth Five-Year period. In order to achieve this target, the Ministry of Environmental Protection of China will lower the nitrogen oxides emission targets for the cement industry. The Group always recognizes the importance of energy saving, emission control and environmental protection, and hence, has completed technological upgrades on denitrogenation for nine clinker production lines in seven production plants in Southern China, which significantly reduced the nitrogen oxides emission level of the production lines. The Group will progressively upgrade other production lines with nitrogen oxides removal equipment so as to comply with the new emission control standards for cement industry, which will soon be promulgated.

In order to reduce dust emissions, the Ministry of Environmental Protection of China is going to set higher standards to promote reduction of dust emissions for cement industry. During the year, the Group has completed technological upgrade on dust collection systems for three clinker production lines. Dust emission has been reduced by 40% to below 30 mg per m^3 after the upgrade. The Group will implement technological upgrade for other production lines in stages.

In order to save energy, reduce pollutant emission and noise pollution, and extend the useful life of equipment, the Group has regularly performed energy saving upgrades on high-power electrical equipment in production plants. By the end of 2012, a total of 45 upgrades were completed on large fans and water pumps which had been more power consuming, and will achieve saving of electricity consumption of 73,000,000 kwh, equivalent to saving of 27,000 tons of standard coal, and will reduce emission of 60,000 tons of carbon dioxide annually. In the future, the Group will implement this technological upgrade for other electrical equipment.

Safety and Environmental Protection

In 2012, the Safety and Environmental Protection Department of the Group established the production safety working group for each production plant, which enhanced the organization of safety management. In accordance with national laws and regulations, the Group revised and published the "Guidance on Annual Assessment of Safety Management" and "Evaluation System of Safety and Environmental Protection (2012)", to establish the responsibility system for production safety. During the year, the Group completed various types of safety and environmental protection training for a total of 455 persons. In addition, upon the completion of examination by the State Administration of Work Safety, the first batch of three subsidiaries of the Group has passed the production safety assessment for first-class enterprises in the Chinese cement industry.

FINANCIAL PERFORMANCE REVIEW

Turnover

The consolidated turnover for the year ended 31 December 2012 amounted to HK$25,345.3 million, representing an increase of 9.1% over HK$23,240.0 million for the previous year. An analysis of segmental turnover by products is as follows:

	2012			2011		
		Average selling			Average selling	
	Volume	**price**	**Turnover**	Volume	price	Turnover
	'000 tons/m³	***HK$***	***HK$'000***	*'000 tons/m³*	*HK$*	*HK$'000*
Cement	**55,901**	**324.3**	**18,126,000**	44,190	369.5	16,327,899
Clinker	**8,739**	**257.1**	**2,246,901**	6,428	306.3	1,968,879
Concrete	**13,407**	**370.9**	**4,972,427**	13,832	357.4	4,943,183
Total			**25,345,328**			23,239,961

In 2012, total external sale volumes of cement and clinker of the Group increased by 11.7 million tons and 2.3 million tons, representing increases of 26.5% and 36.0% respectively over 2011. Approximately 67.3% of the cement products we sold were of 42.5 or higher grades (72.9% in 2011) and approximately 44.6% of our cement products were sold in bags (35.6% in 2011). Internal sales volume of cement for our concrete production was 2.7 million tons (2.8 million tons in 2011), representing 4.7% of the total volume of cement sold (6.0% in 2011). The intra-group transaction amount of HK$878.3 million was eliminated from the consolidated turnover (HK$1,032.3 million in 2011). Total sales volume of concrete decreased by 425,000 m^3, representing a decrease of 3.1% from 2011.

Our cement sales by geographical areas in 2012 were as follows:

	2012			2011		
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	'000 tons	***HK$***	***HK$'000***	*'000 tons*	*HK$*	*HK$'000*
Guangdong	**17,956**	**347.2**	**6,234,654**	17,732	394.9	7,002,254
Guangxi	**20,724**	**307.9**	**6,381,876**	17,725	328.7	5,826,630
Fujian	**7,343**	**309.1**	**2,269,738**	3,592	406.3	1,459,517
Hainan	**3,971**	**352.5**	**1,399,913**	3,420	446.8	1,528,076
Shanxi	**3,162**	**292.6**	**925,172**	1,721	297.2	511,422
Yunnan	**2,745**	**333.2**	**914,647**	–	–	–
Total	**55,901**	**324.3**	**18,126,000**	44,190	369.5	16,327,899

The average selling prices of cement, clinker and concrete in 2012 were HK$324.3 per ton, HK$257.1 per ton and HK$370.9 per m^3 respectively, representing a decrease of 12.2%, a decrease of 16.1% and an increase of 3.8% respectively over 2011. Selling prices of cement products continued to slide month by month from the beginning of the year due to the slowdown of economy and construction activities in China. Cement inventory level commenced to decline from July due to strong sales and from September onwards, cement prices started to rebound when the cement market in Southern China entered the normal peak season and when the government policies to stabilize the economy had come into effect. The selling price of concrete in 2012 was relatively stable throughout the year.

Major production costs

The average price of coal we purchased in 2012 was around HK$795 per ton, representing a decrease of 7.0% from the average price of HK$855 per ton in 2011, while the quality of coal was better with average thermal value increased by 3.7% to 4,928 kcal per kg. During the year, our unit coal consumption decreased to 161.0 kg per ton of clinker produced, representing a decrease of 2.1% from the average of 164.5 kg for 2011. Our standard coal consumption improved slightly from 109.5 kg per ton of clinker in 2011 to 109.3 kg for the year. Due to the decrease in coal price and improved coal consumption, our average coal cost of production for the year decreased by 9.0% to HK$128.1 per ton of clinker produced from HK$140.7 in 2011. Coal cost represented approximately 43.2% of the cost of sales of cement for the year (46.3% in 2011) and approximately 37.0% of the Group's total cost of sales for the year (38.5% in 2011).

Our average electricity cost decreased by 0.7% to HK$42.9 per ton of cement for the year from HK$43.2 in 2011 due to our savings on electricity consumption resulting from the power saving projects undertaken and higher utilization of the residual heat recovery generators as mitigated by increased electricity tariffs during the year. We managed to improve our electricity consumption to 84.1 kwh per ton of cement produced for the year (86.9 kwh in 2011), representing a cost saving of approximately HK$116.9 million (HK$57.0 million in 2011). Our residual heat recovery generators performed satisfactorily and generated 1,517.3 million kwh of electricity in the year, representing an increase of 32.7% over 1,143.5 million kwh of electricity generated in 2011. The electricity generated in 2012 accounted for approximately 27.9% of our required electricity consumption (25.0% in 2011) and we achieved a cost saving of approximately HK$945.0 million for the year (HK$677.2 million in 2011). Electricity cost represented approximately 17.6% of the cost of sales of cement for the year (17.3% in 2011) and approximately 15.0% of the Group's total cost of sales for the year (14.4% in 2011).

Gross profit and gross margin

The consolidated gross profit for 2012 was HK$6,099.5 million, representing a decrease of 15.6% from HK$7,224.0 million for 2011 and the consolidated gross margin was 24.1%, representing a decrease of 7.0 percentage points from 31.1% for 2011. The decrease in consolidated gross profit for 2012 was mainly attributable to general decrease in selling prices of our cement products as mitigated by the increase in sales volume. The gross margins of cement, clinker and concrete for 2012 were 25.0%, 11.5% and 26.2%, as compared with 34.0%, 24.7% and 24.0% respectively for 2011. The gross margins of cement products by province for 2012 were: Guangdong 28.2% (37.6% in 2011), Guangxi 19.9% (25.2% in 2011), Fujian 13.4% (19.1% in 2011), Hainan 24.0% (31.8% in 2011), Shanxi 21.8% (21.7% in 2011) and Yunnan 11.2% (not applicable in 2011).

Other income

Other income for 2012 was HK$413.6 million, representing a decrease of 31.8% from HK$606.3 million for 2011. There was an exchange gain of HK$318.5 million in 2011 but no exchange gain was derived in 2012. During the year, the Group received government incentive of HK$236.5 million as compared with HK$94.5 million for the last year.

Selling and distribution expenses

Selling and distribution expenses for 2012 were HK$1,223.1 million, which were 0.4% lower than HK$1,228.0 million for 2011. As a percentage to consolidated turnover, selling and distribution expenses decreased to 4.8% in 2012 from 5.3% in 2011. The lower level of selling and distribution expenses was the result of our continuing effort to improve our logistics management.

General and administrative expenses

General and administrative expenses for 2012 were HK$1,807.8 million, representing an increase of 36.4% over HK$1,325.0 million for 2011. As a percentage to consolidated turnover, general and administrative expenses increased to 7.1% for 2012 from 5.7% for 2011. This was due to our expanded operations (capacity and sales volume increases), increase in staff costs and the effect of decrease in general selling prices. In 2012, general and administrative staff costs increased by HK$167.3 million due to a general pay raise of 5% to 15%, additional payments under the long term award scheme ("Scheme") and extra bonus paid to employees in respect of the outstanding performance of the Group in 2011.

Share of results of jointly controlled entities

The share of results of jointly controlled entities attributable to the Group for 2012 amounted to HK$81.8 million, representing a decrease of 47.2% from HK$155.0 million for 2011. The jointly controlled entities operated mainly in the vicinity of Guangzhou City and their performance was in line with the Group.

Share of results of associates

The share of results of associates, which were acquired in July 2011, amounted to HK$136.6 million (HK$134.4 million in 2011). The associates operated mainly in Inner Mongolia.

Taxation

The effective tax rate of the Group for 2012 was 18.4%, representing an increase of 7.0 percentage points from 11.4% of 2011. Excluding the results of jointly controlled entities and associates, the effective tax rate of the Group for 2012 would be 19.9%, representing an increase of 7.7 percentage points from 12.2% of 2011. This was because tax holidays previously enjoyed by certain subsidiaries have been fully utilized and a higher portion of the profit was generated from subsidiaries which were subject to the Chinese Mainland Enterprise Income Tax at the rate of 25%.

Net margin

Net margin of the Group for 2012 was 9.3%, which was 9.4 percentage points lower than that of 18.7% for 2011. After full allocation of other income and corporate expenses but excluding share of results of associates and jointly controlled entities, net profit per ton of cement products and per m^3 of concrete were about HK$28.4 (HK$70.6 in 2011) and HK$16.0 (HK$20.7 in 2011) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2012	2011
	'000	*'000*
HK$	**754,530**	1,400,713
RMB	**2,204,326**	1,877,115
US$	**12,092**	4,305

As at 31 December 2012, the Group's banking facilities amounted to US$150.0 million, HK$9,820.0 million and RMB14,422.0 million, of which RMB8,914.5 million was unutilized and remained available for drawdown and the total bank loans of the Group amounting to HK$17,777.2 million equivalent (HK$20,494.4 million as at 31 December 2011) comprised loans in the following currencies:

	As at 31 December	
	2012	2011
	'000	*'000*
US$	**150,000**	165,000
HK$	**9,820,000**	8,330,000
RMB	**5,507,500**	8,821,900

Among these bank loans denominated in RMB, total amount of HK$339.1 million equivalent was secured by fixed assets of the Group (HK$409.9 million as at 31 December 2011 was secured by bank deposits and fixed assets) and HK$17,438.1 million equivalent (HK$20,084.5 million as at 31 December 2011) was unsecured.

As at 31 December 2012, bank loans which carried interests at fixed and variable rates amounted to HK$986.6 million and HK$16,790.6 million respectively. As at 31 December 2011, all bank loans carried interests at variable rates.

During 2012, 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 2012, the total amount of the outstanding loans was HK$1,330.9 million (HK$880.8 million as at 31 December 2011) which comprised loans in the following currency:

	As at 31 December	
	2012	2011
	'000	*'000*
HK$	**80,000**	880,800
RMB	**1,014,200**	–

The above loans are 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., Hong Kong Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited from 8 October 2012.

Under the terms of certain agreements for total banking facility of HK$11,274.9 million equivalent which will expire from May 2013 to June 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$11,274.9 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 2012, calculated by dividing net borrowings by equity attributable to owners of the Company, was 87.2% (91.3% as at 31 December 2011).

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 2012, the Group was engaged in a hedging contract in the amount of US$100,000,000 for the purpose of the settlement of a US$ bank loan.

The Group has net current liabilities of HK$6,073.0 million as at 31 December 2012. 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 2012, certain assets of the subsidiaries of the Company with an aggregate carrying value of HK$311.7 million (HK$548.5 million as at 31 December 2011) were pledged with banks for banking facilities used by these subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group has issued guarantees to banks in respect of banking facilities in the amount of HK$50.0 million and RMB266.0 million granted to a jointly controlled entity and an associate respectively, of which HK$40.0 million had been utilized.

USE OF PROCEEDS

As stated in the prospectus of the Company dated 21 September 2009, the Group had plans to use the proceeds obtained from the initial public offering of the shares of the Company and all the proceeds have been fully used as planned as at 31 December 2012.

Expansion Plan	**Residual balance to be used as at 31/12/2011**	**Used during the year**	**Residual balance to be used as at 31/12/2012**
	HK$ million	*HK$ million*	*HK$ million*
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	5.2	5.2	–

FUTURE PLAN AND CAPITAL EXPENDITURE

New construction projects

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

(1) two clinker production lines with annual capacity of 1.55 million tons each in Fengkai County, Guangdong with total cost of construction amounting to approximately RMB2,318.3 million (equivalent to approximately HK$2,859.0 million); and

(2) eleven concrete batching plants with total annual capacity of 6.6 million m^3, with the cost of construction amounting to approximately HK$447.0 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 one 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 re-activate 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 one 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 2012, the Group has outstanding capital expenditure for projects under construction in the amount of HK$8,733.4 million of which approximately HK$4,281.2 million are expected to be expended in 2013. Details of these projects are as below:

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2011 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2012 *HK$ million*
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	6,555.8	5,935.6	211.2	409.0
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	1,169.3	1,050.8	86.9	31.6
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	1,513.7	1,343.3	57.2	113.2
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	1,082.2	891.2	47.1	143.9
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	1,037.1	814.3	59.6	163.2
Construction of production lines in Shantou City, Guangdong with a total capacity of 1.8 million tons of cement	255.4	246.5	4.6	4.3
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	1,127.2	887.0	106.4	133.8
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	1,507.5	1,133.3	52.2	322.0
Construction of production lines in Yangchun County, Guangdong with a total capacity of 1.0 million tons of cement and 0.8 million tons of clinker	347.2	301.6	19.1	26.5
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	1,442.6	967.7	128.2	346.7

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2011 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2012 *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	2,608.0	2,348.3	126.5	133.2
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	677.1	560.3	33.4	83.4
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	1,338.7	457.2	384.5	497.0
Acquisition of production lines in Changzhi City, Shanxi, with a total capacity of 600,000 tons of cement and 372,000 tons of clinker	172.1	111.0	0.6	60.5
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	1,298.3	712.4	215.5	370.4
Construction of production lines in Fangshan County, Shanxi, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker	37.0	22.9	14.1	–
Acquisition of production lines in Fangshan County, Shanxi, with a total capacity of 700,000 tons of cement and 372,000 tons of clinker	310.8	129.4	68.2	113.2
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	1,208.0	262.1	591.5	354.4
Construction of production lines in Fengkai County, Guangdong with a total capacity of 3.1 million tons of clinker	2,859.0	–	614.5	2,244.5
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	1,377.6	–	–	1,377.6
Construction of 11 concrete batching plants with a total capacity of 6.6 million m^3 of concrete	447.0	43.7	34.9	368.4
Technological upgrade projects and other purchases of fixed assets	1,436.6	–	–	1,436.6
	29,808.2	18,218.6	2,856.2	8,733.4

Apart from the foregoing, the Group had no other significant planned capital expenditure or commitment as at 31 December 2012. 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 2012, our Group employed a total of 23,296 full time employees (21,844 as at 31 December 2011) of whom 186 (199 as at 31 December 2011) were based in Hong Kong and the remaining 23,110 (21,645 as at 31 December 2011) were based in the Chinese Mainland. A breakdown of our employees by functions is stated as follows:

	As at 31 December 2012	As at 31 December 2011
Management	**315**	295
Finance and administration	**2,951**	2,892
Production and technical	**17,348**	16,149
Quality control	**2,051**	1,985
Sales and marketing	**631**	523
Total	**23,296**	21,844

Among our 315 senior and middle managerial staff, 64% possess university degrees (56% as at 31 December 2011), 29% have received post-secondary education (34% as at 31 December 2011) and their average age is about 42 (41 as at 31 December 2011). 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 unit allowance, performance related bonuses and other staff benefits. The Company has established the Scheme whereby eligible employees of the Group may be granted cash benefits calculated and paid according to shares acquired by the trustee under the Scheme.

Personnel Training

On 8 July 2012, the Cement College of China Resources University was established and commenced operation. During the year, it had held 13 training classes on 8 subjects including production safety, kiln operation, quarry production, electrical systems, etc., for a total of 434 employees and junior managers. The Group also organized several training programs for managers including: "Manager of Excellence" for 32 general managers of production plants in order to enhance the leadership of the middle management and a series of "Quality" programs for professional development including "Qualified Financial Controller", "Qualified Human Resources" and "Qualified Sales" for employees occupying executive positions in finance, human resources and sales respectively. The total training in 2012 amounted to approximately 42,000 man-hours.

Care for Employees

The majority of the production plants of the Group are located in the suburbs, away from residence of employees. Based on the philosophy of "Treating Employees Well", the Group has built "China Resources Homes", which are living communities designed to provide housing and ancillary facilities to non-local employees to ease housing difficulties. In the future, the Group will continue to establish more "China Resources Homes" to assist in housing needs of employees. The Group also provides once-per-year travel expense subsidies for employees returning home and visiting close relatives. In order to bridge the communication gaps between senior management and workers, the Group established a network forum for employees to freely express their views about their work and daily life. The Group regularly gathers concerns reflected on the forum and resolves them in a timely manner if necessary.

STRATEGIES AND PROSPECTS

As at 31 December 2012, the annual production capacities of cement, clinker and concrete in operation held through our subsidiaries amounted to 73.9 million tons, 50.2 million tons and 33.2 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 through subsidiaries will amount to 76.5 million tons, 51.8 million tons and 39.8 million m^3 respectively by the end of 2013; 84.5 million tons, 57.7 million tons and 47.0 million m^3 respectively by the end of 2014; 90.5 million tons, 65.3 million tons and 54.2 million m^3 respectively by the end of 2015; and 92.5 million tons, 66.8 million tons and 61.4 million m^3 respectively by the end of 2016. In addition, the jointly controlled entities 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 23.2 million tons and 14.5 million tons in operation as at 31 December 2012, of which the annual cement and clinker production capacities attributable to the Company according to equity interests amounted to 10.7 million tons and 6.5 million tons respectively.

In 2013, the new Chinese government will maintain the continuity of macroeconomic policies and continue to implement a prudent monetary policy and proactive fiscal policy, in order to preserve economic growth while maintaining stability. In the medium to long term, urbanization will be the key to promote the development of Chinese economy and continuously stimulate the growth of fixed asset investment. Investment in infrastructure will be the major force for driving this cycle of economy recovery, and as infrastructure projects including urban rail transit, water conservancy, railway, highway, etc. approved since May 2012 gradually commence construction and enter into the substantial construction phase, demand for cement will be stronger. Meanwhile, effective implementation of policies in the elimination of obsolete capacities and the strict examination and approval process of capacity additions have successfully limited the supply of cement, and will continue to improve the demand and supply dynamics and business environment.

Looking into the future, we have strong confidence to grow and will seize the opportunities for development. We will continue to persist in the "3 (control, conversion and distribution of resources) + 2 (lowest total cost and leading in regional market)" development strategy, enhance the efforts on mergers and acquisitions, continually increase our market share in our operating areas and speed up the collaborative development of the cement and concrete businesses.

Meanwhile, we will further promote the delicate management, expand on scope of centralized procurement, improve the logistics set up, make great efforts to reduce operating costs and expenses, and enhance the level of corporate management. We will also strengthen research and innovation, focus on energy saving and environmental protection and strive to reduce emissions continually. We will unremittingly devote ourselves towards the goal of being the most profitable, best managed and most respected cement and concrete supplier in China.

CORPORATE GOVERNANCE

The Company met with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at that time, except the following:

1. 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 Code on Corporate Governance Practices and the Corporate Governance Code; and

2. Mr. DU Wenmin and Mr. WEI Bin, the non-executive Directors, were unable to attend the annual general meeting of the Company held on 4 May 2012 as they were out of town for other businesses.

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 2012 (2011: HK$0.06 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 21 May 2013 to shareholders whose names appear on the register of members of the Company on 9 May 2013. Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board did not declare any interim dividend for 2012 (2011: HK$0.05 per share) and total distribution for the year ended 31 December 2012 will be HK$0.07 per share (2011: HK$0.11 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 29 April 2013 to Friday, 3 May 2013, 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, 3 May 2013, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 26 April 2013.

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, 9 May 2013 and the register of members of the Company will be closed on Thursday, 9 May 2013, 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 with the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 8 May 2013.

APPRECIATION

I would like to thank the Board, the management team and all other employees for their sustained loyalty, diligence, and dedication to the Group especially during the difficult times in 2012. On behalf of the Board, I would also like to express our heartfelt thanks to our stakeholders for their continuing trust and support.

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

Hong Kong, 1 March 2013

As at the date of this announcement, the executive directors of the Company are Mr. ZHOU Longshan, Mr. PAN Yonghong, Mr. YU Zhongliang 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.