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)

2014 ANNUAL RESULTS ANNOUNCEMENT

	2014	2013	**Increase**
Turnover *(HK$ million)*	**32,668.9**	29,340.6	11.3%
Profit attributable to owners of the Company *(HK$ million)*	**4,206.4**	3,338.4	26.0%
Basic earnings per share	**HK$0.644**	HK$0.512	
Proposed final dividend per share	**HK$0.10**	HK$0.07	

	As at 31/12/2014	As at 31/12/2013	**Increase (Decrease)**
Total assets *(HK$ million)*	**57,537.1**	54,179.7	6.2%
Equity attributable to owners of the Company *(HK$ million)*	**28,179.9**	24,820.9	13.5%
Net borrowings *(HK$ million) (note 1)*	**16,112.7**	17,618.1	(8.5)%
Net gearing ratio *(note 2)*	**57.2%**	71.0%	
Net assets per share – book *(note 3)*	**HK$4.31**	HK$3.80	13.4%

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 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Turnover	*3*	**32,668,910**	29,340,619
Cost of sales		**(22,443,769)**	(20,980,867)
Gross profit		**10,225,141**	8,359,752
Other income	*4*	**581,950**	395,566
Change in fair value of an investment property		**14,000**	10,000
Selling and distribution expenses		**(1,899,482)**	(1,633,235)
General and administrative expenses		**(2,593,583)**	(2,727,475)
Exchange (loss) gain		**(35,126)**	416,329
Finance costs	*5*	**(654,675)**	(704,459)
Share of results of associates		**18,605**	98,406
Share of results of joint ventures		**97,266**	99,593
Profit before taxation	*6*	**5,754,096**	4,314,477
Taxation	*7*	**(1,630,777)**	(1,035,808)
Profit for the year		**4,123,319**	3,278,669
Attributable to:			
Owners of the Company		**4,206,393**	3,338,373
Non-controlling interests		**(83,074)**	(59,704)
		4,123,319	3,278,669
Basic earnings per share	*8*	**HK$0.644**	HK$0.512
Proposed final dividend per share	*9*	**HK$0.10**	HK$0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Fixed assets		**33,271,505**	32,526,564
Prepaid lease payments		**2,787,164**	2,752,320
Investment property		**91,000**	77,000
Intangible assets		**2,272,345**	2,200,216
Interests in associates		**3,284,186**	2,392,943
Interests in joint ventures		**1,594,566**	1,727,042
Deposits for acquisition of fixed assets		**1,569,504**	1,632,062
Deferred tax assets		**104,252**	152,878
Long term receivables		**615,166**	620,686
Pledged bank deposits		**20,558**	–
		45,610,246	44,081,711
Current assets			
Inventories		**2,162,359**	2,131,961
Trade receivables	*10*	**2,837,619**	3,191,885
Other receivables		**1,388,152**	1,524,560
Loan to a fellow subsidiary		**634,905**	–
Amounts due from associates		**321,903**	30,983
Amounts due from joint ventures		**391,032**	388,593
Taxation recoverable		**40,286**	5,024
Pledged bank deposits		**2,781**	3,171
Cash and bank balances		**4,147,804**	2,821,782
		11,926,841	10,097,959
Current liabilities			
Trade payables	*11*	**2,800,119**	3,246,173
Other payables		**4,670,708**	4,365,452
Taxation payable		**875,807**	560,041
Amount due to immediate holding company		**54,956**	54,956
Bank loans – amount due within one year		**4,728,905**	6,171,482
		13,130,495	14,398,104
Net current liabilities		**(1,203,654)**	(4,300,145)

	2014 *HK$'000*	2013 *HK$'000*
Total assets less current liabilities	**44,406,592**	39,781,566
Non-current liabilities		
Bank loans – amount due after one year	**12,452,307**	11,169,690
Unsecured bonds	**3,102,664**	3,101,840
Other long term payables	**19,257**	28,535
Deferred tax liabilities	**117,216**	119,750
	15,691,444	14,419,815
	28,715,148	25,361,751
Capital and reserves		
Share capital	**653,294**	653,294
Reserves	**27,526,579**	24,167,560
Equity attributable to owners of the Company	**28,179,873**	24,820,854
Non-controlling interests	**535,275**	540,897
Total equity	**28,715,148**	25,361,751

Notes:

1. BASIS OF PREPARATION

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

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

2. APPLICATION OF NEW AND REVISED HKFRS

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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.

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

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale and contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[5]

[1] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
[2] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.*
[3] *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*
[4] *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*
[5] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
[6] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.*

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

3. TURNOVER AND SEGMENT INFORMATION

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

The Group's operating and reportable segments under HKFRS 8 are as follows:
Cement – manufacture and sale of cement and related products
Concrete – manufacture and sale of concrete and related products

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

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

The information of segment results are as follows:

For the year ended 31 December 2014

	Cement *HK$'000*	**Concrete** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
TURNOVER				
External sales	**25,939,958**	**6,728,952**	**–**	**32,668,910**
Inter-segment sales	**1,138,802**	**1,191**	**(1,139,993)**	**–**
	27,078,760	**6,730,143**	**(1,139,993)**	**32,668,910**

Inter-segment sales are charged at prevailing market prices.

	Cement *HK$'000*	**Concrete** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
RESULTS				
Segment results	**6,070,696**	**496,978**	**–**	**6,567,674**
Interest income				**58,202**
Finance costs				**(654,675)**
Unallocated net corporate expenses				**(332,976)**
Share of results of associates				**18,605**
Share of results of joint ventures				**97,266**
Profit before taxation				**5,754,096**

For the year ended 31 December 2013

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

Inter-segment sales are charged at prevailing market prices.

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

4. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Government incentives	**207,771**	210,292
Interest income	**58,202**	65,373
Sales of scrap materials	**85,044**	54,371
Service income	**12,347**	18,441
Rental income	**23,438**	14,282
Compensation received from insurance	**10,266**	3,129
Gain on disposal of subsidiaries	**146,503**	–
Others	**38,379**	29,678
	581,950	395,566

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interests on:		
Bank loans and unsecured bonds wholly repayable within five years	**657,866**	675,260
Loans from intermediate holding companies	**–**	41,609
Other long term payables	**749**	1,099
	658,615	717,968
Less: Amount capitalised to fixed assets	**(3,940)**	(13,509)
	654,675	704,459

Capitalisation rate of borrowing costs to expenditure on qualifying assets is approximately 5.5% (2013: 5.9%).

6. PROFIT BEFORE TAXATION

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**16,240**	19,994
Pension costs and mandatory provident fund contributions excluding Directors	**165,561**	145,532
Other staff costs	**2,803,410**	2,579,279
Total staff costs	**2,985,211**	2,744,805
(Reversal of) allowance for doubtful debts	**(17,971)**	72,597
Allowance for doubtful debts of other receivables	**36,575**	2,846
Amortisation of mining rights	**78,287**	55,788
Auditor's remuneration	**5,499**	7,110
Depreciation of fixed assets	**1,839,237**	1,760,229
Impairment loss on fixed assets	**197,099**	353,310
Impairment loss on inventories	**17,787**	22,595
Operating lease payments in respect of		
– rented premises	**62,626**	56,755
– motor vehicles	**299,371**	166,588
Release of prepaid lease payments	**74,776**	61,107

7. TAXATION

	2014	2013
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**20,722**	10,479
Chinese Mainland Enterprise Income Tax	**1,552,535**	1,032,730
Underprovision of Chinese Mainland Enterprise Income Tax in prior years	**39,407**	15,106
	1,612,664	1,058,315
Deferred taxation		
Hong Kong	**(614)**	1,475
Chinese Mainland	**18,727**	(23,982)
	18,113	(22,507)
	1,630,777	1,035,808

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.

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%.

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:

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**4,206,393**	3,338,373

	As at 31 December	
	2014	2013
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**6,532,937,817**	6,522,479,250

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

9. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 Interim – HK$0.07 per share (2013: HK$0.035 per share)	**457,306**	228,174
2013 Final – HK$0.07 per share (2012: HK$0.07 per share)	**457,306**	456,348
	914,612	684,522

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of HK$0.10 per share (2013: HK$0.07 per share in respect of the year ended 31 December 2013) 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$653,294,000 (2013: HK$457,306,000) of the proposed final dividend, calculated based on the Company's number of shares issued at the date of this announcement, is not recognised as a liability in the consolidated statement of financial position.

10. TRADE RECEIVABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables from third parties	**2,830,036**	3,160,638
Trade receivables from fellow subsidiaries	**7,583**	31,247
	2,837,619	3,191,885

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

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**2,617,702**	3,011,119
91 to 180 days	**136,894**	102,471
181 to 365 days	**83,023**	78,295
	2,837,619	3,191,885

11. TRADE PAYABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade payables to third parties	**2,791,654**	3,225,011
Trade payables to fellow subsidiaries	**8,465**	21,162
	2,800,119	3,246,173

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**2,702,675**	2,973,675
91 to 180 days	**37,924**	182,079
181 to 365 days	**23,729**	49,660
Over 365 days	**35,791**	40,759
	2,800,119	3,246,173

12. REVIEW OF ANNUAL RESULTS

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

BUSINESS ENVIRONMENT

In 2014, the Chinese government launched a series of policies and measures to ensure steady economic growth, promote reform and restructuring, improve people's livelihood and control risks. According to the National Bureau of Statistics of China, China's gross domestic product ("GDP") for 2014 reached RMB63.6 trillion with a growth rate of 7.4% and the Consumer Price Index was risen by 2.0%, which basically reached the targets set by the government at the beginning of the year.

During the year, fixed asset investment ("FAI") and consumption remained the key drivers of economic growth in China. In 2014, FAI (excluding rural households) was increased by 15.7% to RMB50.2 trillion, and the investment in infrastructure (excluding power supply) was RMB8.7 trillion, representing an increase of 21.5% over the last year.

The Chinese government continues to adopt proactive fiscal measures and prudent monetary policy. In the second half of the year, in order to cope with the pressure of domestic economic downturn, the government accelerated the approval of infrastructure projects, loosened the control measures on real estate market, increased money supply through market operation, and lowered interest rate to reduce financing costs of enterprises. As at 31 December 2014, China's M2 money supply amounted to RMB122.8 trillion, representing an increase of 12.2% over the last year.

According to the data published by the respective provincial bureaus of statistics, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou, at which we have operations, reached RMB6.8 trillion, RMB1.6 trillion, RMB2.4 trillion, RMB350.0 billion, RMB1.3 trillion, RMB1.3 trillion and RMB920.0 billion in 2014, representing increases of 7.8%, 8.5%, 9.9%, 8.5%, 4.9%, 8.1% and 10.8% respectively. Meanwhile, the FAIs (excluding rural households) in respect of the aforementioned provinces were also increased by 15.9%, 16.7%, 19.0%, 13.2%, 11.5%, 15.1% and 23.6%, amounting to RMB2.6 trillion, RMB1.3 trillion, RMB1.8 trillion, RMB300.0 billion, RMB1.2 trillion, RMB1.1 trillion and RMB870.0 billion respectively.

The railway industry in China continued to grow rapidly in 2014. During the year, the government boosted railway investment plans for three times and the new construction projects commenced in 2014 were increased from 48 to 64. The FAI in railways for 2014 was RMB808.8 billion, representing a growth rate of 21.8% over the last year. The total operational length of national railways was increased by 8,400 km to 112,000 km, more than 16,000 km of which are high-speed railways.

During the year, the Chinese government launched a series of policies to promote investment and sustainable development of the railway industry. In April 2014, the State Council of China established a railway development fund to attract private capital investment in railways and the first phase of fund raising was completed in September. In August, in order to support railway construction and new town development in Mainland China, the government published a document regarding its views on land development for railway construction, revitalizing the land currently occupied by railways and promoting composite land development.

In 2015, the Chinese government budgeted over RMB800.0 billion for FAI in railway, maintaining the same strength and level as last year in order to achieve the target of railway construction in the "Twelfth Five-Year" plan. The reform of the Chinese railway industry will stabilize infrastructure investments and improve operating efficiency, bringing a steady and continual demand for the cement industry.

On the other hand, China has also actively accelerated construction of urban rail transit to further improve the public transport network. Urban rail transit refers to subways, light rails, trams and other transportation facilities. According to China Association of Metros, as at the end of 2014, 101 rail lines with total operating length of over 3,100 km had been completed and operating in 22 cities in China. In 2014, 3 cities including Changsha, Ningbo and Wuxi started the operation of urban rail transit. Meanwhile, 9 new rail lines were put into operation with additional operating length of 409 km in China. According to the statistics from National Development and Reform Commission, the investment in urban rail transit in China for 2014 amounted to RMB220.0 billion, representing an increase of RMB40.0 billion compared to the preceding year. It is expected that, by the year of 2020, a total of 50 cities in China will possess urban rail transit with total operating length of approximately 6,000 km.

In January 2015, the Chinese government issued the "Notice Regarding Enhancing the Construction Management of Urban Rail Transportation" which perfected the handover work after delegation of approval authority to the local governments, enhanced supervision, required rational preparation and planning, and promoted healthy development of the industry. We believe that construction of urban rail transit in China will propel the long-term demand of the cement industry.

According to the statistics of the Ministry of Transport of China, the FAI in highways was increased by 13.1% year-on-year in the period from January to November 2014 to RMB1.4 trillion while FAI in waterways was decreased by 5.6% year-on-year to RMB130.0 billion. During the year, total increase in length of roads in China was 94,000 km, including 7,500 km of expressways. As at the end of 2014, the total length of national expressways amounted to 104,000 km.

According to "National Highway Network Planning (2013-2030)", cities with population of more than 200,000 will be connected by national expressways with total planned operating length of 136,000 km, including national expressways of 118,000 km and possible extension of 18,000 km in the future. Highways and waterways infrastructure will provide strong support to the sustainable demand of cement in the future.

In 2014, there was a downward adjustment trend in the real estate market in China as both prices and floor area of commodity houses sold declined over the last year. In the second half of the year, there were signs of improvement of the real estate market after the local governments gradually loosened the restrictions on mortgage lending and purchase. In addition, as the authority to take austerity measures on the real estate market was delegated from the central to the local governments and with the full liberalization of financing to the real estate industry and mortgage loans for home purchases, it will provide the impetus for recovery of the real estate market.

According to the National Bureau of Statistics, the floor area of commodity housing sold in 2014 was 1,210 million square meters, representing a decrease of 7.6%; and the sales turnover of commodity housing was RMB7.6 trillion, representing a decrease of 6.3% over the last year. During the year, China's real estate investment reached RMB9.5 trillion, representing an increase of 10.5% over the last year; the total area of real estate projects under construction reached 7.3 billion square meters, representing an increase of 9.2%; the total area of newly commenced construction of real estate projects was 1.8 billion square meters, representing a decrease of 10.7%; the total area of completed real estate projects was 1.1 billion square meters, representing an increase of 5.9% compared to the last year.

On the other hand, efforts in building social housing continued to intensify in China. In 2014, construction of 7.4 million units of social housing had newly commenced and 5.1 million units were completed, which exceeded the target set by the government at the beginning of the year. In 2015, the Chinese government has planned to re-develop 5.8 million shelters in the shanty town areas and commence the construction of 7.4 million units of social housing. The intensive promotion of social housing and shanty town re-development will continue to drive the demand for cement.

New-type urbanization is one of the key drivers for long-term economic growth in China. As at the end of 2014, urbanization rate of China reached 54.8%, representing an increase of 1.1 percentage points over the last year. In March 2014, as mentioned in the "Report on the Work of the Government in 2014", the Chinese government emphasized on the "three issues of 100 million people", namely, to allow urban residency status of around 100 million rural people who are already staying in cities, to rebuild shanty town areas and villages inside cities which are home to 100 million people, and to direct urbanization of neighborhood areas for around 100 million rural residents in the central and western regions. Moreover, the State Council of China launched the "National New-type Urbanization Plan (2014-2020)" which rolls out the development directions of urbanization in the future and targets to lift the urbanization rate to 60% by 2020. New-type urbanization will provide strong support for China economic growth and will bring sustainable and steady demand for the cement industry.

THE INDUSTRY

In 2014, China's total cement production increased by 1.8%, reaching 2.48 billion tons. According to the statistics of China Cement Association, the cement productions in Guangdong, Guangxi, Fujian, Hainan, Shanxi, Yunnan and Guizhou were 147.4 million tons, 106.5 million tons, 77.3 million tons, 21.5 million tons, 45.4 million tons, 94.9 million tons and 93.9 million tons, representing changes of 12.8%, -0.04%, -1.4%, 8.3%, -7.7%, 4.1% and 15.5% respectively as compared to the preceding year.

According to the statistics of Digital Cement, 54 new clinker production lines were completed in China, which increased clinker production capacity by approximately 70.3 million tons, representing a decrease of 25% compared to the last year. Our information showed that 5 production lines commenced operations in Southern China, which had increased clinker production capacity by 6.4 million tons, representing an increase of 29% over the last year; 3 production lines commenced operations in Shanxi, which had increased clinker production capacity by 4.0 million tons, representing a decrease of 28%; 11 production lines commenced operations in Yunnan, which had increased clinker production capacity by 12.3 million tons, representing an increase of 94%; and 13 production lines commenced operations in Guizhou, which had increased clinker production capacity by 16.5 million tons, representing an increase of 65%.

On the other hand, the elimination of obsolete capacity is still being effectively implemented. In May 2014, the National Development and Reform Commission, the Ministry of Industry and Information Technology and the General Administration of Quality Supervision, Inspection and Quarantine jointly issued the "Notice on Matters Relating to the Use of Pricing Tactics to Promote Industrial Structure Adjustment of Cement Industry" in order to increase the electricity tariffs of obsolete cement kilns and accelerate the phasing out of capacity using backward technology. In 2014, 81.0 million tons of obsolete capacities have been removed nationwide according to the Ministry of Industry and Information Technology of China. According to the company lists with obsolete capacities issued in the year, in Guangdong, Guangxi, Fujian, Shanxi, Yunnan and Guizhou, at which we have operations, there were 3.5 million tons, 9.1 million tons, 1.4 million tons, 1.1 million tons, 2.5 million tons and 4.0 million tons of obsolete capacity which had to be demolished by end of last year.

In July 2014, the Ministry of Industry and Information Technology of China released a document regarding the capacity replacement of several severe overcapacity industries. Those industries, including the cement industry, were required to strictly control new capacities and to establish capacity replacement mechanism. Among which, capacity reduction and replacement schemes were implemented in Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta regions. In December, the Standardization Administration Commission of China published the revised standard for Common Portland Cement. The PC32.5 grade cement was abolished so as to raise the quality of cement products and to further improve the business environment of the cement industry.

In addition, the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine of China jointly issued the "Air Pollutants Emission Standard for the Cement Industry" in December 2013, which enforced tighter standards on emission of nitrogen oxides and particulate matters. The new standard was applicable to newly constructed production lines with effect from March 2014 and will be applicable to existing production lines with effect from July 2015, which will enhance technologies of energy conservation and emission reduction for the industry and upgrade of facilities. With the encouragement and promotion of the Chinese government, we believe the cement industry will develop healthily and sustainably.

In January 2015, China implemented the new environmental protection law and increased the penalties for offenses. The imposition of unlimited caps for "daily fines", possible criminal charges and other regulations are considered to be the toughest ever environmental protection law in China. In December 2014, the Chinese government announced the "Interim Measures for Carbon Emissions Trading Management", with intent to improve the laws and regulations, technical standards and infrastructures of the nationwide carbon market. Carbon emission credit trading management plans will be fully activated and implemented throughout China from 2016 to 2019. Implementation of the related environmental protection policies will raise the operational requirements of the cement industry and benefit the competitiveness of large enterprises in the market.

In 2014, the Chinese government launched measures regarding the concrete and aggregate industries to halt irregular and illegal operations and to promote upgrade of the industries. In August 2014, the Ministry of Housing and Urban-Rural Development and the Ministry of Industry and Information Technology of China issued the "Certain Opinions on Promoting the Application of High Performance Concrete" in order to foster the application of high performance concrete, amend product standards, regulate entrance permit to the industry and strengthen the quality control management. In September, the Chinese government released a notice regarding the exploration of coal mine, metal and non-metal mines. It clearly specifies requirements on the issues such as failure in meeting safe production standards and absence of licenses.

SOCIAL RESPONSIBILITY

As the Co-chairman of Cement Sustainability Initiative in China, the Group is committed to its corporate social responsibility, environmental protection and sustainable development of the cement industry. In 2014, the Group achieved a breakthrough in urban waste co-processing projects. By leveraging extensive experiences from international cement equipment manufacturers, the Group collaborated with them in promoting the relevant technologies in China. Construction of urban waste co-processing projects in our cement plants at Luoding County, Guangdong and Binyang County, Guangxi has commenced, signifying a new page for the green development of the Group.

The Group's efforts in environmental protection have been recognized by the industry and the general public. This includes: China Resources Cement (Nanning) Limited was honored the "Hong Kong Green Awards 2014 – Environmental, Health and Safety Award (Corporate)" – Silver Award by the Green Council of Hong Kong; China Resources Cement (Fengkai) Limited, China Resources Cement (Nanning) Limited, China Resources Cement (Guigang) Limited and Guangzhou Heidelberg Yuexiu Cement Company Limited were the first batch of companies being awarded the "One Hundred Energy-Saving Model Enterprises" by the China Building Materials Federation among the building materials industry.

ACQUISITIONS

Subsequent to the execution of the capital contribution agreement in relation to the establishment of a strategic cooperation platform to jointly develop to expand the cement and concrete business in Fujian Province on 30 September 2013 (which has already been reported in our Annual Report 2013), Fujian Energy Group Company Limited and China Resources Cement Investments Limited ("CRC Investments") (a subsidiary of the Company) agreed that the values stated in the valuation reports prepared by an independent valuer shall be adopted for the purpose of capital contribution into Fujian Building Material (Holdings) Company Limited ("Target Company") by CRC Investments. On 23 June 2014, the two parties entered into a supplemental agreement to the capital contribution agreement in relation to, inter alia, the amount of capital contribution to the Target Company. According to the supplemental agreement, the capital contribution to be made by CRC Investments for the 49% equity interest in the Target Company shall amount to approximately RMB682,194,000 (approximately HK$864,776,000). After taking into account the value of the entire equity interests of the 9 concrete companies to be injected into the Target Company by CRC Investments as capital contribution, the balance of approximately RMB377,724,000 (approximately HK$478,818,000) of the capital contribution shall be made by CRC Investments in the form of cash. The cash contribution was injected on 30 September 2014 and as at 31 December 2014, the abovementioned acquisition has been completed.

NEW PRODUCTION PLANTS

During the year, the Group completed the construction of (1) a 5000 tons per day clinker production line and two cement grinding lines at Jinsha County, Guizhou Province, which increased the Group's total annual clinker and cement production capacities by 1.6 million tons and 2.0 million tons respectively; (2) a 5000 tons per day clinker production line and two cement grinding lines at Midu County, Yunnan Province, which increased the Group's total annual clinker and cement production capacities by 1.6 million tons and 2.0 million tons respectively; and (3) four concrete batching plants, which increased our total annual concrete production capacity by 2.3 million m^3.

CAPACITY UTILIZATION

During the year, we continued to maintain production activities at high level. The utilization rates of our cement, clinker and concrete production lines were 99.3%, 117.1% and 42.4% as compared with 94.0%, 118.9% and 43.2% for 2013 respectively.

PROCUREMENT MANAGEMENT

In 2014, the Group has adopted a short-cycle and multi-channel procurement strategy in response to the downward trend of coal market in China. We followed the changes of domestic and import coal prices closely and made reasonable adjustments to the structure of procurement channels, resulting in effective control of procurement costs and enhancing risk control capability.

In 2014, the Group purchased 9.3 million tons of coal, representing an increase of 2.2% over the previous year, of which, approximately 73%, 17%, 2% and 8% were sourced from northern China, neighbouring areas of our plants, Vietnam and other countries respectively (2013: 57%, 17%, 18% and 8%). During the year, the Group's direct coal procurement from coal suppliers was approximately 68%. The Group will further explore its domestic and international sources of coal procurement, stabilize its cooperation with strategic suppliers and take advantage of economies of scale through centralized procurement by headquarters. At the same time, we will promote implementation of bi-directional logistics to further enhance the systemic costs control.

LOGISTICS MANAGEMENT

In 2014, the Group continued to adopt multiple logistic channels, including waterway freight, road freight and transhipment, to secure supply and achieve the lowest total cost in the region. To enhance logistical efficiency and service quality, we actively provide customers with logistics services. After the activation of global positioning system for scheduling management in Guangdong in 2013, the Group has also introduced the same system in Fujian in September of the current year in order to strengthen our distribution capability by road transportation. Moreover, we have formulated a plan for the construction of a "Smart Card" system at our production plants. The pilot operation of the system at certain production plants is scheduled to be completed in the second half of 2015 and it is expected that system implementation at all production plants will be completed in 2016, so as to further improve the efficiency of product delivery and the level of customer service.

As at 31 December 2014, through owning of vessels and tendering for shipping services, the Group has secured 670,000 tons of shipping capacity on the Xijiang River, with annual shipping capacity of about 30 million tons. The control of the shipping capacity on the Xijiang River and the implementation of bi-directional logistics have provided us with long-term and stable shipping capacity as well as better control on our logistic costs. In addition, the Group has controlled the operation of 57 silo terminals (mainly located in the Pearl River Delta region of Guangdong) with an annual capacity of 38.6 million tons, enhancing our competitive advantage in terms of logistics and transportation in the Pearl River Delta region and further strengthening our market competitiveness in the region.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group actively promotes green development, energy saving and emission reduction in the cement industry. In order to comply with "Air Pollutants Emission Standard for the Cement Industry", all our 41 clinker production lines are equipped with the advanced NSP technology, have completed technological upgrade on denitrogenation and are in full compliance with the latest standards on the emission levels of nitrogen oxides. As regards dust emission, we have completed technological upgrade on dust collection systems of 10 production plants and are in the progress of tendering the technological upgrade for 28 production plants. We are at a leading position in the industry.

In 2014, the Group has continued to promote standardization on production safety. Fourteen of our cement production plants have been accredited the First-Class Enterprise in Production Safety Standardization by the State Administration of Work Safety in China. In particular, China Resources Cement (Fengkai) Limited has been honoured as the First-Class National Standardized Model Enterprise Pilot Unit, which is one of the four pilot cement enterprises in China. The Group strongly promotes establishment and improvement of contingency management systems. Our regional offices have developed contingency plans and organized drills specifically for possible accidents at/for quarries, hazardous chemicals, road traffic, fire and natural disasters, so as to arouse the safety awareness of our employees and to examine the effectiveness and operability of the contingency plans.

REVIEW OF OPERATIONS

Turnover

The consolidated turnover for the year ended 31 December 2014 amounted to HK$32,668.9 million, representing an increase of 11.3% over HK$29,340.6 million for the last year. An analysis of segmental turnover by product is as follows:

	2014			2013		
	Sales volume	**Average selling price**	**Turnover**	Sales volume	Average selling price	Turnover
	'000 tons/m³	***HK$ per ton/m³***	***HK$'000***	*'000 tons/m³*	*HK$ per ton/m³*	*HK$'000*
Cement	**72,025**	**338.2**	**24,359,503**	67,143	321.3	21,571,667
Clinker	**5,914**	**267.2**	**1,580,455**	7,774	247.7	1,925,810
Concrete	**15,920**	**422.7**	**6,728,952**	15,205	384.3	5,843,142
Total			**32,668,910**			29,340,619

In 2014, our external sales volume of cement, clinker and concrete increased by 4.9 million tons, decreased by 1.9 million tons and increased by 715,000 m^3, representing increase of 7.3%, decrease of 23.9% and increase of 4.7% respectively over 2013. During the year, approximately 64.3% of the cement products we sold were 42.5 or higher grades (67.0% in 2013) and approximately 48.7% were sold in bags (45.2% in 2013). Internal sales volume of cement for our concrete production was 3.5 million tons (3.3 million tons in 2013), representing 4.6% of the total volume of cement sold (4.7% in 2013). The intra-group transaction amount of HK$1,138.8 million was eliminated from the consolidated turnover (HK$1,021.3 million in 2013).

Our cement sales by geographical areas in 2014 were as follows:

	2014			2013		
	Sales volume	**Average selling price**	**Turnover**	Sales volume	Average selling price	Turnover
Province	***'000 tons***	***HK$ per ton***	***HK$'000***	*'000 tons*	*HK$ per ton*	*HK$'000*
Guangdong	**29,338**	**373.3**	**10,953,024**	23,238	344.2	7,998,564
Guangxi	**20,380**	**321.2**	**6,545,758**	23,507	307.3	7,223,116
Fujian	**9,091**	**308.8**	**2,807,233**	9,436	309.4	2,919,213
Hainan	**5,012**	**403.2**	**2,020,860**	4,014	345.2	1,385,493
Shanxi	**3,797**	**208.9**	**793,025**	3,803	266.9	1,015,181
Yunnan	**3,643**	**284.5**	**1,036,507**	3,145	327.5	1,030,100
Guizhou	**764**	**265.8**	**203,096**	–	–	–
Total	**72,025**	**338.2**	**24,359,503**	67,143	321.3	21,571,667

The average selling prices of cement, clinker and concrete in 2014 were HK$338.2 per ton, HK$267.2 per ton and HK$422.7 per m^3 respectively, representing increases of 5.3%, 7.9% and 10.0% respectively over 2013. Cement prices were generally strong in Southern China in the first half of 2014. However, the momentum of price increases did not continue in the fourth quarter.

Major production costs

The average price of coal we purchased in 2014 was around HK$660 per ton, representing a decrease of 4.5% from the average price of HK$691 per ton in 2013, while the average thermal value of coal increased by 1.8% to 5,228 kcal per kg. During the year, our unit coal consumption decreased from the average of 152.8 kg per ton of clinker produced in 2013 to 150.8 kg, representing a decrease of 1.3%. Our standard coal consumption increased from 107.8 kg per ton of clinker in 2013 to 108.2 kg for the year. As the result of the lower coal price and improved unit coal consumption, our average coal cost of production decreased by 5.8% from HK$105.6 per ton of clinker produced in 2013 to HK$99.5 for the year. Coal cost represented approximately 35.0% of the cost of sales of cement for the year (38.2% in 2013) and approximately 28.8% of the Group's total cost of sales for the year (31.9% in 2013).

Our average electricity cost increased by 0.2% from HK$41.1 per ton of cement in 2013 to HK$41.2 for the year. We managed to improve our electricity consumption to 76.5 kwh per ton of cement for the year (77.6 kwh in 2013), representing a cost saving of approximately HK$59.5 million (HK$328.3 million in 2013). Our residual heat recovery generators generated 1,829.1 million kwh of electricity in the year, representing an increase of 3.5% over 1,767.2 million kwh in 2013. The electricity generated in 2014 accounted for approximately 29.6% of our required electricity consumption (29.5% in 2013) and we achieved a cost saving of approximately HK$1,136.4 million for the year (HK$1,124.4 million in 2013). Electricity cost represented approximately 18.1% of the cost of sales of cement for the year (18.3% in 2013) and approximately 14.9% of the Group's total cost of sales for the year (15.3% in 2013).

Gross profit and gross margin

The consolidated gross profit for 2014 was HK$10,225.1 million, representing an increase of 22.3% from HK$8,359.8 million for 2013 and the consolidated gross margin was 31.3%, representing an increase of 2.8 percentage points from 28.5% for 2013. The increase in consolidated gross profit for 2014 was mainly attributable to the better selling prices compared to year 2013 and increased sales volume. The gross margins of cement, clinker and concrete for 2014 were 33.6%, 26.2% and 24.2%, as compared with 31.0%, 13.7% and 23.9% respectively for 2013.

Other income

Other income for 2014 was HK$582.0 million, representing an increase of 47.1% from HK$395.6 million for 2013. This was mainly due to a gain of HK$146.5 million arising from the injection of 9 concrete companies into Fujian Building Material (Holdings) Company Limited as above mentioned in the section on Acquisition, which has been accounted for as gain on disposal of subsidiaries in the consolidated statement of profit or loss.

Selling and distribution expenses

Selling and distribution expenses for 2014 were HK$1,899.5 million, representing an increase of 16.3% from HK$1,633.2 million for 2013. This was mainly due to higher transportation costs arising from increased volume of cement and clinker being delivered from Guangxi Zhuang Autonomous Region to Guangdong Province for sale. As a percentage to consolidated turnover, selling and distribution expenses increased from 5.6% in 2013 to 5.8% in 2014.

General and administrative expenses

General and administrative expenses for 2014 were HK$2,593.6 million, representing a decrease of 4.9% from HK$2,727.5 million for 2013. As a percentage to consolidated turnover, general and administrative expenses decreased to 7.9% for 2014 from 9.3% for 2013. During the year, the Group wrote off certain projects that were abandoned. The total impairment loss on fixed assets of HK$197.1 million was charged to general and administrative expenses for the year (HK$353.3 million in 2013).

Exchange loss/gain

An exchange loss of HK$35.1 million was generated from net borrowings denominated in other currencies for the year due to the depreciation of RMB against other currencies compared to the end of the last year. In 2013, an exchange gain of HK$416.3 million was recorded.

Share of results of associates

The associates of the Group generated a combined profit of HK$18.6 million for the year (HK$98.4 million in 2013) of which an amount of HK$6.0 million (HK$96.4 million in 2013) was attributable to the Group's associates operating in Inner Mongolia Autonomous Region, which reflected a very intensively competitive environment in Inner Mongolia Autonomous Region. The acquisition of 49% equity interest in Fujian Building Material (Holdings) Company Limited was completed during the year in stages from 30 September to 31 December 2014 and generated an attributable post-acquisition profit of HK$10.2 million to the Group in 2014.

Share of results of joint ventures

The share of results of joint ventures attributable to the Group for 2014 amounted to HK$97.3 million, representing a slight decrease of 2.3% from HK$99.6 million for 2013. The performance of the joint ventures was stable in the year.

Taxation

The effective tax rate of the Group for 2014 was 28.3%, representing an increase of 4.3 percentage points from 24.0% of 2013. Excluding the results of joint ventures and associates, the effective tax rate of the Group for 2014 would be 28.9%, representing an increase of 3.7 percentage points from 25.2%. This was because deferred tax assets had not been recognized on the loss incurred by certain group companies.

Net margin

Net margin of the Group for 2014 was 12.6%, which was 1.4 percentage points higher than that of 11.2% for 2013. After full allocation of other income and corporate expenses but excluding share of results of associates and joint ventures, net profit per ton of cement products and per m^3 of concrete were about HK$45.3 (HK$37.9 in 2013) and HK$20.2 (HK$7.8 in 2013) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2014	2013
	'000	*'000*
HK$	**562,444**	417,600
RMB	**2,795,064**	1,864,378
US$	**8,447**	4,645

As at 31 December 2014, the Group's banking facilities amounted to HK$12,250.0 million, RMB13,075.0 million and US$270.0 million, of which HK$200.0 million, RMB9,945.0 million and US$120.0 million were unutilized and remained available for drawdown and the total bank loans of the Group amounting to HK$17,181.2 million equivalent (HK$17,341.2 million as at 31 December 2013) comprised loans in the following currencies:

	As at 31 December	
	2014	2013
	'000	*'000*
HK$	**12,050,000**	11,000,000
RMB	**3,130,000**	4,254,000
US$	**150,000**	120,000

The bank loans of the Group as at 31 December 2014 and 31 December 2013 were unsecured.

As at 31 December 2014, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$2,877.5 million and HK$14,303.7 million respectively (HK$2,416.6 million and HK$14,924.6 million respectively as at 31 December 2013).

As at 31 December 2014, the Company had outstanding bonds in the amount of US$400.0 million due in October 2017. The bonds are unsecured and payments of principal and interest in respect of the bonds are supported by an irrevocable standby letter of credit issued by DBS Bank Ltd., Hong Kong Branch.

Under the terms of certain agreements for total banking facility of HK$16,258.7 million equivalent which will expire from January 2015 to February 2018, China Resources (Holdings) Company Limited ("CR Holdings") is required to hold not less than 51% of the voting share capital in the Company. Under the terms of the aforesaid outstanding 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$15,758.7 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Group as at 31 December 2014, calculated by dividing net borrowings by equity attributable to owners of the Company, was 57.2% (71.0% as at 31 December 2013).

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. The Group was not engaged in any hedging contract as at 31 December 2014 and 31 December 2013.

The Group has net current liabilities of HK$1,203.7 million as at 31 December 2014. Taking into account the cash and bank balances, the unutilized banking facilities, the expected future internally generated funds and the new banking facilities to be obtained, the Board is confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. The Company will obtain more bank loan facilities with longer durations in order to strengthen the liquidity position.

CHARGES ON ASSETS

As at 31 December 2014 and 31 December 2013, there was no pledge of assets by the Group.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group has issued guarantees to banks in respect of banking facilities in the amount of RMB491.3 million granted to an associate, of which RMB486.0 million had been utilized.

FUTURE PLAN AND CAPITAL EXPENDITURE

New construction projects

During the year, the Company approved and commenced the construction of six concrete batching plants with total annual capacity of 3.6 million m^3, with the cost of construction amounting to approximately HK$222.3 million.

Capital expenditure

As at 31 December 2014, the Group has outstanding capital expenditure for production plants under construction during the year in the amount of HK$5,924.6 million. Details of these production plants are as below:

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2013 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2014 *HK$ million*
Construction of production lines in Fengkai County, Guangdong, with a total capacity of 3.1 million tons of clinker	3,122.8	806.7	416.1	1,900.0
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	1,586.2	26.5	238.7	1,321.0
Construction of production lines in Jinsha County, Guizhou, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker, which were completed in July 2014	1,225.5	693.6	332.8	199.1
Construction of production lines in Midu County, Yunnan, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker, which were completed in July 2014	1,072.4	194.9	431.5	446.0
Construction of production lines in Hepu County, Guangxi, with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker	1,346.9	134.6	54.6	1,157.7
Construction of production lines in Lianjiang County, Guangdong, with a total capacity of 3.0 million tons of cement	582.6	94.3	74.7	413.6
Construction of one set of 300 ton per day urban waste co-processing equipment at our cement production plant in Luoding City, Guangdong	143.1	–	–	143.1

Projects	Total capital expenditure for the project	Expended as at 31/12/2013	Expended during the year	Outstanding capital expenditure as at 31/12/2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Construction of one set of 300 ton per day urban waste co-processing equipment at our cement production plant in Binyang County, Guangxi	152.1	–	0.5	151.6
Construction of 6 concrete batching plants with a total capacity of 3.6 million m^3 of concrete	222.3	15.5	14.3	192.5
Total	9,453.9	1,966.1	1,563.2	5,924.6

Payment of capital expenditure

The Group also had outstanding payment for the construction of production plants completed in the previous years, which have already been included under other payables in the consolidated statement of financial position as at 31 December 2014. Total payments for capital expenditure of the Group are expected to be approximately HK$4,512.4 million and HK$2,182.5 million in the years 2015 and 2016 respectively, which will be financed by bank loans and internally generated funds.

EMPLOYEES

General Information

As at 31 December 2014, our Group employed a total of 23,669 full time employees (23,889 as at 31 December 2013) of whom 176 (173 as at 31 December 2013) were based in Hong Kong and the remaining 23,493 (23,716 as at 31 December 2013) were based in the Chinese Mainland. A breakdown of our employees by function is set out as follows:

	As at 31 December 2014	As at 31 December 2013
Management	**399**	358
Finance and administration	**3,040**	3,045
Production and technical	**17,461**	17,682
Quality control	**2,069**	2,125
Sales and marketing	**700**	679
Total	**23,669**	23,889

Among our 399 senior and middle-level managerial staff, 90% are male (90% as at 31 December 2013) and 10% are female (10% as at 31 December 2013), 66% possess university degrees (66% as at 31 December 2013), 27% have received post-secondary education (27% as at 31 December 2013) and their average age is about 43 (43 as at 31 December 2013). 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 shares acquired by the trustee under the scheme.

Personnel Training

In 2014, in response to the business needs and development, the Group carried out systematic and standardized personnel training for all level of employees in three areas, namely, management, specialization and techniques. In order to broaden the learning channels of employees and strengthen their knowledge sharing, we have established an E-learning platform and conducted experimental online tests in certain pilot business units.

Regarding management training, the Group launched different types of projects specifically for the middle-level and senior management employees and a total of 134 employees participated in these projects. For the basic supervisors, we continued to organize training of the three major skills. Together with the establishment of the basic supervisor group structure, we hope to improve their management capabilities. A total of 172 employees took part in the training.

As regards professional training, the Group organized 17 training courses on various disciplines including administration, procurement, human resources, finance, logistics and marketing specifically for functional professional employees. For the technicians, a total of 28 technical training courses covering machinery, electrics, craft, quality, control room operation and concrete technology were organized. A total of 1,503 employees took part in the professional training.

As for training on the technical series, the Group organized 6 phases of training courses during 2014 (mechanical equipment, electrical equipment and industrial engineering). Sixty-six instructors were devoted to training 248 employees, and 27 courses were completed.

Care for Employees

The Group always emphasizes on care for employees. Every year, the Group coordinates voluntary donations from employees and will contribute the same amount to match the employees' donations. During 2014, a total amount of RMB1.4 million was donated by our employees and the Group to the "China Resources Cement Thanksgiving Fund", which aims at caring for and helping the employees in need. During the year, the fund assisted 25 employees and subsidized them with a total amount of RMB475,000.

In addition, we focused on improving employees' level of satisfaction and dedication. In order to create a harmonious and stable working environment for our employees, we will carry out work plans to enhance employee dedication.

STRATEGIES AND PROSPECTS

In 2014, the Group continued to adopt the marketing strategy of "full-scale production and sale" and to further solidify our regional market share and leading position. In terms of market consolidation, our cooperation with Fujian Energy Group Company Limited is being effectively implemented and has further strengthened our influence in Fujian market. Furthermore, our clinker and cement production lines in Midu County of Yunnan and Jinsha County of Guizhou commenced operation in July 2014, whereas the Jinsha project represents our first set of production lines in Guizhou and a milestone of the Group's regional market development.

As at 31 December 2014, the annual production capacities of cement, clinker and concrete of the Group through its subsidiaries amounted to 78.3 million tons, 54.8 million tons and 32.7 million m^3 respectively. Assuming no further acquisition, the Group expects that the annual production capacities will amount to 81.3 million tons, 56.3 million tons and 36.4 million m^3 respectively by the end of 2015; 87.3 million tons, 64.2 million tons and 40.0 million m^3 respectively by the end of 2016; and 93.3 million tons, 68.7 million tons and 43.6 million m^3 respectively by the end of 2017.

In addition, as at 31 December 2014, the annual production capacities of cement, clinker and concrete controlled by the associates and joint ventures of the Group amounted to 34.1 million tons, 22.4 million tons and 7.4 million m^3 respectively. The respective production capacities attributable to the Company according to our share of equity interests were 10.9 million tons of cement, 7.4 million tons of clinker and 3.4 million m^3 of concrete.

In December 2014, the Central Economic Work Conference indicated that the Chinese economic development has entered the new norm and its growth is shifting from high-speed to medium-high-speed. Year 2015 is the final year in the implementation of China's "Twelfth Five-Year" Plan and also the crucial year in devising the "Thirteenth Five-Year" Plan. The Chinese government will continue to adopt the principles of quality and effective economic development so as to maintain economic growth within a reasonable range, as well as to explore new growth points, boost restructuring, and safeguard and improve people's livelihood, forming a stable foundation for the healthy development of the cement industry.

In 2015, in order to further stabilize economic growth, the Chinese government will actively increase the investment in infrastructure. Besides, the establishment of "One Belt and One Road" will be accelerated. The Government will contribute US$40 billion for setting up the Silk Road Fund as financial support for national infrastructures, resources exploration, industrial cooperation, financial cooperation and other relevant projects along the Silk Road. The core area of "One Belt and One Road" covers 16 provinces including Guangdong, Guangxi, Fujian and Yunnan where the Group has operations. Generally speaking, the promotion of infrastructure construction, the stabilization of the real estate market as well as the development projects of "One Belt and One Road", "the Synergetic Development of Beijing, Tianjin and Hebei" and the Yangtze Economic Zone will help to stabilize the medium and long term demands of the cement industry.

Looking ahead, the Chinese government will strictly control new capacity expansion, actively eliminate obsolete ones, and raise the standards of environmental protection and production of the industry so as to improve the supply and demand dynamics and promote the long term healthy development of the cement industry. We will persistently adhere to the "3+2" development strategy through control, conversion and distribution of resources, making us the producer with the lowest total cost and leading market position in the region. While promoting lean management, cost reduction and efficiency enhancement, we will continue to seek acquisition opportunities in the regions where we have presence, strengthen research and innovation, promote green development and contribute to the healthy development of the cement industry in China.

CORPORATE GOVERNANCE

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

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

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

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.10 per share in cash for the year ended 31 December 2014 (2013: HK$0.07 per share). Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK$0.07 per share in cash for 2014 (2013: HK$0.035 per share in cash with scrip option) and total distribution for the year ended 31 December 2014 will be HK$0.17 per share (2013: HK$0.105 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 4 May 2015 to Friday, 8 May 2015, 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, 8 May 2015, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Thursday, 30 April 2015 with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about 26 May 2015 to shareholders of the Company whose names appear on the register of members of the Company after the close of business of the Company at 4:30 p.m. on Thursday, 14 May 2015 and the register of members of the Company will be closed on Thursday, 14 May 2015, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Wednesday, 13 May 2015 with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

APPRECIATION

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

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

Hong Kong, 6 March 2015

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