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)

2011 INTERIM RESULTS ANNOUNCEMENT

	For the six months ended 30 June		
	2011 (unaudited)	2010 (unaudited)	**Increase**
Turnover (HK$ million)	**10,051.7**	5,094.9	97.3%
Profit attributable to owners of the Company (HK$ million)	**2,045.3**	607.2	236.8%

	At 30/6/2011 (unaudited)	At 31/12/2010 (audited)	**Increase**
Total assets (HK$ million)	**43,836.5**	35,327.9	24.1%
Equity attributable to owners of the Company (HK$ million)	**16,882.9**	14,776.3	14.3%
Net borrowings (HK$ million) *(note 1)*	**13,462.4**	9,095.7	48.0%
Net gearing ratio *(note 2)*	**79.7%**	61.6%	
Net assets per share – book (HK$) *(note 3)*	**2.59**	2.27	

notes:

1. Net borrowings = 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 relevant reporting period.

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 (the "Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Notes	**2011**	2010
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**10,051,702**	5,094,863
Cost of sales		**(6,721,214)**	(3,678,736)
Gross profit		**3,330,488**	1,416,127
Other income		**238,418**	84,425
Selling and distribution expenses		**(597,452)**	(408,326)
General and administrative expenses		**(463,011)**	(343,813)
Change in fair value of an investment property		**7,000**	–
Finance costs	*4*	**(258,139)**	(86,756)
Share of results of jointly controlled entities		**65,125**	–
Share of results of associates		**560**	341
Profit before taxation	*5*	**2,322,989**	661,998
Taxation	*6*	**(192,528)**	(17,369)
Profit for the period		**2,130,461**	644,629
Attributable to:			
Owners of the Company		**2,045,324**	607,226
Non-controlling interests		**85,137**	37,403
		2,130,461	644,629
Basic earnings per share – HK$	*7*	**0.314**	0.093
Interim dividend per share – HK$	*8*	**0.05**	Nil

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30/6/2011**	At 31/12/2010
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Fixed assets	*9*	**25,198,924**	21,862,718
Prepaid lease payments	*9*	**1,667,156**	1,631,597
Investment property		**59,000**	52,000
Intangible assets	*9*	**739,938**	632,639
Interests in associates		**50,634**	20,142
Interests in jointly controlled entities		**1,451,338**	894,669
Deposits for acquisition of fixed assets		**2,126,868**	1,434,851
Deferred tax assets		**106,957**	106,483
Long term receivables		**377,797**	336,284
		31,778,612	26,971,383
Current assets			
Inventories		**1,700,678**	1,182,024
Trade receivables	*10*	**1,981,577**	1,481,868
Other receivables		**1,602,146**	1,221,782
Amounts due from fellow subsidiaries	*11*	**31,967**	–
Amounts due from jointly controlled entities	*12*	**355,719**	345,901
Taxation recoverable		**51,521**	373
Pledged bank deposits		**11,465**	9,220
Cash and bank balances		**6,322,825**	4,115,340
		12,057,898	8,356,508
Current liabilities			
Trade payables	*13*	**2,134,517**	1,836,221
Other payables		**3,959,510**	4,838,088
Provisions		**4,145**	4,051
Taxation payable		**114,436**	52,508
Amount due to immediate holding company	*14*	**37,688**	–
Loans from intermediate holding companies	*15*	**2,700,216**	–
Loan from a non-controlling shareholder	*16*	**–**	196,129
Bank loans – amount due within one year		**8,251,099**	4,959,792
		17,201,611	11,886,789
Net current liabilities		**(5,143,713)**	(3,530,281)
Total assets less current liabilities		**26,634,899**	23,441,102

	At 30/6/2011 *HK$'000* (unaudited)	At 31/12/2010 *HK$'000* (audited)
Non-current liabilities		
Bank loans – amount due after one year	**8,845,364**	8,064,356
Provisions	**39,567**	38,957
Long term payable	**24,051**	22,967
Deferred tax liabilities	**76,781**	69,533
	8,985,763	8,195,813
	17,649,136	15,245,289
Capital and reserves		
Share capital	**651,926**	651,926
Reserves	**16,230,924**	14,124,328
Equity attributable to owners of the Company	**16,882,850**	14,776,254
Non-controlling interests	**766,286**	469,035
Total equity	**17,649,136**	15,245,289

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment property, which is measured at fair value, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

Additional interests in jointly controlled entities

On acquisition of an additional interest in a jointly controlled entity, any excess of the cost of the additional interest over the Group's additional share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

The Group has applied HKAS 24 Related Party Disclosures (as revised in 2009) in full in the current period. HKAS 24 Related Party Disclosures (as revised in 2009) has resulted in a revision on the following two aspects: (a) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities; and (b) HKAS 24 (as revised in 2009) has revised the definition of a related party.

In its annual consolidated financial statements for the year ended 31 December 2010, the Group early applied the partial exemption from the disclosure requirements for government-related entities. In the current interim period, the Group has applied for the first time the revised definition of a related party and the remaining parts of HKAS 24 (as revised in 2009).

HKAS 24 (as revised in 2009) requires retrospective application. The application of the amendment of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. However, the related party disclosures have been changed to reflect the application of HKAS 24 (as revised in 2009).

The application of the other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed 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 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[3]
HKFRS 11	Joint arrangements[3]
HKFRS 12	Disclosure of interests in other entities[3]
HKFRS 13	Fair value measurement[3]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[2]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[3]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[3]

1 *Effective for annual periods beginning on or after 1 July 2011.*
2 *Effective for annual periods beginning on or after 1 January 2012.*
3 *Effective for annual periods beginning on or after 1 January 2013.*
4 *Effective for annual periods beginning on or after 1 July 2012.*

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

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

The Group's operating and reportable segments are: cement and concrete. Segment results represent the profit earned by each segment without allocation of central administration costs, directors' salaries, exchange differences, share of results of associates, share of results of jointly controlled entities, interest income, finance costs and taxation.

The information of segment results are as follows:

For the six months ended 30 June 2011 (unaudited)

	Cement *HK$'000*	**Concrete** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	**7,893,966**	**2,157,736**	**–**	**10,051,702**
Inter-segment sales	**433,410**	**30**	**(433,440)**	**–**
	8,327,376	**2,157,766**	**(433,440)**	**10,051,702**

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	**2,238,790**	**154,103**	**–**	**2,392,893**
Interest income				**23,983**
Unallocated corporate income				**123,617**
Unallocated corporate expenses				**(25,050)**
Finance costs				**(258,139)**
Share of results of jointly controlled entities				**65,125**
Share of results of associates				**560**
Profit before taxation				**2,322,989**

For the six months ended 30 June 2010 (unaudited)

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER – SEGMENT REVENUE				
External sales	3,815,926	1,278,937	–	5,094,863
Inter-segment sales	240,437	121	(240,558)	–
	4,056,363	1,279,058	(240,558)	5,094,863

Inter-segment sales are charged at prevailing market prices.

	Cement	Concrete	Elimination	Total
RESULTS				
Segment results	747,138	70,323	–	817,461
Interest income				22,387
Unallocated corporate expenses				(91,435)
Finance costs				(86,756)
Share of results of associates				341
Profit before taxation				661,998

4. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on		
Bank loans wholly repayable within five years	**298,490**	144,034
Bank loans not wholly repayable within five years	**3,962**	5,128
Loans from intermediate holding companies	**16,729**	–
Long term payable	**694**	943
	319,875	150,105
Less: Amount capitalised to fixed assets	**(61,736)**	(63,349)
	258,139	86,756

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Total staff costs (including Directors' emoluments)	**597,097**	370,632
Amortisation of mining rights (included in general and administrative expenses)	**9,173**	3,038
Depreciation of fixed assets	**579,723**	318,840
Operating lease payments in respect of		
– rented premises	**11,874**	10,377
– motor vehicles	**27,655**	26,721
Release of prepaid lease payments	**23,110**	9,786
Reversal of allowance for doubtful debts	**(22,775)**	(2,533)
Exchange gain	**(115,742)**	(12,021)
Interest income	**(23,983)**	(22,387)

6. TAXATION

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**5,473**	8,073
Chinese Mainland Enterprise Income Tax	**179,309**	25,653
	184,782	33,726
Deferred taxation		
Hong Kong	**1,551**	168
Chinese Mainland	**6,195**	(16,525)
	7,746	(16,357)
	192,528	17,369

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

Chinese Mainland Enterprise Income Tax represents the income tax in the Chinese Mainland which is calculated at 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 2010 and 2011, except for certain subsidiaries that previously enjoyed a preferential tax rate prior to 1 January 2008, which will be 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.

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**2,045,324**	607,226

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
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 shares outstanding.

8. DIVIDENDS

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interim dividend of HK$0.05 per share (2010: Nil)	**325,963**	–

note: At the board meeting held on 4 March 2011, the Directors proposed a final dividend of HK$0.045 per share for the year ended 31 December 2010. Such proposed dividend totalling HK$293,366,000 was subsequently approved by shareholders on 6 May 2011.

9. FIXED ASSETS/PREPAID LEASE PAYMENTS/MINING RIGHTS

During the six months ended 30 June 2011, the Group had additions to fixed assets of HK$3,357,825,000 (six months ended 30 June 2010: HK$2,829,656,000).

During the six months ended 30 June 2011, the Group had additions to prepaid lease payments of HK$11,994,000 (six months ended 30 June 2010: HK$588,838,000).

During the six months ended 30 June 2011, the Group had additions to mining rights of HK$45,045,000 included in intangible assets (six months ended 30 June 2010: HK$32,289,000).

10. TRADE RECEIVABLES

	At 30/6/2011	At 31/12/2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables from third parties	**1,965,868**	1,471,460
Trade receivables from fellow subsidiaries	**15,709**	10,408
	1,981,577	1,481,868

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.

	At 30/6/2011	At 31/12/2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**1,779,806**	1,311,824
91 to 180 days	**155,394**	136,886
181 to 365 days	**46,203**	33,158
Over 365 days	**174**	–
	1,981,577	1,481,868

11. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured, interest free and repayable on demand.

12. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, bear interest at prevailing market borrowing rates and are repayable on demand.

13. TRADE PAYABLES

	At 30/6/2011	At 31/12/2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables to third parties	**2,127,739**	1,752,126
Trade payables to fellow subsidiaries	**6,778**	84,095
	2,134,517	1,836,221

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 reporting period.

	At 30/6/2011	At 31/12/2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**2,024,986**	1,709,505
91 to 180 days	**72,758**	92,176
181 to 365 days	**22,619**	16,706
Over 365 days	**14,154**	17,834
	2,134,517	1,836,221

14. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest free and has no fixed repayment terms.

15. LOANS FROM INTERMEDIATE HOLDING COMPANIES

The loans are unsecured, bear interest at the prevailing market borrowing rates and are repayable within six months from the dates the loans were made.

16. LOAN FROM A NON-CONTROLLING SHAREHOLDER

The loan is unsecured, bears interest at the prevailing market borrowing rate and has no fixed repayment terms.

17. REVIEW OF INTERIM RESULTS

The interim results have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK$0.05 per share for the Period (2010: Nil). The interim dividend will be distributed on or about 29 September 2011 to shareholders whose names appear on the register of members of the Company on 9 September 2011. Such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 September 2011 to Friday, 9 September 2011, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the interim dividend, all transfers 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, 2 September 2011.

THE BUSINESS ENVIRONMENT

In the first half of 2011, the Chinese Government regards the overall price stabilization as its primary task under its austerity policy and has implemented positive financial policy and stable monetary policy. The People's Bank of China raised the deposit reserve ratio six times and increased interest rate three times in order to reduce liquidity and to control inflation. Notwithstanding the adequately tightening monetary policy implemented by the Chinese Government, the Chinese economy has maintained a relatively high growth. According to the Chinese National Bureau of Statistics, the Chinese gross domestic products reached RMB20.4 trillion for the first half of 2011, representing an increase of 9.6% over that for the corresponding period in 2010. The implementation of Twelfth Five-year Plan by the provincial government has not been impacted by the tightening policy and growth in investment has remained strong. The fixed asset investments ("FAI") of China reached RMB12.5 trillion for the first half of 2011, representing an increase of 25.6% over the corresponding period in 2010. The result of the implementation of the national monetary policy is obvious. Consumer price index for June 2011 reached 6.4% and inflation appears to reach its peak. It is expected that the tightening policy will be relaxed gradually and the focus of macroeconomic policy will be changed to adjustment of economic structure and maintaining economic growth. The environment for the development of the cement industry in China will become more positive.

In the provinces that we operate including Guangdong, Guangxi, Fujian, Hainan and Shanxi, their respective gross domestic products for the first half of 2011 were approximately RMB2,342.1 billion, RMB472.0 billion, RMB706.3 billion, RMB122.2 billion and RMB513.4 billion, representing increases of 10.2%, 12.3%, 13.4%, 10.4% and 13.3% respectively over the corresponding period in 2010 and the respective FAI in these provinces were approximately RMB699.1 billion, RMB435.1 billion, RMB439.2 billion, RMB66.8 billion and RMB221.7 billion, representing increases of 18.7%, 27.7%, 31.3%, 33.6% and 33.3% respectively over the corresponding period in 2010.

The various national level long term development and reform plans including the Pearl River Delta Region Development Plan in Guangdong, the North Bay Economic Zone Development Plan in Guangxi, the West Coast of Taiwan Straits Economic Zone Development Plan in Fujian, the International Tourism Island Plan in Hainan and the Resources Type Economic Transform and Integrated Reform Experimental District Plan, have entered the substantive construction period and are expected to sustain and rapidly propel the economic development and FAI and directly drive the strong demand for cement and concrete products in the areas we operate.

Although the Chinese Government has implemented successive policies to control the fast increase in property prices which has achieved some evident effect in the first and second tiered cities, the active construction of affordable homes has continued to promote investment in property. In the first half of 2011, the total national investment in property reached RMB2,625.0 billion, which represented 32.9% growth over that of the corresponding period last year. In order to improve people's livelihood, stabilize property price, adjust the economic structure, promote development, the Chinese Government will construct 36 million affordable homes during the Twelfth Five-year Plan, of which 10 million houses will be constructed in 2011, representing an increase of 69.5% over the corresponding period last year. In order to secure the targets of construction of affordable homes, the Chinese Government has continuously strengthened its intensity, increase the extent of financial support to the local governments and grasp the establishment of a healthy affordable housing projects financing mechanism. As at the end of June 2011, commencement of construction of affordable homes exceeded 5 million nationwide and has fulfilled over 50% of the full year's target. It is expected that most affordable home projects will commence construction by November 2011 which will push the sustainable growth in property investment and provide a consistent and steady demand for cement and concrete.

THE INDUSTRY

Demand for cement products in China remained strong in the first half of 2011 with total cement production reaching 950.8 million tons, representing an increase of 19.6% over the corresponding period in 2010. The total cement production in Guangdong, Guangxi, Fujian, Hainan and Shanxi reached 54.5 million tons, 38.2 million tons, 29.9 million tons, 7.2 million tons and 16.5 million tons, representing increases of approximately 10.6%, 20.5%, 20.3%, 15.7%, and 35.9% respectively over the corresponding period in 2010. In the first half of 2011, approximately 49 New Suspension Preheater ("NSP") clinker production lines were put into operation which has increased the total annual NSP clinker production capacity by approximately 60 million tons to 1.26 billion tons.

Since the issuance of the document on "Entry Conditions for Cement Industry" by the Ministry of Industry and Information Technology for the purpose of regulating the conditions on approval of cement projects by the provincial governments, the approval on construction of cement capacity in each province has been under effective control. Since the announcement on the closure of a list of 107.3 million tons of cement facilities with outdated technology by the end of third quarter 2010 by the Ministry of Industry and Information Technology in August last year, the closure of vertical kilns and other kilns with outdated technology are progressing in an orderly manner. On 11 July 2011, the Ministry of Industry and Information Technology announced its plan to close a list of kilns with outdated technology of 153.3 million tons in total which involves 782 cement companies in 2011, of which, 3.4 million tons involving 22 companies in Guangdong, 3.0 million tons involving 18 companies in Guangxi, 1.4 million tons involving 8 companies in Fujian, 780,000 tons involving 5 companies in Hainan and 12.8 million tons involving 78 companies in Shanxi will be closed.

We believe the forceful implementation of the above industrial policy will strengthen the consolidation of the cement industry and speed up the elimination of production capacity with outdated technology. It will bring better development environment and create more expansion opportunities for the Company, being a large sized cement company which is concerned with reducing energy consumption, lowering emission, adopting NSP cement production technology and possessing high sense of social responsibility. Due to the effective implementation of the restricted approval on construction of new clinker production lines (effective from 30 September 2009), release of new capacity will be gradually reduced in the next twelve to twenty four months. Following the consistent implementation of the policy to eliminate kilns with outdated technology, cement supply will be much tighter as compared with the sustainable growth in demand for cement and will bring positive impact on the cement prices in the Chinese Mainland as well as the earnings of the Company.

SOCIAL RESPONSIBILITY

Circular economy is the necessary road to realize people's sustainable development and the effectiveness of environment protection and has nowadays become a general hot topic internationally. China pays high attention to the development in circular economy which has already been listed as a national strategy under the Twelfth Five-year Plan. We are persistent in the concept of green cement and will strive to practice circular economy during the production and research and development so as to lead the industry using innovative and green ideas. Currently, 100% of the Company's clinker production lines are using NSP technology and are equipped with residual heat recovery generators. All clinker production lines and cement grinding lines are able to process industrial waste during production.

Since being appointed the co-chairman of Cement Sustainability Initiative in China, the Company has worked hard in promoting energy savings, emission reduction and circular economy. While we strive to comply with international standards on emission reduction, we have actively communicated with industry players in order to promote the work of Cement Sustainability Initiative in China. In March 2011, the Company commenced the China Resources Circular Economy Industries Demonstration Project in Hezhou, Guangxi, which aims to cultivate the circular industry chain within a site with China Resources Power Holdings Company Limited and the Snowflake Beer of China Resources whereby industrial wastes generated during power generation will be used as raw material for the production of cement, power factory will supply power to cement factory and beer factory and steam to beer factory, beer factory will provide power factory with recycled water, and all industrial and living waste can be incinerated by the kilns, so as to realize zero waste emission and water re-use within the site. After the successful trial of this project, we will replicate this type of business model in other areas.

The Company's technology on treatment of sludge is at an advanced level in China. A cement plant in Guangzhou which the Group invested through a jointly controlled entity can process 600 tons of sludge daily. We will shoulder the green responsibility and integrate the technology in our clinker and cement production lines so as to further increase the capability on sludge treatment in the areas we operate.

The Group has established safety management committees at headquarters and subsidiaries. In the first half of the year, various safety training sessions such as "Observation of Employee's Safety Behaviour" and "Recognition and Analysis of Dangerous and Hazardous Elements in the Cement Industry" were held. Emergency plan rehearsal were organized to prepare for any rescue plan for accidents such as fire, flood control at quarries, fire and explosion at coal grinding system. Rectification work has been carried out in 616 potential risk areas after investigation to ensure that safety production is maintained.

In March 2011, we have set up the China Resources Cement Technology Centre in Guangzhou whose mandate is to research and develop new energy savings and emission reduction technology, as well as new ecological and environmental friendly product and new technology such as synergy treatment of city waste and sludge, special purpose cement for modern building materials and new technology and new techniques to effectively lower cost and emission. We will increase our investment in research and development, continually create new products, new techniques and new business model so as to reduce our costs, and are endeavoured to become an advance enterprise in leading the industry to the future.

OPERATIONAL PERFORMANCE REVIEW

Acquisitions

On 24 January 2011, the Group successfully acquired 29% equity interests in 廣州市珠江水泥有限公司 (Guangzhou Zhujiang Cement Company Limited), a limited company established in the PRC, 10% equity interests in 廣州市越堡水泥有限公司 (Guangzhou Heidelberg Yuexiu Cement Company Limited), a limited liability company established in the PRC, 10% equity interests in 廣東粵生混凝土有限公司 (Guangdong Yuesheng Concrete Company Limited), a limited company established in the PRC, and 10% equity interests in 廣東粵群混凝土有限公司 (Guangdong Yuequn Concrete Company Limited), a limited company established in the PRC, in a public auction held in Guangzhou at the consideration of approximately RMB405.8 million (equivalent to approximately HK$488.0 million). Please refer to the Company's announcement dated 24 January 2011 for details of the acquisitions. The remaining majority shares of the above four acquiree companies were held by several 50:50 jointly controlled entities between the Group and an independent joint venture partner from 31 December 2010. After the acquisition was completed, the Group's attributable interest in Guangzhou Zhujiang Cement Company Limited, Guangzhou Heidelberg Yuexiu Cement Company Limited, Guangdong Yuesheng Concrete Company Limited and Guangdong Yuequn Concrete Company Limited have been increased to 64.5%, 55%, 55% and 55% respectively.

On 27 January 2011, the Group has entered into a property transfer agreement with 福建紫金恒發建材有限公司 (Fujian Zijin Hengfa Construction Materials Limited), an independent third party, for acquiring a cement production plant under construction in Longyan City of Fujian Province together with all the assets and liabilities associated with the plant at the total consideration of approximately RMB277.2 million (equivalent to approximately HK$333.3 million). Further capital expenditure of approximately RMB579.5 million (equivalent to approximately HK$696.8 million) will be incurred to complete the construction of one 4500 tons per day (annual production capacity of approximately 1.4 million tons) NSP clinker production line and 2 cement grinding lines with total annual production capacity of 2 million tons, which are expected to commence operation by the first quarter of 2012. Please refer to the announcement of the Company dated 27 January 2011 for details of the acquisition. As at 30 June 2011, total deposit of RMB175.2 million (equivalent to approximately HK$210.7 million) has been paid.

On 24 May 2011, 華潤水泥(方山)有限公司 (China Resources Cement (Fangshan) Limited), a 72% subsidiary of the Company, entered into an agreement with an independent third party for the acquisition of (1) a 1200 tons per day (annual production capacity of 372,000 tons) NSP clinker production line and two cement grinding lines with total annual production capacity of 700,000 tons, which are in operation; and (2) two 5000 tons per day (annual production capacity of 1,550,000 tons each) NSP clinker production lines and four cement grinding lines with total annual production capacity of 4 million tons under construction on an as is basis, in Fangshan County, Shanxi, at a consideration of approximately RMB280.0 million (equivalent to approximately HK$336.7 million). It is planned that further capital expenditure of approximately RMB1.3 billion will be invested to complete the above construction. It is expected that one NSP clinker production line and two cement grinding lines will commence operation by the end of 2012 and the other NSP clinker production line and two cement grinding lines will commence operation by the end of 2013. Please refer to the announcement of the Company dated 24 May 2011 for details of the acquisition. As at 30 June 2011, no payment has been made.

On 29 June 2011, the Group entered into a share purchase agreement for the acquisition of the 40.6% equity interest in 內蒙古蒙西水泥股份有限公司 (Inner Mongolia Mengxi Cement Co., Ltd.), a foreign-invested joint stock limited liability company established in Inner Mongolia, at the total consideration of RMB1,563.1 million (approximately HK$1,879.6 million). Inner Mongolia Mengxi Cement Co., Ltd. is engaged in the production and sale of cement and clinker in Inner Mongolia and is the largest NSP clinker and cement producer in Inner Mongolia. It operates 8 NSP clinker production lines with total production capacity of approximately 29,900 tons per day (equivalent to total annual production capacity of approximately 9,269,000 tons) and 22 cement grinding lines with total annual production capacity of approximately 12,470,000 tons, of which annual production capacities of approximately 9,117,000 tons clinker and approximately 11,809,000 tons cement are attributable to its shareholders. It also has a 5000 tons per day (annual production capacity of 1,550,000 tons) NSP clinker production line and 2 cement grinding lines with total annual production capacity of approximately 2,000,000 tons under construction. The clinker production line and the cement grinding lines are expected to be completed and put into operation in August 2011 and March 2012 respectively. Please refer to the announcement of the Company dated 29 June 2011 for details of the acquisition. The acquisition was completed on 21 July 2011.

New production plants

During the Period, construction of three clinker production lines namely, Wuxuan 1st line, Fengkai 4th line and Liulin 2nd line were completed and put into operation, increasing our total annual clinker production capacity by 4.6 million tons. There were also four cement grinding lines completed and commenced operation during the Period, increasing our total annual cement production capacity by 3.9 million tons. Two concrete batching lines were upgraded during the Period, increasing two concrete production capacity by 200,000 m^3. As at 30 June 2011, our annual production capacities for clinker, cement and concrete amounted to 37.6 million tons, 53.4 million tons and 29.0 million m^3 respectively. During the Period, we managed to maintain the utilization rates of our cement, clinker and concrete production lines at 83.8%, 116.7% and 42.8% respectively as compared with 80.0%, 110.1% and 45.9% for the corresponding period last year.

Turnover

The consolidated turnover for the six months ended 30 June 2011 amounted to HK$10,051.7 million, representing an increase of 97.3% over HK$5,094.9 million for the corresponding period last year. An analysis of segmental turnover by product is as follows:

	For the six months ended 30 June					
	2011			2010		
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	'000 tons/m³	***HK$***	***HK$'000***	*'000 tons/m³*	*HK$*	*HK$'000*
Cement	**19,354**	**371.7**	**7,193,815**	11,031	306.6	3,382,158
Clinker	**2,322**	**301.5**	**700,151**	1,717	252.6	433,768
Concrete	**6,200**	**348.0**	**2,157,736**	4,283	298.6	1,278,937
Total			**10,051,702**			5,094,863

The increase in volume sold during the Period reflected the stronger demand for our products. Our newly constructed production lines and acquisitions made since 2010 have contributed to the increased production capacity which enables us to increase our production volume. During the Period, approximately 78.8% of the cement sales were generated from 42.5 or higher grades (82.3% for the corresponding period in 2010) and approximately 30.3% of the volume of our cement products were sold in bags (32.9% for the corresponding period in 2010). Internal sale volume of cement for our concrete production was 1,156,000 tons (2010: 784,000 tons), representing 5.6% (2010: 6.6%) of the total volume of cement sold. The intra-group transactions of HK$433,440,000 (2010: HK$240,558,000) were eliminated from the consolidated turnover for the Period.

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

	For the six months ended 30 June					
	2011			2010		
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	'000 tons	***HK$***	***HK$'000***	*'000 tons*	*HK$*	*HK$'000*
Guangdong	**8,304**	**397.5**	**3,300,612**	3,744	342.4	1,282,212
Guangxi	**7,658**	**319.6**	**2,447,601**	5,688	273.1	1,553,324
Fujian	**1,166**	**448.6**	**523,075**	16	270.9	4,302
Hainan	**1,634**	**458.9**	**749,810**	1,583	342.6	542,320
Shanxi	**592**	**291.8**	**172,717**	–	–	–
Total	**19,354**	**371.7**	**7,193,815**	11,031	306.6	3,382,158

The average selling prices of cement, clinker and concrete for the Period were HK$371.7 per ton, HK$301.5 per ton and HK$348.0 per m^3, representing increases of 21.2%, 19.4% and 16.5% respectively over the corresponding period last year. The increases in average selling prices for the Period primarily reflected:

(1) Increased coal price for the Period: As mentioned in the section on major production costs, average coal price increased by 15.7% over that of the corresponding period last year. We adjusted our selling prices to reflect the increase in coal cost.

(2) Increase in selling price due to strong market demand.

(3) Higher value in HK$ on translation of sales originally denominated in RMB into HK$ for the purpose of financial reporting.

Major production costs

The average price of coal we purchased for the Period was around HK$810 per ton, representing an increase of 15.7% from the average price of HK$700 per ton for the corresponding period last year, while the quality of coal was improved with average thermal value increased by 3.8% to 4,737 KCal per Kg. Coal prices fluctuated mildly in the first half of 2011 and went up steadily with 2.0% increase in the first quarter of 2011 over the average price for the fourth quarter of 2010, and further by 4.4% in the second quarter of 2011. During the Period, our unit coal consumption in the clinker production process increased to 165.6 Kg per ton of clinker, representing an increase of 1.0% from the average of 164.0 Kg per ton of clinker for the corresponding period in 2010. Our standard coal consumption in the clinker production process increased to 110.2 Kg per ton of clinker for the Period from the average of 108.4 Kg per ton of clinker for the same period last year, due to the performance of the small kilns which were acquired and the new clinker production lines which commenced operation during the Period. Due to the increases in coal price and coal consumption, our average coal cost of production for the Period increased by 17.0% to HK$134.2 per ton of clinker produced from HK$114.7 per ton of clinker produced in the corresponding period of 2010. Coal cost represented approximately 45.6% of the cost of sales for cement for the Period (43.4% in the corresponding period of 2010) and approximately 37.3% of the Group's total cost of sales for the Period (34.8% in the corresponding period of 2010).

Our average electricity cost increased by 2.4% to HK$43.2 per ton of cement mainly due to translation of expenses incurred which was in line with the appreciation of RMB against HK$. We managed to improve our electricity consumption to 90.0 KWh per ton of cement for the Period (91.8 KWh per ton of cement for the corresponding period of 2010) during the production process, representing a cost saving of approximately HK$24.8 million (HK$36.5 million for the corresponding period of 2010). Our residual heat recovery generators performed satisfactorily and generated 493.0 million KWh of electricity for the Period, representing an increase of 56.9% over 314.2 million KWh of electricity generated in the corresponding period last year. The electricity generated during the Period accounted for approximately 23.4% of our required electricity consumption (25.0% for the corresponding period of 2010) and we achieved a cost saving of approximately HK$284.8 million for the Period (HK$174.9 million for the corresponding period of 2010) from the use of residual heat recovery generators. Electricity cost represented approximately 17.9% of the cost of sales for cement for the Period (19.4% in the corresponding period of 2010) and approximately 14.7% of the Group's total cost of sales for the Period (15.5% for the corresponding period in 2010).

Gross profit and gross margin

The consolidated gross profit for the Period was HK$3,330.5 million, representing an increase of 135.2% over HK$1,416.1 million for the corresponding period last year and the consolidated gross margin was 33.1%, representing an increase of 5.3 percentage points over 27.8% for the corresponding period last year. The increase in consolidated gross profit for the Period was mainly attributable to the increase in sales volume as well as general increase in selling price. The gross margins of cement, clinker and concrete for the Period were 36.8%, 26.8% and 23.0%, as compared with 30.9%, 15.9% and 23.7% respectively for the corresponding period last year.

Other income

Other income for the Period was HK$238.4 million, representing an increase of 182.5% over HK$84.4 million for the corresponding period last year, mainly due to increased exchange gain of HK$103.7 million during the Period derived from net bank loans denominated in HK$ as a result of the appreciation of RMB against HK$. During the Period, RMB appreciated by about 2.3% against HK$.

Selling and distribution expenses

Selling and distribution expenses for the Period was HK$597.5 million, which was 46.3% over HK$408.3 million for the corresponding period last year. As a percentage of consolidated turnover, selling and distribution expenses decreased to 5.9% for the Period from 8.0% for the same period last year. In the first half of 2010, additional direct freight cost of approximately HK$52.7 million was incurred during the first four months due to the exceptionally low water level in the Xijiang River which led to higher percentage of selling and distribution expenses. Since May 2010, the water level in the Xijiang River has resumed to normal and freight cost has been reduced to normal level which has led to lower selling and distribution expenses.

General and Administrative Expenses

General and administrative expenses for the Period were HK$463.0 million, representing an increase of 34.7% over HK$343.8 million for the corresponding period last year. As a percentage of consolidated turnover, general and administrative expenses decreased to 4.6% for the Period from 6.7% for the corresponding period last year. This was attributable to the economies of scale achieved from plants which commenced operations from the second half of 2010 which has led to the increase in revenue contribution to the Group.

Taxation

The effective tax rate of the Group for the Period was 8.3%, representing an increase of 5.7 percentage points from 2.6% of the corresponding period last year. This was because tax holidays 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 rate of 25%.

Net margin

Net margin of the Group for the Period was 21.2%, which was 8.5 percentage points higher than that of 12.7% for the corresponding period last year. 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$84.8 (2010: HK$43.4) and HK$21.0 (2010: HK$13.2) respectively.

Liquidity and Financial Resources

As at 30 June 2011, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	At 30 June 2011 *'000*	At 31 December 2010 *'000*
HK$	**1,995,862**	2,396,547
RMB	**3,607,683**	1,451,496
US$	**29**	2,849

As at 30 June 2011, the Group's banking facilities amounted to US$122.5 million, HK$8,885.0 million and RMB11,906.0 million, of which HK$2,000.0 million and RMB4,206.0 million was unutilized and remained available for draw down and the total bank loans of the Group amounted to HK$17,096.5 million equivalent (HK$13,024.1 million equivalent as at 31 December 2010) which comprised loans in the following currencies:

	At 30 June 2011 *'000*	At 31 December 2010 *'000*
US$	**122,500**	130,000
HK$	**6,885,000**	5,655,000
RMB	**7,700,000**	5,410,500

Among these bank loans denominated in RMB, total amount of HK$420.9 million equivalent was secured by bank deposits and fixed assets of the Group (fixed assets of HK$440.6 million as at 31 December 2010) and HK$16,675.6 million equivalent (fixed assets of HK$12,583.5 million as at 31 December 2010) was unsecured.

All bank loans as at 30 June 2011 carried interests at variable rates (HK$822.6 million and HK$12,201.5 million carried interests at fixed and variable rates respectively as at 31 December 2010).

During the first half of 2011, the Group obtained certain loans under the master lending agreements dated 22 November 2010 among the Company, China Resources (Holdings) Company Limited, China Resources Co., Limited and their respective subsidiaries. Please refer to the announcement of the Company dated 22 November 2010 for details. As at 30 June 2011, the total amount of the outstanding loans was HK$2,700.2 million equivalent (Nil as at 31 December 2010) which comprised loans in the following currencies:

	At 30 June 2011	At 31 December 2010
	’000	*’000*
HK$	**1,003,627**	Nil
RMB	**1,410,920**	Nil

The above loans are unsecured, interest bearing at rates chargeable under the master lending agreements and repayable from 17 October 2011 to 28 December 2011.

Under the terms of certain agreements for the total banking facility of HK$9,215.8 million equivalent which will expire from August 2011 to June 2016, China Resources (Holdings) Company Limited, the Company’s holding company, is required to hold not less than 51% of the voting share capital in the Company. Under the terms of certain agreements for the total banking facility of HK$9,045.8 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 30 June 2011, calculated by dividing net borrowings by equity attributable to owners of the Company, was 79.7% (61.6% as at 31 December 2010).

The Group's business transactions were mainly carried out in Hong Kong dollars and Renminbi. 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 30 June 2011, the Group was engaged in a hedging contract in the amount of US$100.0 million (US$100.0 million as at 31 December 2010) for the purpose of the settlement of a US$ bank loan.

The Group has net current liabilities of HK$5,143.7 million as at 30 June 2011. 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 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 30 June 2011, certain assets of subsidiaries of the Company with an aggregate carrying value of HK$355.8 million (HK$345.5 million as at 31 December 2010) were pledged with banks for banking facilities used by these subsidiaries.

Contingent Liabilities

As at 30 June 2011, the Group has issued guarantees to a bank in respect of banking facilities in the amount of HK$50.0 million granted to a jointly controlled entity, of which HK$40.0 million had been utilised.

Employees

As at 30 June 2011, our Group employed a total of 19,199 full time employees of whom 177 were based in Hong Kong and the remaining 19,022 were based in the Chinese Mainland. A breakdown of our employees by functions is stated as follows:

Management	260
Finance and administration	2,707
Production and technical	14,111
Quality Control	1,671
Sales and marketing	450
Total	19,199

Among our 260 senior and middle managerial staff, 57% possess university degrees, 33% have received post-secondary education and their average age is about 42. 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 a long term award scheme (the "Scheme") whereby eligible employees of the Group may be granted cash benefits calculated according to the shares of the Company acquired by the trustee under the Scheme. Details are stated in the section on Long Term Award Scheme.

The Company pays close attention to the personal development and training of the employees. To prepare for our rapid business expansion during the Twelfth Five-year Plan, we have initiated the Plan Q Program which comprises a series of qualified development programs aiming at enhancing the leadership of a team of qualified personnel performing different functions to match with the need of the Company. In the first half of 2011, the Company commenced various training programs including "Making Great Leaders", "Qualified Financial Controllers" and "Qualified Human Resources" for a total of 314 recorded attendants.

Long Term Award Scheme

The Company adopted a share award scheme on 2 September 2009. The share award scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The purpose of the share award scheme is to recognize the contributions of officers and employees of our Group, excluding any Director, towards the development of our Group in the past or as incentives to selected grantees to achieve higher than target profits for our Group and to align the interests of the selected grantees with sustainable growth and development of our Group.

The aggregate number of shares purchased under the share award scheme shall not exceed 2.5% of all issued shares of the Company. The aggregate number of shares which may be awarded to a selected grantee under the share award scheme shall not exceed 0.1% of the issued share capital of the Company. A trust has been set up and BOCI-Prudential Trustee Limited has been appointed as the trustee. Pursuant to the share award scheme, the trustee may purchase shares of the Company from the public market out of cash contributed by the Company from time to time. Shares purchased under the share award scheme will be held in trust for the eligible employees until such shares are vested in accordance with the provisions of the rules relating to the share award scheme. The share award scheme will be effective for a term of 10 years until 2 September 2019 unless terminated at the discretion of the Board at an earlier date.

On 17 November 2010, the Company amended the terms of the share award scheme to include Directors as eligible grantees and such that payments under the Scheme will be made in form of cash rather than shares. According to the Scheme, the Company can utilise the proceeds generated from the disposal of the shares purchased and held by the trustee for awards to be made under the Scheme. Grantees do not have any right to the shares.

Throughout the Period, the trustee has been holding 160,000,000 shares of the Company on trust for the Scheme. Cash benefits relating to 4,704,985 shares of the Company have been granted to eligible employees (including Directors) and these cash benefits were vested when a total of 4,706,000 shares of the Company was disposed of by the trustee on 4 July 2011.

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 proceeds have been fully used as planned as at 30 June 2011.

Expansion Plan	**Residual balance to be used as at 31/12/2010**	**Used during the Period**	**Residual balance to be used as at 30/6/2011**
	HK$ million	*HK$ million*	*HK$ million*
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	133.8	133.8	–
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	215.9	156.2	59.7
	349.7	290.0	59.7

Future Plan and Capital Expenditure

New construction

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

(1) one clinker production line with annual capacity of 1.4 million tons and two cement grinding lines with total annual capacity of 2.0 million tons in Yanshi Town, Longyan City, Fujian, with total cost of construction amounting to approximately RMB856.6 million (equivalent to approximately HK$1,030.1 million);

(2) 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, with the cost of construction amounting to approximately HK$1,274.8 million; and

(3) thirteen concrete batching plants with total annual capacity of 7.8 million m^3, with the cost of construction amounting to approximately HK$478.6 million.

Change in construction plan

On 23 December 2010, the Company announced the acquisition of 52.4% equity interest in Shanxi Yaohua Cement Limited (subsequently renamed as 華潤水泥(忻州)有限公司 China Resources Cement (Xinzhou) Limited) and the plan to invest RMB800.0 million to build one 4500 tons per day (annual production capacity of 1.4 million tons) NSP clinker production line and two cement grinding lines with total annual production capacity of 2.0 million tons in Xinzhou City, Shanxi. A deposit of RMB20.0 million was made on 29 January 2011. After detailed review, it was considered that the proposed limestone reserve by China Resources Cement (Xinzhou) Limited would not be suitable for the efficient operation of the intended clinker and cement production lines. China Resources Cement (Xinzhou) Limited is currently looking for other limestone reserves and once a satisfactory supply of limestone is secured, the Company will re-activate the construction of these intended production lines.

Capital expenditure

As at 30 June 2011, the Group has outstanding capital expenditure for projects under construction in the amount of HK$7,960.5 million of which approximately HK$4,713.6 million is expected to be expended in the second half of 2011. Details of these projects are as below:

Projects	**Total capital expenditure for the project** *HK$ million*	**Expended as at 31/12/2010** *HK$ million*	**Expended during 1/1/2011 to 30/6/2011** *HK$ million*	**Outstanding capital expenditure at 30/6/2011** *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	6,185.9	5,016.7	611.9	557.3
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	1,140.1	950.3	55.7	134.1
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	1,463.2	1,237.0	57.3	168.9
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	1,055.2	708.8	167.2	179.2
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	1,011.2	603.6	156.2	251.4
Construction of production lines in Shantou City, Guangdong with a total capacity of 1.8 million tons of cement	249.1	222.1	8.2	18.8
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	1,018.9	483.2	222.5	313.2
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	1,291.3	488.5	306.0	496.8
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	338.5	244.5	32.9	61.1

Projects (Continued)	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2010 *HK$ million*	Expended during 1/1/2011 to 30/6/2011 *HK$ million*	Outstanding capital expenditure at 30/6/2011 *HK$ million*
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	1,428.0	497.1	271.7	659.2
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	2,539.5	1,982.8	226.2	330.5
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	660.2	119.3	260.8	280.1
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	1,322.9	–	156.5	1,166.4
Acquisition of production lines in Changzhi City, Shanxi, with a total capacity of 600,000 tons of cement and 372,000 tons of clinker	167.8	105.7	2.5	59.6
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	1,030.1	–	282.0	748.1
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	1,274.8	–	–	1,274.8
Acquisition of production lines in Fangshan County, Shanxi, with a total capacity of 700,000 tons of cement and 372,000 tons of clinker	336.7	–	–	336.7
Construction of 13 concrete batching plants with a total capacity of 7.8 million m^3 of concrete	478.6	–	11.1	467.5
Technological upgrade projects and other purchases of fixed assets	456.8	–	–	456.8
	23,448.8	12,659.6	2,828.7	7,960.5

Apart from the foregoings, the Group had no other significant planned capital expenditure or commitment as at 30 June 2011. The above planned and intended capital expenditures and commitments will be financed by bank loans and internally generated funds.

STRATEGIC OBJECTIVES AND PROSPECTS

In the first half of 2011, we have operated three NSP clinker production lines and four cement grinding lines (with total annual production capacities of 3.0 million tons and 2.6 million tons respectively) and plan to construct three NSP clinker production lines and eight cement grinding lines (with total annual production capacities of 4.5 million tons and 8.0 million tons) in Shanxi. During the Period, we have announced two acquisitions in Shanxi and Inner Mongolia to further advance our Northern strategy and to realize our business synergy in Shanxi and Shaanxi Province so as to lay a solid foundation for the achievement of 15.0 million tons of cement capacity and a strategic goal of a market share of 25% in Shanxi by the end of 2013.

As at 30 June 2011, our annual production capacities for clinker, cement and concrete in operations amounted to 37.6 million tons, 53.4 million tons and 29.0 million m^3 respectively. In addition, as at 30 June 2011, we have 50% direct equity interest in three jointly controlled entities which control eight cement grinding lines, two NSP clinker production lines and two concrete batching plants in operations in Guangdong, with annual production capacity of 8.1 million tons of cement, 3.7 million tons of clinker and 0.5 million m^3 of concrete, respectively. On basis of the current construction plan, we expect that our annual production capacities for clinker, cement and concrete will increase to 44.2 million tons, 63.7 million tons and 36.8 million m^3 by the end of 2011 and further to over 59.4 million tons, 78.7 million tons and 44.0 million m^3 respectively by the end of 2012. In addition, the total clinker, cement and concrete production capacity held through equity interest in associates and jointly controlled entities attributable to the Company will reach 6.5 million tons, 10.5 million tons and 0.3 million m^3 respectively by the end of 2011.

Our goal is to maintain 25% of the market share in the areas that we operate. The achievement of this target will enable us to become a cement supplier with leadership status in Southern China, Shanxi, Inner Mongolia, Northern Shaanxi Province and Eastern Heilongjiang Province area. We will continue to expand our production capacity in Southern China, Shanxi, Inner Mongolia and other regions we consider to possess strategic value in accordance with our "3 (Control, Conversion and Distribution of Resources) Plus 2 (Lowest Total Cost and Regional Leading Position) Strategy", mainly by way of merger and acquisition.

According to the national and provincial Twelfth Five-year Plans, the Chinese Government will give impetus to the investment in water conservation, airport, pier, railroad, highway, power, energy and residential housing to advance the urbanization process. We will grasp this historical strategic opportunity and fully utilize the advantages of the industrial policy to develop ourselves as one of the national leading cement and concrete suppliers.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Period, the Company meets with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except that all non-executive Directors were not appointed for a specific term. Since all Directors are subject to re-election by shareholders 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.

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

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

APPRECIATION

On behalf of the Board, I would like to thank the Directors, management team and all employees for their contribution and dedication to their work and our shareholders for their continuing trust and support to the Company.

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

Hong Kong, 12 August 2011

As at the date of this announcement, the executive directors of the Company are Madam ZHOU Junqing, Mr. ZHOU Longshan and Mr. LAU Chung Kwok Robert; the non-executive directors of the Company are Mr. WEI Bin and Mr. DU Wenmin; 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.