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 ANNUAL RESULTS ANNOUNCEMENT

	2011	2010	**Increase**
Turnover *(HK$ million)*	**23,240.0**	14,141.5	64.3%
Profit attributable to owners of the Company *(HK$ million)*	**4,179.0**	2,040.8	104.8%
Basic earnings per share	**HK$0.641**	HK$0.313	
Proposed final dividend per share	**HK$0.06**	HK$0.045	
	As at 31/12/2011	As at 31/12/2010	**Increase**
Total assets *(HK$ million)*	**50,457.8**	35,327.9	42.8%
Equity attributable to owners of the Company *(HK$ million)*	**19,298.7**	14,776.3	30.6%
Net borrowings *(HK$ million) (note 1)*	**17,625.5**	9,095.7	93.8%
Net gearing ratio *(note 2)*	**91.3%**	61.6%	
Net assets per share – book *(note 3)*	**HK$2.96**	HK$2.27	30.4%

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 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Turnover	*3*	**23,239,961**	14,141,537
Cost of sales		**(16,015,976)**	(9,678,190)
Gross profit		**7,223,985**	4,463,347
Other income	*4*	**606,254**	219,646
Change in fair value of an investment property		**7,000**	18,000
Selling and distribution expenses		**(1,227,954)**	(989,731)
General and administrative expenses		**(1,324,979)**	(1,211,650)
Finance costs	*5*	**(667,538)**	(268,042)
Share of results of jointly controlled entities		**155,000**	–
Share of results of associates		**134,416**	(188)
Profit before taxation	*6*	**4,906,184**	2,231,382
Taxation	*7*	**(561,622)**	(97,537)
Profit for the year		**4,344,562**	2,133,845
Attributable to:			
Owners of the Company		**4,179,010**	2,040,833
Non-controlling interests		**165,552**	93,012
		4,344,562	2,133,845
Basic earnings per share	*8*	**HK$0.641**	HK$0.313
Proposed final dividend per share	*9*	**HK$0.06**	HK$0.045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Fixed assets		**30,014,245**	21,862,718
Prepaid lease payments		**2,344,276**	1,631,597
Investment property		**59,000**	52,000
Intangible assets		**1,707,968**	632,639
Interests in associates		**2,119,177**	20,142
Interests in jointly controlled entities		**1,571,398**	894,669
Deposits for acquisition of fixed assets		**1,305,430**	1,434,851
Deferred tax assets		**95,844**	106,483
Long term receivables		**425,108**	336,284
		39,642,446	26,971,383
Current assets			
Inventories		**2,296,035**	1,182,024
Trade receivables	*10*	**1,949,858**	1,481,868
Other receivables		**2,424,565**	1,221,782
Amounts due from jointly controlled entities		**371,620**	345,901
Taxation recoverable		**23,645**	373
Pledged bank deposits		**11,815**	9,220
Cash and bank balances		**3,737,839**	4,115,340
		10,815,377	8,356,508
Current liabilities			
Trade payables	*11*	**3,428,508**	1,836,221
Other payables		**5,376,685**	4,838,088
Provisions		**4,252**	4,051
Taxation payable		**164,181**	52,508
Amount due to immediate holding company		**37,688**	–
Loan from a non-controlling shareholder		**–**	196,129
Loans from intermediate holding companies		**880,813**	–
Bank loans – amount due within one year		**10,458,948**	4,959,792
		20,351,075	11,886,789
Net current liabilities		**(9,535,698)**	(3,530,281)

	2011	2010
	HK$'000	*HK$'000*
Total assets less current liabilities	**30,106,748**	23,441,102
Non-current liabilities		
Bank loans – amount due after one year	**10,035,426**	8,064,356
Provisions	**25,328**	38,957
Long term payables	**41,285**	22,967
Deferred tax liabilities	**103,459**	69,533
	10,205,498	8,195,813
	19,901,250	15,245,289
Capital and reserves		
Share capital	**651,926**	651,926
Reserves	**18,646,806**	14,124,328
Equity attributable to owners of the Company	**19,298,732**	14,776,254
Non-controlling interests	**602,518**	469,035
Total equity	**19,901,250**	15,245,289

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

2. APPLICATION OF NEW AND REVISED HKFRS

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had 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.

HKAS 24 Related party disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

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

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopter[1]
Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
	Disclosures – Offsetting financial assets and financial liabilities[2]
	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 January 2012.*
[5] *Effective for annual periods beginning on or after 1 July 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2014.*

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 “Interests in joint ventures” and HK(SIC) – INT 13 “Jointly controlled entities – Non-monetary contributions by venturers”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

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

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

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred tax – Recovery of underlying assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The Directors are in the process of quantifying the impact of deferred tax liabilities.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the 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 amount received and receivable for goods sold to outside customers.

Segment results represent the profits earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates and jointly controlled entities, interest income and finance costs and taxation.

The information of segment results are as follows:

For the year ended 31 December 2011

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

Inter-segment sales are charged at prevailing market prices.

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

For the year ended 31 December 2010

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	10,804,147	3,337,390	–	14,141,537
Inter-segment sales	703,202	30	(703,232)	–
	11,507,349	3,337,420	(703,232)	14,141,537

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	2,388,886	158,755	–	2,547,641
Interest income				57,234
Finance costs				(268,042)
Unallocated corporate expenses				(105,263)
Share of results of associates				(188)
Profit before taxation				2,231,382

4. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**70,347**	57,234
Exchange gain	**318,518**	48,173
Government incentives	**94,452**	70,482
Gain on disposal of prepaid lease payments	**9,951**	–
Sales of scrap materials	**43,242**	9,294
Compensation received from insurance	**1,567**	5,983
Service income	**8,000**	768
Rental income	**12,186**	13,834
Others	**47,991**	13,878
	606,254	219,646

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**707,806**	393,017
Bank loans not wholly repayable within five years	**6,230**	9,723
Loans from intermediate holding companies	**67,912**	–
Long term payables	**1,717**	1,855
	783,665	404,595
Less: Amount capitalised to fixed assets	**(116,127)**	(136,553)
	667,538	268,042

Capitalisation rate of borrowing costs to expenditure on qualifying assets is approximately 5.8% (2010: 4.7%).

6. PROFIT BEFORE TAXATION

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**23,014**	8,011
Pension costs and mandatory provident fund contributions excluding Directors	**88,589**	57,620
Other staff costs	**1,461,790**	954,731
Total staff costs	**1,573,393**	1,020,362
(Reversal of) allowance for doubtful debts	**(44,417)**	29,055
Amortisation of mining rights	**29,166**	11,738
Auditor's remuneration	**5,123**	3,995
Depreciation of fixed assets	**1,273,118**	807,148
(Reversal of) impairment loss on other receivables	**(4,355)**	14,661
Impairment loss recognised in respect of fixed assets	**–**	65,350
Loss on disposal of fixed assets	**7,427**	18,533
Operating lease payments in respect of		
– rented premises	**35,343**	24,039
– motor vehicles	**55,399**	62,696
Release of prepaid lease payments	**47,138**	28,323

7. TAXATION

	2011	2010
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**11,806**	15,928
Chinese Mainland Enterprise Income Tax	**518,286**	118,932
Under provision of Chinese Mainland Enterprise Income Tax in prior years	**3,800**	–
	533,892	134,860
Deferred taxation		
Hong Kong	**(83)**	4,936
Chinese Mainland	**27,813**	(42,259)
	27,730	(37,323)
	561,622	97,537

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

Chinese Mainland Enterprise Income Tax represents the income tax in the Chinese Mainland which is calculated at the prevailing tax rate on the taxable income of the group entities in the Chinese Mainland.

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

Under the Law of the Chinese Mainland on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Chinese Mainland is 25% in respect of 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.

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:

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**4,179,010**	2,040,833

	As at 31 December	
	2011	2010
Number of shares		
Number of shares for the purpose of basic earnings per share	**6,519,255,462**	6,519,255,462

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

9. DIVIDENDS

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

The Board did not declare nor propose any payment of dividend for the year ended 31 December 2009. No payment of dividend was recorded in the year ended 31 December 2010.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2011 of HK$0.06 per share (2010: HK$0.045 per share in respect of the year ended 31 December 2010) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming general meeting. The total amount of the proposed final dividend, calculated on the Company's number of shares issued as 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	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables from third parties	**1,932,955**	1,471,460
Trade receivables from fellow subsidiaries	**16,903**	10,408
	1,949,858	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.

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**1,777,292**	1,311,824
91 to 180 days	**126,653**	136,886
181 to 365 days	**45,913**	33,158
	1,949,858	1,481,868

11. TRADE PAYABLES

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Trade payables to third parties	**3,374,944**	1,752,126
Trade payables to fellow subsidiaries	**53,564**	84,095
	3,428,508	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 each reporting period.

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**3,022,217**	1,709,505
91 to 180 days	**193,034**	92,176
181 to 365 days	**194,349**	16,706
Over 365 days	**18,908**	17,834
	3,428,508	1,836,221

12. REVIEW OF ANNUAL RESULTS

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

THE BUSINESS ENVIRONMENT

2011 was the commencement year of China's Twelfth Five-year Plan. With the impact of the weak recovery of the world economy, the continuous tightening of domestic monetary policy and the gradually fading out of the economic stimulation policies in China, the economic growth in China for 2011 was slowed down, yet a relatively high level of growth could still be maintained. According to the data released by the National Bureau of Statistics, the gross domestic products ("GDP") of China in 2011 grew by 9.2% and amounted to RMB 47.2 trillion. Notwithstanding the tightening monetary policy, the weakening investment growth in railways and the sliding of real estate investment which slowed down the growth of the national fixed asset investments ("FAI") in the second half of 2011, the effective implementation of the Twelfth Five-year Plan in the individual provinces still led to a rapid growth in FAI. According to the data of the National Bureau of Statistics, the national FAI in 2011 achieved a nominal growth rate of 23.6%, which amounted to RMB31.1 trillion. Since the second half of the year, the tightening monetary policy has started relaxing along with the fast fall in consumer price index. In 2012, China will continue to strengthen and improve on macroeconomic policy, to implement proactive fiscal policies and prudent monetary policies, and to promote stable and rapid economic development, which will provide a more favorable environment for development of cement industry.

According to the data released by the relevant provincial Bureau of Statistics, the GDP of Guangdong, Guangxi, Fujian, Hainan, Shanxi and Yunnan where we operated in 2011 reached RMB5,267.4 billion, RMB1,171.4 billion, RMB1,741.0 billion, RMB251.5 billion, RMB1,110.0 billion and RMB875.1 billion, representing increases of 10.0%, 12.3%, 12.2%, 12.0%, 13.0% and 13.7% over 2010 respectively. The provincial total FAI reached RMB1,693.3 billion, RMB1,014.3 billion, RMB1,011.9 billion, RMB161.1 billion, RMB737.3 billion and RMB711.0 billion, representing increases of 17.6%, 29.1%, 27.1%, 36.2%, 27.3% and 27.4% over 2010 respectively.

In 2011, China's urbanization level was further lifted. According to the data of the National Bureau of Statistics, China's urbanization rate of 2011 reached 51.3%, which was 1.3 percentage points higher than that of 2010. The urbanization process has accelerated investment in urban infrastructure and created strong demand for cement. According to China's Twelfth Five-year Plan, the urbanization rate of China will rise by over 0.8 percentage point on average annually in the coming years. This indicates that cement demand brought by urbanization will continue.

Since early 2011, despite China's continuous control measures to curb housing price increases and the apparent effect obtained in the first-tier and second-tier cities, the wide scale of social housing construction still drove a rapid growth of real estate investment, and offset the impact of the slowdown of investment in residential housing in the first-tier and second-tier cities. According to the data of the National Bureau of Statistics, investment in real estate development nationwide in 2011 reached RMB 6,174.0 billion, representing an increase of 27.9% over 2010. The total area of real estate completed nationwide in 2011 was approximately 892.4 million square meters, representing an increase of 13.3% over 2010. According to the information provided by the Ministry of Housing and Urban-Rural Development, 4.3 million sets of social homes were completed in 2011 and more than 5 million sets will be completed in 2012. In line with the national target of 36 million social homes to be completed during the Twelfth Five-year period, we expect the real estate sector will bring more cement demand in the coming years.

In 2011, the high speed railroad accident has led to the continuous decrease in the growth rate of railway construction investment nationwide since August 2011. According to the data of the National Bureau of Statistics, investment in railways for the year reached RMB576.7 billion, representing a decrease of 22.5% over the previous year. In 2012, the Ministry of Railway will budget FAI in railways in the amount of RMB500.0 billion, which is expected to bring in relatively stable demand for cement.

During the Twelfth Five-year period, China plans to invest RMB 2.0 trillion in the development of water conservation construction. According to the statistics of the Ministry of Water Resources, investment in water conservation construction reached RMB334.1 billion in 2011. We anticipate the future investment in water conservation construction projects will increase further, particularly when the already commenced water conservation projects entering their substantive construction phase, which will create gradual increase in demand for cement.

THE INDUSTRY

In 2011, the Chinese cement market continued to maintain strong demand and total cement production was approximately 2.1 billion tons, representing an increase of 11.7% over 2010. Among them, cement production in Guangdong, Guangxi, Fujian, Hainan, Shanxi and Yunnan reached approximately 127 million tons, 86 million tons, 66 million tons, 15 million tons, 39 million tons and 65 million tons, representing increases of approximately 9.7%, 15.7%, 13.5%, 19.3%, 19.3% and 15.1% respectively over 2010. According to the statistics of the Ministry of Industry and Information Technology, about 114 production lines using the new suspension preheater technology ("NSP") commenced operation in 2011 which have increased the total annual clinker production capacity in China by approximately 165 million tons.

In July 2011, the Ministry of Industry and Information Technology announced the list of obsolete production capacity of cement industry to be eliminated by the end of the year and planned to eliminate 153.3 million tons of obsolete cement production capacity involving 782 cement enterprises by the end of the year. Among them, there were 3.4 million tons in Guangdong, involving 22 enterprises; 3.0 million tons in Guangxi, involving 18 enterprises; 1.4 million tons in Fujian, involving 8 enterprises; 0.8 million tons in Hainan, involving 5 enterprises; 12.8 million tons in Shanxi, involving 78 enterprises; 1.0 million tons in Yunnan, involving 5 enterprises, and the closure of the obsolete cement production capacities has been orderly carried out.

In November 2011, the Ministry of Industry and Information Technology issued the "Twelfth Five-year Development Plan of Cement Industry". The development plan focused on control of total capacity, green environment development and innovation. It plans, by 2015, to eliminate 250 million tons of obsolete cement production capacity, achieve compliance of emission standards for the main pollutants (such as carbon dioxide, nitrogen oxides, sulphur dioxide and dust), achieve a 10% ratio of production lines implementing treatment of municipal solid waste and industrial waste, raise the total consumption of wastes in cement production by 20% and raise the concentration of production capacity of the top 10 enterprises from 25.3% in 2010 to over 35.0%. The implementation of this development plan will accelerate energy saving and emission reduction of the Chinese cement industry, raise the pace of consolidation of the industry, speed up the elimination of obsolete production capacity, and enhance technological and innovational capabilities of cement enterprises. This will be beneficial to large cement enterprises including the Company which always emphasize on the importance of social responsibility, are concerned with energy saving and emission reduction, possess higher production technology and management standards, and carry lower emission level of pollutants.

The policies issued by the Chinese Government regarding the restrictions on approving new clinker production lines in September 2009 and the "Entry Conditions for Cement Industry" in November 2010 will continue to be effective in the current year and addition of new production capacity is expected to decrease gradually in the next two years. The policies will promote the industry consolidation and raise the market concentration. While the obsolete cement production capacity continues to be eliminated and the demand for cement continues to increase, the cement market will become tense and is expected to bring positive impact on the cement price in the Chinese Mainland and the earnings of the Company.

SOCIAL RESPONSIBILITY

The Group has been implementing circular economy and energy saving, and seeks to maintain its competitiveness through continuous reliance on technological innovation. In March 2011, the Group established China Resources Cement Technology Center in Guangzhou in order to focus on research and development of new technologies on energy saving and emission reduction, so as to effectively reduce the emission levels.

In March 2011, we participated in the "China Resources Hezhou Industry Demonstration Zone of Circular Economy" project, which is a national level project jointly established with China Resources Power Holdings Company Limited and China Resources Snow Breweries Limited aiming to cultivate the circular industry chain, and achieve zero emission of pollutants and water recycling. The project is expected to commence full operation by the end of 2012 and we will replicate this business model in other areas in the future.

Since we have become the co-chairman of Cement Sustainability Initiative in China, we have insisted on implementing emission control standards which comply with the international standards. While we maintain our leading status in energy saving and emission reduction in the industry, we have also actively organized communications with international enterprises and trainings for our industry peers, and strive to foster the catching up with international standards in energy saving, emission reduction, resources utilization, employee health, safety and community harmony.

ESTABLISHMENT OF ANTI-CORRUPTION POLICY

The Group paid high attention to a clean working atmosphere. In 2011, the Group appointed Madam SUN Mingquan, the Deputy General Manager of the Company, as the Commissioner of Anti-corruption of the Company with special mandate to promote the establishment of the Company's anti-corruption and integrity policies, improve the internal control procedures, and monitor and control the source of risks for anti-corruption and integrity. During the year, the Group improved and implemented the "Integrity Code on Procurement", the "Sunshine Procurement Procedures", the "Tender and Assessment Procedures" and the "Project Certification Procedures", performed specific purpose audit on high priority areas for anti-corruption and integrity (such as project development, tender and procurement), established an "integrity conversation system", to ensure the integrity of the managers, and enhance the confidence of employees and all walks of life on the Group.

OPERATIONAL PERFORMANCE REVIEW

Acquisitions

On 24 January 2011, the Company approved the acquisition of the non-controlling equity interest in certain companies that engaged in clinker, cement and concrete operations in Guangzhou City of Guangdong and Hong Kong, which were owned by Guangzhou Yuexiu Cement Holdings Limited and its subsidiaries, at the consideration of approximately RMB405.8 million (equivalent to HK$500.6 million). These companies were controlled by several jointly controlled entities in which the Group acquired 50% equity interest in December 2010. The acquisition of these non-controlling interests was completed in December 2011.

On 27 January 2011, the Company approved the acquisition of a cement production plant under construction in Longyan City, Fujian, together with all the assets and liabilities associated with the plant owned by an independent third party at the total consideration of approximately RMB277.2 million (equivalent to HK$341.9 million). Please refer to the Company's announcement dated 27 January 2011 for details of the acquisition. The acquisition was completed in January 2011. Further amount has been expected to be invested to complete the construction of 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.

On 26 March 2011, the Company approved the acquisition of the entire equity interest in Fuzhou Xinshi Cement Co., Ltd. (subsequently renamed as China Resources Cement (Lianjiang) Limited) from two independent third parties at the consideration of RMB110.0 million (equivalent to HK$135.7 million). Fuzhou Xinshi Cement Co., Ltd. operates two cement grinding lines with total annual production capacity of 1.2 million tons in Lianjiang County, Fujian. According to the supplemental agreement and the agreement for assignment of the shareholders loan between the relevant parties dated 20 May 2011, the consideration of RMB110.0 million (equivalent to HK$135.7 million) was subsequently adjusted to approximately RMB98.4 million (equivalent to HK$121.4 million) and the remaining portion of the consideration of approximately RMB11.6 million (equivalent to HK$14.3 million) was paid as consideration for the amount of shareholder's loan being assigned. The acquisition was completed in May 2011.

On 24 May 2011, the Company approved the acquisition of assets and liabilities relating to (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 in operation; and (2) two 5000 tons per day (annual production capacity of 1.6 million tons each) NSP clinker production lines and four cement grinding lines with total annual production capacity of 4.0 million tons under construction, in Fangshan County, Lüliang City, Shangxi, from an independent third party, at the total consideration of approximately RMB280.0 million (equivalent to HK$345.4 million). Further amount has been expected to be invested to complete the construction. Please refer to the Company's announcement dated 24 May 2011 for details of the acquisition. The acquisition was completed in December 2011.

On 29 June 2011, the Company approved the acquisition of 40.6% equity interest in Inner Mongolia Mengxi Cement Co., Ltd. from an independent third party at the consideration of RMB1,563.1 million (equivalent to HK$1,928.1 million). Inner Mongolia Mengxi Cement Co., Ltd. operates eight NSP clinker production lines with total production capacity of approximately 29,900 tons per day (total annual production capacity of 9.3 million tons) and twenty two cement grinding lines with total annual production capacity of 12.5 million tons. Inner Mongolia Mengxi Cement Co., Ltd. also has a 5000 tons per day NSP clinker production line (annual production capacity of 1.6 million tons) and two cement grinding lines with total annual production capacity of 2.0 million tons under construction. Please refer to the Company's announcement dated 29 June 2011 for details of the acquisition. The acquisition was completed in July 2011.

On 26 August 2011, the Company approved the acquisitions of a total of 93.79% effective equity interests in Dali San-Teh Cement Co., Ltd. and Dali San-Teh Building Materials Industry Co., Ltd. from two independent third parties at the consideration of approximately RMB1,287.1 million (equivalent to HK$1,587.6 million). The companies together operate three 2,500 tons per day NSP clinker production lines (annual production capacity of 775,000 tons each) and five cement grinding lines with total annual production capacity of 4.0 million tons in Yunnan. The companies also have a 2500 tons per day NSP clinker production line (annual production capacity of 775,000 tons) and one cement grinding line with annual production capacity of 1.0 million tons under construction in Yunnan. Further amount has been expected to be invested to complete the construction. Please refer to the announcement of the Company dated 26 August 2011 for details of the acquisitions. Subsequently in November 2011, the Company approved the acquisition of additional 3.585% effective equity interests in Dali San-Teh Cement Co., Ltd. and Dali San-Teh Building Materials Industry Co., Ltd. from independent third parties at the consideration of RMB47.3 million (equivalent to HK$58.3 million). The above acquisitions were completed in December 2011.

On 19 October 2011, the Company approved the acquisition of the entire equity interest in Fujian Zhangping Zhenhong Cement Co., Ltd. from six independent third parties at the total consideration of approximately RMB292.0 million (equivalent to HK$360.2 million). Fujian Zhangping Zhenhong Cement Co., Ltd. operates a 2500 tons per day NSP clinker production line (annual production capacity of 775,000 tons) and two cement grinding lines with total annual production capacity of 1.0 million tons in Zhangping City, Fujian. Please refer to the Company's announcement dated 19 October 2011 for details of the acquisition. The acquisition was completed in October 2011.

On 29 November 2011, the Company successfully won the tender of 31.08% equity interest in China Resources Cement (Changjiang) Limited held by a non-controlling shareholder, an independent third party, in a public tender at the consideration of approximately RMB339.9 million (equivalent to HK$419.3 million). The acquisition was completed in December 2011 and the Company owned 94.53% equity interest in this subsidiary.

Subsequent to the year end on 13 January 2012, the Company successfully won the tender of 1.87% equity interest in China Resources Cement (Changjiang) Limited held by a non-controlling shareholder, an independent third party, in a public tender at the consideration of approximately RMB20.6 million (equivalent to HK$25.4 million). As at the date of this announcement, a deposit of RMB10.0 million (equivalent to approximately HK$12.2 million) has been made.

New production plants

Apart from the above acquisitions, the Group completed the construction of seven self-constructed clinker production lines during the year which increased the Group's annual clinker production capacity by 10.8 million tons. They were Wuxuan 1st line (5000 tons per day) in March, Fengkai 4th line (5000 tons per day) in April, Longyan 1st line (4500 tons per day) and Yongding 1st (4500 tons per day) in August, Luchuan 1st line (5000 tons per day) and Shangsi 2nd line (5000 tons per day) in October in Southern China, and Liulin 2nd line (4800 tons per day) in May in Shanxi. Construction of the fourteen cement grinding lines to match the clinker production lines were also completed during the year and the Group's annual cement grinding production capacity increased by 13.4 million tons. There were also five concrete batching plants being completed or acquired during the year 2011, increasing our total annual concrete production capacity by 3.0 million m^3.

Production capacities and utilization

As at 31 December 2011, the Group controlled total clinker, cement and concrete production capacities of 47.3 million tons, 68.7 million tons and 32.0 million m^3 respectively. In addition, the total clinker and cement production capacities attributable to the Group according to the effective equity interest in jointly controlled entities and associated companies amounted to 6.5 million tons and 9.7 million tons respectively. During the year 2011, we managed to maintain production activities at high level and the utilization rates of our cement, clinker and concrete production lines were 85.1%, 117.4% and 47.2% respectively for year 2011 as compared with 85.7%, 111.4% and 51.5% for year 2010.

Procurement

During 2011, in order to control the risk on coal procurement, the Group stepped up on-site inspection of coal and hired third party specialists to assist in the inspection which has effectively warranted the quality of the coal. Meanwhile, the Group also focused on developing strategic cooperation with suppliers and strictly applied categorized management and performed monthly quality assessment of suppliers (in 2011, we added 21 new suppliers and removed 5 unqualified suppliers and currently, we have 66 coal suppliers). In order to reduce the risk on supply, the Group continued to increase the proportion of coal procurement from Northern China. Out of the coal purchased by the Group in 2011, about 45% by volume were imported from abroad (71% in 2010). During the year, through strategic synergy, the Group purchased approximately 600,000 tons of coal from China Resources Power Logistics (Tianjin) Company Limited at market price, representing approximately 8% of the Group's total coal purchases for 2011 (5% in 2010). We expect to further enhance this kind of procurement.

Logistics Management

In order to sustain the core competitiveness on logistics, the Group formulated the logistics strategic plan and has committed to establish a vast logistics system during the Twelfth Five-year period which covers logistics of sales and procurement, integrates warehousing and transportation comprising river transport, sea transport, transshipment, road transport and railway transport, and controls logistic resources such as motor vehicles, vessels, warehouses and ports.

In order to strengthen the water transport management on the Xijiang River, the Group established the Xijiang Waterway Global Positioning System which was integrated with the Enterprise Resource Planning so as to control the location, cargo and transport of vessels on a real-time basis, and has significantly improved the capability of scheduling and supply guarantee. In July 2011, through a centralized tender, the Group formed a secured water transport capacity of more than 300,000 tons, which accounted for approximately 30% of the total annual water transport capacity on the Xijiang River. In addition, Guangxi Rungui Water Transportation Limited, of which the Group holds 49% equity interest, currently owns 17 vessels with annual transport capacity of approximately 1.1 million tons. The control of these water transport capacities has provided us with long-term, stable guarantee of water transport capacity and has also enabled us to further control our cost of transportation on the Xijiang River. The Group also initialized a new "vehicle transportation and distribution management system" in certain areas and has reduced the cost of vehicle transportation.

As at 31 December 2011, the Group established a total of 32 silo terminals along the Xijiang River and its tributaries (mainly in Pearl River Delta region of Guangdong) with annual transshipment capacity of over 20.0 million tons. The logistical competitive advantage of "water transportation + transshipment" has become more remarkable.

Energy Saving, Emission Reduction and Circular Economy

In March 2011, we participated in the "China Resources Hezhou Industry Demonstration Zone of Circular Economy" project, which is a national level project on circular industry chain jointly established with China Resources Power Holdings Company Limited and China Resources Snow Breweries Limited. The project consists of a cement plant with annual production capacity of 2.0 million tons, a power plant with total installed capacity of 2,000 megawatt and a brewery with annual production capacity of 200,000 tons. The cement plant will provide limestone powder to the power plant for desulfurization, the power plant will supply electricity to the cement plant and the brewery and also steam to the brewery, the brewery will supply recycled water to the power plant whereas all industrial wastes and garbage generated by all the plants will be consumed as raw material for cement production after harmless disposal treatment. Zero discharge of pollutants and water recycling can be achieved within the development zone and a huge amount of land resources is also saved. The cement plant has already commenced operation in May 2010. The two generating units of the power plant are planned to commence operation in June and December 2012 respectively whereas the brewery is expected to commence operation in October 2012. Once the project formally commences full operation and brings significant economic benefits, we will replicate this business model in other areas.

The Group's technology and production capacity on using cement kiln in treatment of city sludge is already at the leading level in China. The cement company in Guangzhou held by the Company through a jointly controlled entity operates a production line that can process 600 tons of sludge daily. We will promote this technology in the Group's production lines so as to make contribution to the urban development and improvement to people's livelihood in China.

In March 2011, the Group established the China Resources Cement Technology Centre in Guangzhou, with focus on research and development on new technology on energy saving and emission reduction, and eco-friendly products and new processes with prominent economic benefits. We will enhance our investment in research and development, and continue to work hard so as to become a first class enterprise leading the future of the industry.

Safety

In 2011, the Group established the Safety and Environmental Protection Department which was under the direct supervision of the Chairman and the Chief Executive Officer and set up safety production departments and engaged safety managers in certain subsidiaries. The Group formulated 24 sets of safety regulations including the "Safety Management Work Procedures", arranged various safety training sessions such as "Employee safety behavior observation", "Analysis of dangerous and hazardous factors in cement production" and topics relating to safety management-related knowledge for management teams at all levels, employees and third party contracting units, and organized a number of emergency drills such as "fire emergency drill", "mine flood prevention drill" and " fire and explosion incident drill for coal and grinding system". In 2011, the Group conducted four safety inspections in order to remove and rectify any hidden safety hazards, so as to ensure the Group would be prevented from substantial safety risks.

Quality Testing and Recognition

In 2011, Quality Control Consultants Limited, a wholly owned subsidiary of the Company which principally engaged in the provision of construction materials testing and calibration services, was granted the approval for using the "International Laboratory Accreditation Cooperation (ILAC) Laboratory Combined MRA Mark" by the Hong Kong Accreditation Service. Accordingly, its test results have gained access to the recognition of 74 mutual recognition arrangement partners in 60 economies worldwide which indicate that the Company's construction materials testing technology has reached international level.

In 2011, Quality Control Consultants Limited was also granted the extension of scope of accreditation covering the full set of concrete physical testing in the latest Construction Standard CS1 and cement chemical testing in the latest European Standard EN196 under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) launched by the Hong Kong Accreditation Service. Quality Control Consultants Limited is the first commercial laboratory in Hong Kong to obtain the aforesaid achievements.

FINANCIAL PERFORMANCE REVIEW

Turnover

An analysis of segmental turnover by product is as follows:

	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	**44,190**	**369.5**	**16,327,899**	29,586	336.0	9,939,832
Clinker	**6,428**	**306.3**	**1,968,879**	3,146	274.7	864,315
Concrete	**13,832**	**357.4**	**4,943,183**	10,770	309.9	3,337,390
Total			**23,239,961**			14,141,537

With the increase in production capacities from the acquisitions and the commencement of operation of newly constructed production lines since 2010, we have increased our external sales volume of cement by 14.6 million tons, clinker by 3.3 million tons and concrete by 3.1 million m^3 in 2011, representing increases of 49.4%, 104.3% and 28.4% respectively over year 2010. For the year 2011, approximately 72.9% of the cement products we sold were of 42.5 or higher grades (77.9% in 2010) and approximately 35.6% of our cement products were sold in bags (30.4% in 2010). Internal sales volume of cement for our concrete production was 2,796,000 tons (2,033,000 tons in 2010), representing 6.0% of the total volume of cement sold (6.4% in 2010). The intra-group transactions of HK$1,032,348,000 were eliminated from turnover on consolidation in 2011 (HK$703,202,000 in 2010).

The average selling prices of cement, clinker and concrete in 2011 were HK$369.5 per ton, HK$306.3 per ton and HK$357.4 per m^3 respectively, representing increases of 10.0%, 11.5% and 15.3% respectively over 2010. Selling prices of cement products did not increase in the fourth quarter as it has been expected for peak season due to accumulation of inventory near the end of September and early October as the result of a period of unusual torrential rain during that period. The increases in average selling prices of cement and clinker in 2011 primarily reflected:

(1) Increased coal price for the year: As mentioned in the next section on major production costs, average coal price increased by 15.2% over that of the previous year. We adjusted our selling prices to reflect the increase in coal cost.

(2) Market demand and supply: The demand for cement was strong during the year despite moderate slow down of construction activities in the second half of the year.

(3) Higher value on translation of sales originally denominated in RMB into HK$ for the purpose of financial reporting. RMB appreciated against HK$ by the average of 5.0% in 2011.

The increase in average selling price of concrete in 2011 reflected the increase in cost of production due to the increase in cement prices.

Our cement sales by geographical areas in 2011 were as follows:

	2011			2010		
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	'000 tons	***HK$***	***HK$'000***	*'000 tons*	*HK$*	*HK$'000*
Guangdong	**17,732**	**394.9**	**7,002,254**	11,702	353.0	4,130,232
Guangxi	**17,725**	**328.7**	**5,826,630**	13,173	305.4	4,022,429
Fujian	**3,592**	**406.3**	**1,459,517**	1,300	353.8	459,947
Hainan	**3,420**	**446.8**	**1,528,076**	3,398	389.1	1,322,157
Shanxi	**1,721**	**297.2**	**511,422**	13	389.8	5,067
Total	**44,190**	**369.5**	**16,327,899**	29,586	336.0	9,939,832

Major production costs

The average price of coal we purchased in 2011 was around HK$855 per ton, representing an increase of 15.2% from the average price of HK$742 per ton in 2010, while the quality of coal was better with average thermal value increased by 0.8% to 4,750 kcal per kg. During the year, our unit coal consumption decreased to 164.5 kg per ton of clinker produced, representing a decrease of 0.5% from the average of 165.3 kg per ton of clinker produced for 2010. Our standard coal consumption increased from 108.9 kg per ton of clinker in 2010 to 109.5 kg per ton of clinker for the year, due to the performance of the small kilns which were acquired and the new clinker production lines which commenced operations during the year. Due to the increase in coal price and coal consumption, our average coal cost of production for the year increased by 14.6% to HK$140.7 per ton of clinker produced from HK$122.7 per ton of clinker produced in 2010. Coal cost represented approximately 46.3% of the cost of sales of cement for the year (43.4% in 2010) and approximately 38.5% of the Group's total cost of sales for the year (35.1% in 2010).

Our electricity cost increased by 4.1% to HK$43.2 per ton of cement for the year (HK$41.5 in 2010) due to increase in electricity tariffs in the various regions from June to December 2011 and the translation of expenses incurred due to the appreciation of RMB against HK$. We managed to improve our electricity consumption to 86.9 kwh per ton of cement produced for the year (88.7 KWh in 2010), representing a cost saving of approximately HK$57.0 million (HK$54.7 million in 2010). Our residual heat recovery generators performed satisfactorily and generated 1,143.5 million kwh of electricity in the year, representing an increase of 49.7% over 764.0 million kwh of electricity generated in 2010. The electricity generated in the year accounted for approximately 25% (25% in 2010) of our required electricity consumption and we achieved a cost saving of approximately HK$677.2 million for the year (HK$416.6 million in 2010). Electricity cost represented approximately 17.3% of the cost of sales of cement for the year (18.4% in 2010) and approximately 14.4% of the Group's total cost of sales for the year (14.9% in 2010).

Gross profit and gross margin

The consolidated gross profit for 2011 was HK$7,224.0 million, representing an increase of 61.9% over HK$4,463.3 million for 2010 and the consolidated gross margin was 31.1%, representing a decrease of 0.5 percentage points from 31.6% for 2010. The increase in consolidated gross profit for year 2011 was mainly attributable to the increase in sales volume and selling prices of our cement products. The gross margins of cement, clinker and concrete for 2011 were 34.0%, 24.7% and 24.0%, as compared with 35.6%, 17.2% and 23.3% respectively for 2010. The gross margins of cement products by province for 2011 are: Guangdong 37.6% (35.5% in 2010), Guangxi 25.2% (30.3% in 2010), Fujian 19.1% (20.4% in 2010), Hainan 31.8% (24.8% in 2010) and Shanxi 21.7% (28.0% in 2010).

Other income

Other income for 2011 was HK$606.3 million, representing an increase of 176.1% over HK$219.6 million for 2010, mainly due to increased exchange gain of HK$270.3 million derived from net bank loans denominated in HK$ as a result of the appreciation of RMB against HK$ and increase in government incentive received of HK$24.0 million calculated based on value added taxes paid.

Selling and distribution expenses

Selling and distribution expenses for 2011 were HK$1,228.0 million, which were 24.1% over HK$989.7 million for 2010. As a percentage to consolidated turnover, selling and distribution expenses decreased to 5.3% in 2011 from 7.0% in 2010. In 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. Water level in Xijiang River has resumed to normal and freight cost has returned to normal level which has led to lower selling and distribution expenses. The lower level of selling and distribution expenses was also resulted from our efforts on logistics management.

General and administrative expenses

General and administrative expenses for 2011 were HK$1,325.0 million, representing an increase of 9.4% over HK$1,211.7 million for 2010. As a percentage to consolidated turnover, general and administrative expenses decreased to 5.7% for 2011 from 8.6% for 2010. This was attributable to the economies of scale achieved from the commencement of operations of new plants that contributed to the revenue of the Group.

Share of results of jointly controlled entities and associates

The share of results of jointly controlled entities and associates amounted to HK$155.0 million (Nil in 2010) and HK$134.4 million (loss of HK$188,000 in 2010) respectively. These represented the share of net post-acquisition profit attributable to the Group.

Taxation

The effective tax rate of the Group for 2011 was 11.4%, representing an increase of 7.0 percentage points from 4.4% of 2010. This was because tax holidays previously enjoyed by certain subsidiaries have been fully utilized and a higher portion of the profit was generated from subsidiaries which were subject to the Chinese Mainland Enterprise Income Tax rate of 25%.

Net margin

Net margin of the Group for 2011 was 18.7%, which was 3.6 percentage points higher than that of 15.1% for 2010. 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$70.6 (HK$57.8 in 2010) and HK$20.7 (HK$11.6 in 2010) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2011	2010
	'000	*'000*
HK$	**1,400,713**	2,396,547
RMB	**1,877,115**	1,451,496
US$	**4,305**	2,849

As at 31 December 2011, the Group's banking facilities amounted to US$165.0 million, HK$8,330.0 million and RMB17,832.9 million, of which RMB9,011.0 million was unutilized and remained available for draw down and the total bank loans of the Group amounting to HK$20,494.4 million equivalent (HK$13,024.1 million as at 31 December 2010) comprised loans in the following currencies:

	As at 31 December	
	2011	2010
	'000	*'000*
US$	**165,000**	130,000
HK$	**8,330,000**	5,655,000
RMB	**8,821,900**	5,410,500

Among these bank loans denominated in RMB, total amount of HK$409.9 million equivalent was secured by bank deposits and fixed assets of the Group (HK$440.6 million as at 31 December 2010 was secured by fixed assets) and HK$20,084.5 million equivalent (HK$12,583.5 million as at 31 December 2010) was unsecured.

All bank loans as at 31 December 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 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 31 December 2011, the total amount of the outstanding loans was HK$880.8 million (Nil as at 31 December 2010) which comprised loans in the following currency:

	As at 31 December	
	2011	2010
	'000	*'000*
HK$	**880,800**	Nil

The above loans are unsecured, interest bearing at rates chargeable under the master lending agreements and repayable in January 2012.

Under the terms of certain agreements for total banking facility of HK$8,492.5 million equivalent which will expire from February 2012 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 total banking facility of HK$8,692.5 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Company as at 31 December 2011, calculated by dividing net borrowings by equity attributable to owners of the Company, was 91.3% (61.6% as at 31 December 2010).

The Group's business transactions were mainly carried out in HK$ and RMB. The Group's exposure to currency risk was attributable to the bank balances and bank loans which were denominated in currencies other than the functional currency of the entity to which these bank balances and bank loans were related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise. As at 31 December 2011, the Group was engaged in a hedging contract in the amount of US$100,000,000 for the purpose of the settlement of a US$ bank loan.

The Group has net current liabilities of HK$9,535.7 million as at 31 December 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 31 December 2011, certain assets of the subsidiaries of the Company with an aggregate carrying value of HK$548.5 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 31 December 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 utilized.

USE OF PROCEEDS

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

Expansion Plan	**Residual balance to be used as at 31/12/2010**	**Used during the year**	**Residual balance to be used as at 31/12/2011**
	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	210.7	5.2
	349.7	344.5	5.2

FUTURE PLAN AND CAPITAL EXPENDITURE

During the year, 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$1,056.7 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$1,307.7 million;

(3) 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 Luoding County, Guangdong, with the cost of construction amounting to approximately HK$1,142.8 million; and

(4) twelve concrete batching plants with total annual capacity of 7.2 million m^3, with the cost of construction amounting to approximately HK$501.2 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. 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.

As at 31 December 2011, the Group has outstanding capital expenditure in the amount of HK$7,979.6 million of which approximately HK$6,222.6 million is expected to be expended in 2012. 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 the year** *HK$ million*	**Outstanding capital expenditure as at 31/12/2011** *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	6,557.0	5,016.7	918.9	621.4
Construction of production lines in Fuchuan County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,169.6	950.3	100.5	118.8
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	1,501.0	1,237.0	106.3	157.7
Construction of production lines in Tianyang County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,082.4	708.8	182.4	191.2
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	1,037.3	603.6	210.7	223.0
Construction of production lines in Shantou City, Guangdong with a total capacity of 1.8 million tons of cement	255.5	222.1	24.4	9.0
Construction of production lines in Luchuan County, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,127.4	483.2	403.8	240.4
Construction of production lines in Yongding County, Fujian, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,507.7	488.5	644.8	374.4
Construction of production lines in Yangchun County, Guangdong with a total capacity of 1.0 million tons of cement and 0.8 million tons of clinker	347.4	244.5	57.1	45.8
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	1,464.9	497.1	470.6	497.2

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2010 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2011 *HK$ million*
Construction of production lines in Liulin County, Shanxi, with a total capacity of 4.0 million tons of cement and 2.7 million tons of clinker	2,608.5	1,982.8	365.5	260.2
Construction of the second set of production lines in Shangsi County, Guangxi with a total capacity of 2.0 million tons of cement and 1.6 million tons of clinker	677.2	119.3	441.0	116.9
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	1,357.1	–	457.2	899.9
Acquisition of production lines in Changzhi City, Shanxi, with a total capacity of 600,000 tons of cement and 372,000 tons of clinker	172.1	105.7	5.3	61.1
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	1,056.7	–	712.4	344.3
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	1,307.7	–	22.9	1,284.8
Acquisition of production lines in Fangshan County, Shanxi, with a total capacity of 700,000 tons of cement and 372,000 tons of clinker	345.4	–	129.4	216.0
Construction of production lines in Luoding County, Guangdong, with a total capacity of 2.0 million tons of cement and 1.4 million tons of clinker	1,142.8	–	262.1	880.7
Construction of 12 concrete batching plants with a total capacity of 7.2 million m^3 of concrete	501.2	–	43.7	457.5
Technological upgrade projects and other purchases of fixed assets	979.3	–	–	979.3
	26,198.2	12,659.6	5,559.0	7,979.6

Apart from the foregoings, the Group had no other significant planned capital expenditure or commitment as at 31 December 2011. The above planned and intended capital expenditures and commitments will be financed by bank loans and internally generated funds.

EMPLOYEES

As at 31 December 2011, our Group employed a total of 22,807 full time employees of whom 199 were based in Hong Kong and the remaining 22,608 were based in the Chinese Mainland. A breakdown of our employees by functions is stated as follows:

Management	295
Finance and administration	3,215
Production and technical	16,789
Quality control	1,985
Sales and marketing	523
Total	22,807

Among our 295 senior and middle managerial staff, 56% possess university degrees, 34% have received post-secondary education and their average age is about 41. 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 whereby eligible employees of the Group may be granted cash benefits calculated and paid according to shares of the Company acquired by the trustee under this scheme.

STRATEGIC OBJECTIVES AND PROSPECTS

Since 2011, we have strategically entered new regional markets such as Inner Mongolia and Yunnan through acquisitions and have moved forward our expansion strategy of "Based in the South, target nationwide". According to the data released by the China Cement Net, we have been ranked at the forefront among China's cement enterprises in terms of clinker production capacity.

As at 31 December 2011, the annual production capacities of clinker, cement and concrete in operation held through our subsidiaries amounted to 47.3 million tons, 68.7 million tons and 32.0 million m^3 respectively. In addition, the cement companies in Guangzhou which we hold through jointly controlled entities and the associated companies that operate in Inner Mongolia, which we have equity interest, had total annual clinker and cement production capacities in operation of 14.5 million tons and 20.7 million tons, of which the annual clinker and cement production capacities attributable to the Company according to equity interest amounted to 6.5 million tons and 9.7 million tons respectively. In view of the continuous slowdown of domestic economic growth, we take the initiative to control the financial risk and postpone the planned construction of certain projects. Based on the current construction plan on production capacity and provided that we do not have any further acquisition, our annual production capacities held through subsidiaries for clinker, cement and concrete will amount to 51.6 million tons, 74.7 million tons and 39.2 million m^3 respectively by the end of 2012; 58.8 million tons, 79.7 million tons and 46.4 million m^3 respectively by the end of 2013; and 66.0 million tons, 89.0 million tons and 53.6 million m^3, respectively by the end of 2014.

The Group is currently a leading cement supplier with business covering Southern China and Shanxi. We will further strengthen our leading market position and achieve the objective of having at least 25% market share in all our operating areas. We will continue to persist in and promote the "3 (control, conversion and distribution of resources) + 2 (lowest total cost, leading in regional market)" development strategy and expand production capacity in our operating areas and other regions with strategic value, mainly through mergers and acquisitions.

According to national and individual provincial Twelfth Five-year Plans, the central and local governments will continue to increase investment in aspects such as water conservation, energy and housing in the next few years. The continuous advancement of China's urbanization will drive the continuous growth of urban infrastructure investment. The national long-term development plans of the provinces where we operate (including the Pearl River Delta Development Plan and the Hengqin Overall 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, the Resources Type Economic Transform and Integrated Reform Experimental District Plan in Shanxi, etc.) have entered a substantive construction phase, and are expected to continuously and rapidly promote the economic development and FAI of our operating areas and increase the demand for cement and concrete products. We will seize this strategic historical opportunity, fully utilize the advantages of industrial policies, promote industry consolidation, strengthen research and development and innovation, constantly reduce emissions and costs, gradually enhance the delicacy of the management level, remain robust and high-quality growth, devoted with a thanksgiving heart and move towards the goal of "being a first-class cement and concrete supplier".

CODE ON CORPORATE GOVERNANCE PRACTICES

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

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.06 per share for the year ended 31 December 2011 (2010: HK$0.045). Subject to approval by shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about 18 May 2012 to shareholders whose names appear on the register of members of the Company on 10 May 2012. Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK$0.05 per share (2010: Nil) and total distribution for the year ended 31 December 2011 is HK$0.11 per share (2010: HK$0.045).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 April 2012 to Friday, 4 May 2012, 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, 4 May 2012, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 27 April 2012.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business of the Company at 4:30 p.m. on Thursday, 10 May 2012 and the register of members of the Company will be closed on Thursday, 10 May 2012, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged with the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9 May 2012.

APPRECIATION

I would like to thank the Board and all employees for their continued loyalty, diligence, and contributions to the Group. On behalf of the Board, I would also like to express our heartfelt thanks to our shareholders, bankers, customers and suppliers for their continuing support.

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

Hong Kong, 2 March 2012

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 and Mr. WEI Bin; 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.