華潤水泥控股有限公司
China Resources Cement Holdings Limited
(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1313)

2017 ANNUAL RESULTS ANNOUNCEMENT

	2017	2016	**Increase**
Turnover *(HK$ million)*	**29,958.4**	25,647.5	16.8%
Profit attributable to owners of the Company *(HK$ million)*	**3,616.7**	1,325.9	172.8%
Basic earnings per share	**HK$0.554**	HK$0.203	
Proposed final dividend per share	**HK$0.155**	HK$0.075	
	As at 31/12/2017	As at 31/12/2016	**Increase (Decrease)**
Total assets *(HK$ million)*	**56,526.6**	52,156.5	8.4%
Equity attributable to owners of the Company *(HK$ million)*	**30,309.0**	26,006.8	16.5%
Net borrowings *(HK$ million) (note 1)*	**11,707.3**	14,667.7	(20.2)%
Net gearing ratio *(note 2)*	**38.6%**	56.4%	
Net assets per share – book *(note 3)*	**HK$4.64**	HK$3.98	16.6%

notes:

1. Net borrowings equal to total bank borrowings, unsecured bonds, commercial paper and medium term notes 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 (collectively the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Turnover	*3*	**29,958,428**	25,647,464
Cost of sales		**(20,727,933)**	(18,622,005)
Gross profit		**9,230,495**	7,025,459
Other income	*4*	**370,920**	265,916
Change in fair value of investment properties		**17,800**	5,000
Selling and distribution expenses		**(1,783,594)**	(1,675,852)
General and administrative expenses		**(2,675,898)**	(2,301,638)
Exchange gain (loss)		**263,697**	(418,597)
Finance costs	*5*	**(638,342)**	(692,323)
Share of results of associates		**20,643**	(58,054)
Share of results of joint ventures		**78,317**	8,503
Profit before taxation	*6*	**4,884,038**	2,158,414
Taxation	*7*	**(1,291,421)**	(896,844)
Profit for the year		**3,592,617**	1,261,570
Attributable to:			
Owners of the Company		**3,616,742**	1,325,855
Non-controlling interests		**(24,125)**	(64,285)
		3,592,617	1,261,570
Basic earnings per share	*8*	**HK$0.554**	HK$0.203
Proposed final dividend per share	*9*	**HK$0.155**	HK$0.075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Fixed assets		**30,902,575**	29,783,669
Prepaid lease payments		**2,816,137**	2,674,723
Investment properties		**131,176**	112,499
Intangible assets		**2,335,214**	2,263,684
Interests in associates		**5,535,302**	5,212,992
Interests in joint ventures		**1,425,223**	1,484,271
Deposits for acquisition of fixed assets		**706,307**	752,008
Deferred tax assets		**256,361**	325,525
Long term receivables		**464,008**	440,901
Pledged bank deposits		**59,250**	32,368
		44,631,553	43,082,640
Current assets			
Inventories		**1,717,455**	1,943,482
Trade receivables	*10*	**2,593,819**	2,434,190
Other receivables		**854,752**	967,299
Loan to a fellow subsidiary		**718,214**	–
Amounts due from associates		**503,933**	486,761
Amounts due from joint ventures		**13,821**	10,929
Taxation recoverable		**108,033**	71,065
Pledged bank deposits		**928**	1,461
Cash and bank balances		**5,384,094**	3,158,684
		11,895,049	9,073,871
Current liabilities			
Trade payables	*11*	**3,374,633**	3,145,780
Other payables		**4,966,250**	4,446,121
Taxation payable		**443,893**	334,213
Other unsecured short term debt – commercial paper		**–**	558,965
Unsecured bonds		**–**	3,102,032
Bank loans – amount due within one year		**6,572,157**	3,229,723
		15,356,933	14,816,834
Net current liabilities		**(3,461,884)**	(5,742,963)
Total assets less current liabilities		**41,169,669**	37,339,677

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Bank loans – amount due after one year	**6,990,479**	7,615,712
Unsecured medium term notes	**3,588,900**	3,353,790
Other long term payables	**13,491**	20,086
Deferred tax liabilities	**94,358**	98,220
	10,687,228	11,087,808
	30,482,441	26,251,869
Capital and reserves		
Share capital	**653,294**	653,294
Reserves	**29,655,675**	25,353,474
Equity attributable to owners of the Company	**30,308,969**	26,006,768
Non-controlling interests	**173,472**	245,101
Total equity	**30,482,441**	26,251,869

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 – 2016 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle[2]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

Except for the application of new requirements under HKFRS 16 "Leases" which may result in changes in measurement, presentation and disclosure, the Directors do not anticipate that the application of the other amendments to HKFRSs will have material impact on the consolidated financial statements of the Group.

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 HKFRSs, that are regularly reviewed by the chief executive officer in order to allocate resources to the operating segments and to assess their performance.

The Group's operating and reportable segments are as follows:

Cement–manufacture and sale of cement and related products

Concrete–manufacture and sale of concrete and related products

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

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

The information of segment results are as follows:

For the year ended 31 December 2017

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER				
External sales	**24,901,082**	**5,057,346**	**–**	**29,958,428**
Inter-segment sales	**782,817**	**2,024**	**(784,841)**	**–**
	25,683,899	**5,059,370**	**(784,841)**	**29,958,428**

Inter-segment sales are charged at prevailing market prices.

	Cement	**Concrete**	**Elimination**	**Total**
RESULTS				
Segment results	**5,519,145**	**274,054**	**–**	**5,793,199**
Interest income				**68,596**
Exchange gain				**263,697**
Finance costs				**(638,342)**
Unallocated net corporate expenses				**(702,072)**
Share of results of associates				**20,643**
Share of results of joint ventures				**78,317**
Profit before taxation				**4,884,038**

For the year ended 31 December 2016

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	21,112,585	4,534,879	–	25,647,464
Inter-segment sales	628,050	3,302	(631,352)	–
	21,740,635	4,538,181	(631,352)	25,647,464

Inter-segment sales are charged at prevailing market prices.

	Cement	Concrete	Elimination	Total
RESULTS				
Segment results	3,322,666	401,438	–	3,724,104
Interest income				42,202
Exchange loss				(418,597)
Finance costs				(692,323)
Unallocated net corporate expenses				(447,421)
Share of results of associates				(58,054)
Share of results of joint ventures				8,503
Profit before taxation				2,158,414

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Government incentives	**84,622**	70,306
Interest income	**68,596**	42,202
Sales of scrap and raw materials	**77,424**	55,152
Service income	**5,502**	5,408
Rental income	**49,962**	37,577
Compensation received from insurance	**19,498**	11,480
Compensation received from suppliers and customers	**12,444**	10,266
Others	**52,872**	33,525
	370,920	265,916

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Bank loans, unsecured bonds, commercial paper and medium term notes	**614,859**	686,633
Loan from an intermediate holding company	**–**	5,121
Loan from a fellow subsidiary	**22,780**	–
Other long term payables	**703**	569
	638,342	692,323

6. PROFIT BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**15,374**	24,047
Pension costs and mandatory provident fund contributions for staff, excluding Directors	**168,448**	181,044
Other staff costs	**2,957,254**	2,563,185
Total staff costs	**3,141,076**	2,768,276
Allowance for (reversal of allowance for) doubtful debts	**35,633**	(21,964)
Allowance for doubtful debts of other receivables	**93,346**	26,236
Amortisation of mining rights	**85,447**	79,503
Auditor's remuneration	**6,444**	5,812
Depreciation of fixed assets	**1,850,884**	1,822,875
Impairment of fixed assets	**152,809**	138,362
Impairment of goodwill	**78,934**	–
Impairment of inventories	**4,204**	12,365
Loss on disposal of fixed assets	**32,022**	16,091
Operating lease payments in respect of		
– rented premises	**47,069**	145,554
– motor vehicles	**406,719**	316,302
Release of prepaid lease payments	**73,568**	79,049

7. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**27,156**	30,969
Chinese Mainland Enterprise Income Tax	**1,203,117**	819,624
(Over) under provision of Chinese Mainland Enterprise Income Tax in prior years	**(16,057)**	33,593
	1,214,216	884,186
Deferred taxation		
Hong Kong	**(3,822)**	(1,672)
Chinese Mainland	**81,027**	14,330
	77,205	12,658
	1,291,421	896,844

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 25% on the taxable income of the group entities in the Chinese Mainland for both years.

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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**3,616,742**	1,325,855

	2017	2016
Number of shares		
Number of shares for the purpose of basic earnings per share	**6,532,937,817**	6,532,937,817

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

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2017 Interim – HK$0.115 per share (2016: HK$0.015 per share)	**751,288**	97,994
2016 Final – HK$0.075 per share (2015: HK$0.02 per share)	**489,970**	130,659
	1,241,258	228,653

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2017 of HK$0.155 per share (HK$0.075 per share in respect of the year ended 31 December 2016) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The total amount of HK$1,012,605,000 (2016: HK$489,970,000) of the proposed final dividend, calculated based on the Company's number of shares issued at the date of this announcement, is not recognised as a liability in the consolidated statement of financial position.

10. TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables from third parties	**2,545,810**	2,429,967
Trade receivables from related parties	**48,009**	4,223
	2,593,819	2,434,190

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

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**2,327,362**	2,210,025
91 to 180 days	**140,690**	125,778
181 to 365 days	**125,767**	98,387
	2,593,819	2,434,190

11. TRADE PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade payables to third parties	**3,366,942**	3,140,406
Trade payables to related parties	**7,691**	5,374
	3,374,633	3,145,780

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**3,219,897**	3,055,602
91 to 180 days	**78,484**	45,960
181 to 365 days	**34,337**	27,688
Over 365 days	**41,915**	16,530
	3,374,633	3,145,780

BUSINESS ENVIRONMENT

In 2017, as its general keynote, the Chinese government persistently sought progress amidst stability by strengthening supply-side structural reform. Stable and healthy development of the national economy was maintained and the economic structure was continuously optimized through promoting various works for steady growth, reform initiation, structure adjustment, benefits to people's livelihood as well as risk prevention. According to the statistics published by the National Bureau of Statistics of China, China's gross domestic products ("GDP") grew by 6.9% to RMB82.7 trillion over last year, which was higher than the target set at the beginning of the year. National fixed asset investments ("FAI") (excluding rural households) increased by 7.2% over last year to RMB63.2 trillion.

According to the statistics published by the National Bureau of Statistics of China, in 2017, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi, at which the Group has operations, reached RMB9.0 trillion, RMB2.0 trillion, RMB3.2 trillion, RMB446.0 billion, RMB1.7 trillion, RMB1.4 trillion and RMB1.5 trillion, representing increases of 7.5%, 7.3%, 8.1%, 7.0%, 9.5%, 10.2% and 7.0% respectively, while the FAI (excluding rural households) of these provinces increased by 13.5%, 12.8%, 13.9%, 10.1%, 18.0%, 20.1% and 6.3% to RMB3.7 trillion, RMB2.0 trillion, RMB2.6 trillion, RMB413.0 billion, RMB1.8 trillion, RMB1.5 trillion and RMB572.0 billion respectively.

During the year, in order to achieve stable economic growth, the Chinese government was devoted to promoting efficient investment and optimizing investment structure. According to the statistics published by the National Bureau of Statistics of China, national infrastructure investments (excluding the production and supply of electricity, heat, gas and water) reached RMB14.0 trillion in 2017, representing an increase of 19.0% over last year. According to the statistics published by the National Railway Administration of China, FAI on national railway amounted to RMB801.0 billion for the year, which basically remained unchanged as compared with last year. As of the end of 2017, the operational length of railways in China reached 127,000 km, among which, the operational length of high-speed railways reached 25,000 km. According to the statistics published by the Ministry of Transport of China, in 2017, FAI on highways and waterways amounted to approximately RMB2.3 trillion in total, representing an increase of 14.2% over last year, among which, FAI on highways increased by 17.7% to RMB2.1 trillion. By supporting a stable economic growth, infrastructure investment will be conducive to the steady and healthy development of the cement industry under supply-side reform.

Given the control policies on real estate, the real estate market in China has stabilized with steady growth in housing sales and investment. According to the statistics published by the National Bureau of Statistics of China, in 2017, the floor space of commodity housing sold in China increased by 7.7% over last year to 1,690 million m^2 and the sales amount increased by 13.7% to RMB13.4 trillion. Real estate investment in China reached RMB11.0 trillion, representing an increase of 7.0% over last year. The floor space of houses newly started construction increased by 7.0% to 1,790 million m^2 while the floor space of houses completed decreased by 4.4% to 1,010 million m^2. As at the end of 2017, the floor space under construction by the real estate developers nationwide reached 7,810 million m^2, representing an increase of 3.0% over last year. The land area purchased by real estate developers amounted to 260 million m^2, representing an increase of 15.8% over last year. The stable real estate market has laid the foundation for the cement demand.

THE INDUSTRY

In 2017, the cement demand in China remained stable and new production capacity continued to decline. Large-scale enterprises had increased their market share by consolidation in the cement industry. Cement price increased continuously due to further improvement of the competitive landscape.

According to the statistics published by the National Bureau of Statistics of China, in 2017, total cement production in China amounted to 2,320 million tons, representing a decrease of 0.2% from last year. Among which, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou and Shanxi were 160 million tons, 120 million tons, 84.4 million tons, 22.1 million tons, 110 million tons, 110 million tons and 35.1 million tons, representing changes of 4.7%, 1.7%, 4.4%, –0.7%, 3.0%, 5.7% and –2.5% respectively as compared with last year.

Our information showed that there were thirteen new clinker production lines nationwide in 2017. New clinker production capacity amounted to 20.5 million tons in total, representing a decrease of 20.0% from last year, which accounted for approximately 1.5% of total clinker production in China and has been decreasing for five consecutive years. Among which, two new clinker production lines were located in Guangdong, two in Guangxi and one in Fujian, accounting for increases of clinker production capacities by 4.7 million tons, 3.1 million tons and 1.6 million tons respectively.

During the year, the Chinese government actively pursued pollution prevention, strengthened inspections on energy saving, emission reduction and production safety, and further perfected laws and regulations of the cement industry. Stringent law enforcement by the government authorities has been conducive to the elimination of obsolete capacity from the market and the sustainable development of the cement industry.

Since 2017, the Ministry of Environmental Protection of China has conducted two batches of nationwide central environmental protection inspections, which focused on checking the compliance with emission standards. Enterprises which discharge pollutants without permit or not in accordance with the permit conditions shall be severely punished. Corporates and responsible persons in violation of laws and regulations shall be fined and detained, while the officials of the relevant government departments shall also be held accountable.

In April 2017, the State Administration of Work Safety issued a notice concerning the launch of a nationwide special campaign from May 2017 to December 2019 on law enforcement of production safety and occupational health for cement enterprises. The campaign will be included in the scope of evaluation of local governmental authorities on accountability of production safety. Enterprises failing to duly make rectification or failing to meet the standards of production safety and occupational health after rectification will have to shut down.

In November 2017, the Ministry of Industry and Information Technology and the Ministry of Environmental Protection of China jointly promulgated the "Notice on the Launch of Off-Peak Production in Certain Industrial Sectors at "2+26" Cities in Fall and Winter 2017-2018", which requires the cement industry (including special cement but excluding grinding plants) to implement off-peak production during heating season in accordance with the relevant requirements of the "Notice on Further Improving Off-Peak Production in Cement Industry" jointly promulgated by the Ministry of Industry and Information Technology and the Ministry of Environmental Protection of China.

Since January 2018, the Environmental Protection Tax Law of China has officially come into effect and replaced the pollution discharge fee. The tax law defines the taxable scope of air pollutants and water pollutants.

In respect of green development in cement industry, in May 2017, the Ministry of Environmental Protection of China released the "Guideline (Trial) on Review of Business License for Hazardous Waste Co-Processing by Use of Cement Kilns", setting out the key points for reviewing technical personnel, transportation of hazardous waste, as well as the technologies and facilities of co-processing by use of cement kilns ("Co-Processing"). Enterprises which meet the requirements will be granted licenses.

Regarding the control on new production capacity, in December 2017, the Ministry of Industry and Information Technology of China published the revised implementation measures for production capacity replacement in the cement industry. Filing, new construction or expansion of production capacities for cement and clinker projects shall be strictly prohibited. In environmentally sensitive areas such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Pearl River Delta, cement enterprises are required to eliminate 1.5 tons of existing production capacity for adding every 1 ton of new production capacity. The implementation of reduction and replacement of production capacity has been strengthened.

Besides, in September 2017, the Ministry of Industry and Information Technology of China released a notice to solicit opinions on amendments to the national standard of General Portland Cement regarding the proposed elimination of PC32.5R grade cement.

During the year, China Cement Association published the "Thirteenth Five-Year Development Plan on the Cement Industry", proposing numerous targets for promoting the sustainable development of the industry. In terms of elimination of production capacity, the Association proposed to eliminate 392.7 million tons of clinker capacity in three years and shut down 540 cement grinding companies so that the national average capacity utilization rates of clinker and cement could reach 80% and 70% respectively, and the concentration of top ten large-scale cement corporations by production capacity could exceed 70% for clinker and 60% for cement respectively. In addition, the Plan advocated the targets of reducing energy consumption to 105 kg of standard coal for every ton of cement and clinker produced in aggregate and increasing the proportion of co-processing production lines by use of cement kilns to 15% by quantity by 2020.

TRANSFORMATION AND INNOVATION

The Group attaches great importance to corporate social responsibilities, proactively supports the national policies of energy saving and emission reduction, and seizes the industry trend of co-processing wastes by use of cement kilns for transformation into an environmentally-friendly enterprise. At the same time, research and development ("R&D") and promotion of new products, new materials and new technologies are enhanced to foster a green and healthy development of the cement industry.

The Group persistently upgrades the environmental protection standards of our production lines. All our clinker production lines have been equipped with denitration system and bag filters. Our emission levels of both nitrogen oxides and particulate matters are lower than the national standard limits of pollutant emission, while the emission level of sulphur dioxide is in compliance with the national standard, which places the Group at a leading position in the industry. The Group also proactively rolled out the pilot work of carbon emission trading scheme in co-operation with Guangdong and Fujian provincial governments.

In terms of co-processing wastes by use of cement kilns, the Group's municipal solid waste Co-Processing ("Municipal Waste Co-Processing") projects in Tianyang County, Guangxi and Midu County, Yunnan are under construction and are expected to be completed in the first half of 2018. Besides, the Group has been actively exploring new technologies and new procedures of Co-Processing. Construction of the hazardous industrial waste Co-Processing ("Hazardous Waste Co-Processing") project in Changjiang County, Hainan was completed in February 2018. Compared to traditional landfilling, solid waste co-processing by use of cement kilns could substantially save land resources and eliminate poisonous pollutants such as dioxin by effective use of heat inside cement kilns, thereby achieving waste treatment in a "hazard-free, mass-reducing and recyclable" manner and creating a healthier living environment for local residents. Through proactively rolling out co-processing projects by use of cement kilns, the Group has become one of the enterprises in the cement industry in China with Co-Processing capabilities in municipal solid waste, urban sludge and industrial hazardous waste.

In June 2017, at the "15th China International Environmental Protection Exhibition and Conference", the Group presented its technologies on Municipal Waste Co-Processing project and shared its experience with case study. In December, in the first National Conference for Innovation and Development of Co-Processing by Use of Cement Kilns jointly held by China Building Materials Federation and China Cement Association in Beijing, the Group obtained numerous awards and recognitions for the "mechanical biological pre-treatment + HOTDISC incineration" technology applied in its Municipal Waste Co-Processing project in Binyang County, Guangxi, which demonstrated the Group's achievements on technology innovation, engineering and construction of Co-Processing.

In 2017, the Group persistently put the "Low-Carbon Technology Partnerships Initiative" of the cement industry into practice and actively participated in the "Cement Sustainable Development Knowledge Centre" project jointly initiated by Cement Sustainability Initiative and United Nations Industrial Development Organization. The Group successfully organized work conferences for the representatives of Cement Sustainability Initiative in China, and was committed to fostering the transformation, upgrade and sustainable development of the cement industry as well as raising the standing and influence of the Chinese cement industry in the global market.

In 2017, the Group's continuous efforts in energy saving, environmental protection, production safety and technology innovation were recognized by the industry and the society. These include:

- In June 2017, China Resources Cement Holdings Limited was honoured "BOCHK Corporate Environmental Leadership Awards 2016 – Manufacturing Sector" – Silver Award by the Federation of Hong Kong Industry;

- In October 2017, China Resources Cement (Nanning) Limited and China Resources Cement (Tianyang) Limited were listed in the first batch of "Green Factories" approved by the Ministry of Industry and Information Technology of China;

- In October 2017, China Resources Cement (Fengkai) Limited was recognized as "Hong Kong – Guangdong Cleaner Production Excellent Partners (Manufacturing)" by the Environmental Protection Department of Hong Kong and Economic & Information Technology Commission of Guangdong;

- In December 2017, China Resources Cement (Jinsha) Limited was honoured "Hong Kong Green Awards 2017 – Environmental, Health and Safety Award (Large Corporation) – Silver Award" by the Green Council of Hong Kong;

- In December 2017, China Resources Cement (Luoding) Limited was honoured "Hong Kong Green Awards 2017 – Green Management Award (Large Corporation) – Merit Award" by the Green Council of Hong Kong;

- In December 2017, China Resources Cement (Tianyang) Limited was honoured "National Safety Culture Building Pilot Corporate 2017" by the Association of Work Safety of China;

- In February 2018, China Resources Cement (Heqing) Limited was listed in the second batch of "Green Factories" approved by the Ministry of Industry and Information Technology of China.

The Group's innovative development strategy mainly serves to achieve the lowest total costs through lean operations, a leading position in the regional market with innovation-driven development through R&D of new products, new materials and new technologies. Besides, the Group proactively seizes the development opportunities in the extension of industrial chains and launches new businesses such as prefabricated construction and aggregates, thereby facilitating corporate transformation for achievement of innovative development.

NEW PRODUCTION PLANTS

During the year, the Group completed the construction of one clinker production line with annual production capacity of approximately 1.6 million tons and two cement grinding lines with total annual production capacity of approximately 2.0 million tons at Hepu County, Guangxi. In addition, the Group completed the construction of three concrete batching plants and shut down two concrete batching plants, which increased our total annual concrete production capacity by approximately 1.4 million m^3.

CAPACITY UTILIZATION

The utilization rates of the Group's cement, clinker and concrete production lines during the year were 96.3%, 111.5% and 37.2% as compared with 101.5%, 114.3% and 35.9% respectively for 2016.

COST MANAGEMENT

Operational Management

By benchmarking the performance indicators of production and operation of the Group, each production plant could learn from the successful experience of the model plants for continuous reduction of energy consumption and enhancement of operational efficiency. The Group also continued to improve the performance appraisal system of our production plants which included operational indicators such as coal consumption and power consumption. This aims to stimulate staff proactivity, enhance inventory management of spare parts and further improve our operational standards.

The Group is committed to promotion of key projects for energy saving and technological reform as well as continuous implementation of lean management for waste reduction, cost minimization and efficiency improvement. The Group carried out 17 lean improvement projects in 2017, including underground water treatment for limestone mine pits, research and promotion of ceramic ball technique, composite management on repairs of mining tyres and efficient composite energy-saving technology project for coal grinders.

During the year, the Group launched an intelligent factory pilot scheme at its cement production plants in Fengkai County, Guangdong and Nanning City, Guangxi in order to optimize staff structure, reduce cost and improve efficiency. The intelligent manufacture project in Fengkai County has been included in the "List of 2017 Pilot Demonstration Projects of Intelligent Manufacture" published by the Guangdong Provincial Government. There are also plans to commence the construction of automatic loading, online monitor of equipment status, expert system for grinding at cement kilns and smart video monitor systems in that plant. Besides, the Group is carrying out pilot operation of automatic packer at the cement production plant in Jiangmen City, Guangdong, which will be promoted to Fengkai County and Nanning City upon completion.

Procurement Management

In 2017, under the national supply-side structural reform, the coal supply in China was stable yet tight. During the year, the Group purchased approximately 10.1 million tons of coal (9.9 million tons in 2016), representing an increase of 1.8% over last year; among which, approximately 71%, 20% and 9% (75%, 20% and 5% in 2016) were sourced from northern China, neighbouring areas of our production plants and Australia respectively. The proportion of direct procurement from coal producers maintained at approximately 77%. In the future, the Group will continue to strengthen co-operation with large-scale domestic coal suppliers and maintain the procurement channels of imported coal in order to secure stable supply of high-quality coal.

The Group is dedicated to systematic management of eligibility, co-operation, evaluation and exit of suppliers. Criteria for development and selection of suppliers have been developed according to corporate development strategy, procurement strategy and characteristics of procurement materials, and outstanding suppliers are introduced through multiple channels. Performance evaluation and feedback are conducted regularly for continuous improvement on the quality of the suppliers' services. With a view to ensure openness, equality and fairness of all processes, the Group has independently developed a supplier relationship management system and achieved online management for all procurement businesses and supplier management, so as to standardize supplier management strategies and business workflow for improving the procurement efficiency.

Logistics Management

Logistics management is one of the Group's key measures in maintaining its market competitiveness. In 2017, the Group stabilised shipping costs through optimising the mode of tender and increasing the efficiency of delivery. As of the end of 2017, the annual shipping capacity of the Group along the Xijiang River was 33.4 million tons, which secures stable and continuous logistics capabilities for the Group's business development. In addition, the Group controlled the operations of 43 silo terminals with an annual capacity of approximately 30.0 million tons, which are mainly located in the Pearl River Delta Region of Guangdong. This consolidates the Group's leading market position in Guangdong.

The Group has continuously accelerated logistics digitalization, for enhancing the delivery efficiency and supporting online and offline sales channels. The Group completed trial tests for the new-generation unmanned "Smart Card" system, hence facilitating the automation and intelligentization of product delivery and improving the quality of customer service. The system will be rolled out to cement production plants of the Group. Moreover, the truck transportation scheduling management system and the information collection system of the Group have improved the certainty in supply of truck transportation, providing customers with quality distribution services as well as offering more data support for market research and customer analysis. In 2017, on the basis of the trial work of mobile application for placing sales orders in Guangdong, the Group improved its functions and upgraded its system, hence enhancing stability and operational speed. Currently, the system has commenced operation in all the regions at which the Group has operations, thereby fully achieving online ordering.

BRAND BUILDING

In 2017, the Group strengthened the brand building and management of "Runfeng" by launching brand theme activities, creating franchise stores of the brand image, and intensifying brand promotion to target customers including distributors, stores and key users. These activities reinforced our customers' recognition and loyalty to the brand.

In April 2017, the Group launched a new cement product branded "Wang Pai Gong Jiang", renovation cement targeting urban and rural consumers for the domestic renovation market in Guangdong and Guangxi.

GREEN DEVELOPMENT

Energy Saving and Emission Reduction

The Group has been proactively supporting the national policies of environmental protection on energy saving and emission reduction. All our clinker production lines have been equipped with denitration system and bag filters. Our emission levels of both nitrogen oxides and particulate matters are lower than the national standard limits of pollutant emission, while the emission level of sulphur dioxide is in compliance with the national standard, which places the Group at a leading position in the industry. On the other hand, the Group achieved composite utilization of resources through optimization of the production prescription and effective use of resources such as industrial waste and waste limestone.

Co-Processing

The Group is dedicated to transformation for environmental protection, proactive advocate of Co-Processing projects and fostering sustainable development of the industry. Following the commencement of operation of the Municipal Waste Co-Processing project at our cement product plant in Binyang County, Guangxi with a daily processing capacity of 300 tons and the urban sludge Co-Processing project in Nanning City, Guangxi with a daily processing capacity of 300 tons, the construction of Hazardous Waste Co-Processing project in Changjiang County, Hainan with a daily processing capacity of 100 tons was completed in February 2018. In addition, the Municipal Waste Co-Processing projects in Tianyang County, Guangxi with a daily processing capacity of 500 tons and in Midu County, Yunnan with a daily processing capacity of 300 tons are under construction, and are expected to be completed in the first half of 2018.

Production Safety

The Group keeps improving the management system, strengthening safety management of counterparties, and actively conducts supervision and inspection works. In 2017, the Group conducted annual special inspections, covering mines, transportation and hazardous chemicals at 13 cement production plants, as well as on-site supervision on the repairs and maintenance at 12 plants and special safety inspection on the dumps of 8 mines. In addition, the Group strengthens safety management on counterparties, strictly implements eligibility checks on counterparties, supervision during the process, subsequent evaluation and the "Blacklist" mechanism. Management status of counterparties of 14 cement production plants was inspected. High-risk silo clearing operated by counterparties of 4 plants was specially supervised.

The Group is committed to production safety standardization and raising the overall standards of safety management through continuous improvement on fundamental management and innovative management models. The Group has 205 specialized safety management personnel, including 44 registered safety engineers. Since 2017, 5 cement production plants of the Group have passed the on-site assessments as the First-Class Enterprise in National Production Safety Standardization. Currently, a total of 25 cement production plants of the Group have passed the relevant assessment.

In addition, the Group pays keen attention to safety training. During the year, special training classes covering safety on production, mining and transportation were conducted, with 131 participants in attendance. 7 training activities organized by external parties were attended by 278 participants. During the year, the aggregate duration of training for staff in the regions and production plants amounted to approximately 336,800 hours, whereas that for counterparties amounted to approximately 46,100 hours. The Group also proactively organized various safety activities, including 625 emergency drills with 12,400 participants in attendance. Safety activities have effectively encouraged all staff members to participate in safety management, aroused corporate safety culture, and implanted safety management in staff, families and the society.

INNOVATION, RESEARCH AND DEVELOPMENT

Capability of Research and Development

As of the end of 2017, the laboratory of the Group's Research and Development Centre had 41 full-time employees, including 32 R&D personnel. 3 of them hold doctoral degree, and 15 of them hold master's degree. 5 of them are senior engineers, including 1 professorate senior engineer. In addition, the Group applies for patent licenses for its various R&D achievements. In 2017, the Group was newly granted 33 patent licenses, among which, 9 were inventions and 24 were utility models. The patents mainly included equipment and systems for energy saving, emission reduction and enhancement of production and operation efficiency, as well as new materials. As of the end of 2017, the Group held 110 patent licenses, including 15 inventions and 95 utility models.

In 2017, the laboratory of the Group's Research and Development Centre provided systematic quality checks and tests on the quality of production workmanship for each cement production plant, which effectively supported the lean operation of the plants and achieved results on cost reduction, quality improvement and energy saving. With regard to new products, the Group continuously researches and upgrades cement for marine engineering, pervious concrete and professional renovation cement. With regard to new technologies, the Group has conducted R&D and production of low-calcium clinker. R&D of various new products and new technologies, including concrete additives, feature analysis on coal and heat-resistant concrete were also done.

All-Staff Innovation

The Group strives for improvement of operation efficiency by establishing innovation organizations, cultivating innovators, organizing innovation competitions, constructing digital innovation platforms, systematically launching innovation management, creating an ambience of all-staff innovation and implementing innovation initiatives. In 2017, the Group officially launched its internal innovation platform to encourage all-staff contribution of more creative ideas and project plans. During the year, the Group organized the second innovation conference, at which topics including business models, products, technology, workmanship and management innovation were discussed. Numerous excellent innovation projects had been explored for driving corporate development.

EMPLOYEES

General Information

As at 31 December 2017, the Group employed a total of 20,592 full-time employees (21,897 as at 31 December 2016) of whom 159 were based in Hong Kong (159 as at 31 December 2016) and the remaining 20,433 were based in the Chinese Mainland (21,738 as at 31 December 2016). A breakdown of our employees by function is set out as follows:

	As at 31/12/2017	As at 31/12/2016
Management	**390**	404
Finance and administration	**2,886**	2,817
Production and technical	**14,710**	16,093
Quality control	**1,897**	1,885
Sales and marketing	**709**	698
Total	**20,592**	21,897

Among our 390 senior and middle-level managerial staff (404 as at 31 December 2016), 89% are male (90% as at 31 December 2016) and 11% are female (10% as at 31 December 2016), 65% possess university degrees or above (64% as at 31 December 2016), 28% have received post-secondary education (28% as at 31 December 2016) and their average age is about 46 (45 as at 31 December 2016). We offer our employees remuneration packages mainly on the basis of individual performance and experience and also having regard to common practice in the industry, including basic wages, allowance, performance related bonuses and other staff benefits. The Company has established a long term award scheme whereby eligible employees of the Group may be granted cash benefits calculated and paid according to the shares of the Company acquired by the trustee under the scheme.

Care for Employees

The Group regards its employees as the most valuable resource for its corporate survival and development, and has been continuously improving the working environment and atmosphere for its employees. Various group activities were organized for better physical and mental health of the employees, such as staff birthday parties, festival celebrations, sports competitions, photography competitions and fitness activities. During the year, the Group organized a hiking activity, which combined themes of traditional culture, hiking and fitness, parent-child interaction, talent show, classical Chinese opera performance and lawn birthday party. Sense of belonging and recognition of the employees and their families to the Company have been enhanced.

The Group has always paid keen attention to caring for employees. To understand their difficulties and needs as well as to care for and follow up with the improvement of their living conditions, employees in need and their families are regularly visited with solicitude, and regards and blessings are sent to them during festivals, hence reflecting the corporate spirit of humanity and caring. In 2017, the Company and its employees donated a total amount of RMB1,012,000 to the "China Resources Cement Gratitude Fund", which aims at caring for and helping the employees in need. Those employees were subsidized with a total amount of RMB260,000.

Staff Development

The Group strongly believes that talent is the key to corporate development, with keen attention to talent team building and improvement on the mechanism for "selection, cultivation, engagement and retention" of managerial staff. In 2017, the Group introduced online examination model on a digital learning system and developed online management manuals and question bank. These have been fully applicable to the performance evaluation of management standards and competitive promotion examination of all the key roles, thus creating an objective and quantitative green path for staff career development and further promoting talent development mechanism for matching roles with capability and performance. The Group also attaches great importance to staff training. Integrating the needs of business strategies, job requirements and talent development, the Group has established a systematic and standardized talent development system to provide training classified by management, professions, skills and talent specialization.

China Resources Cement College is an internal training institute set up by the Group for achieving the Company's strategic goals of building a talent development system consistent with corporate features in terms of leadership, professional capabilities and technical capabilities. Experts and scholars from local and overseas consultancy firms, training institutions and scientific research institutions were invited to give lectures. Department supervisors also provided guidance and helped to solve practical problems at work. These have secured talents in coping with the business development of the Group. In 2017, China Resources Cement College organized a total of 47 training courses with 2,800 participants, representing increases of 20.5% and 56.3% respectively over 2016.

In 2017, the Group continued to optimize the information system for staff training and the i-learning online learning platform. Currently, 490 online courses had been developed on the platform. In 2017, over 11,000 online learners had studied on the i-learning system for approximately 47,000 hours in total. In addition, the Group launched a mobile training application during the year, promoting the development of mobile courses and encouraging staff's initiatives to self-study through the mobile platform.

COMMUNITY WORK

The Group proactively participates in community work. Through donations of cement products, we help the surrounding towns and villages in construction and repairs of road and bridges, improvement on local infrastructure, and solving the practical difficulties of families in need in poor regions. The Group regularly organizes visits and expresses solicitude to the homes for the elderly, the orphaned, the elderly without family and the general public in need in our operating regions and near our production plants. The Group has been very much concerned about education for the children in poverty in the mountainous regions. We helped to create a better learning environment and ambience through donations of clothes, stationery, books, study grants and arranging subsidized schooling.

REVIEW OF OPERATIONS

Turnover

The consolidated turnover for the year ended 31 December 2017 amounted to HK$29,958.4 million, representing an increase of 16.8% from HK$25,647.5 million for the last year. An analysis of segmental turnover by product is as follows:

	2017			2016		
	Sales volume	**Average selling price**	**Turnover**	Sales volume	Average selling price	Turnover
	'000 tons/m³	***HK$ per ton/m³***	***HK$'000***	*'000 tons/m³*	*HK$ per ton/m³*	*HK$'000*
Cement	**75,895**	**301.2**	**22,861,292**	80,037	252.0	20,172,719
Clinker	**7,948**	**256.6**	**2,039,790**	4,859	193.4	939,866
Concrete	**13,458**	**375.8**	**5,057,346**	12,395	365.9	4,534,879
Total			**29,958,428**			25,647,464

In 2017, our external sales volume of cement, clinker and concrete decreased by 4.1 million tons, increased by 3.1 million tons and increased by 1.1 million m^3, representing a decrease of 5.2%, an increase of 63.6% and an increase of 8.6% respectively over 2016. During the year, approximately 67.2% of the cement products we sold were 42.5 or higher grades (65.4% in 2016) and approximately 45.0% were sold in bags (49.9% in 2016). Internal sales volume of cement for our concrete production was 2.8 million tons (2.6 million tons in 2016), representing 3.6% of the total volume of cement sold (3.1% in 2016).

Our cement sales by geographical areas in 2017 were as follows:

	2017			2016		
	Sales volume	**Average selling price**	**Turnover**	Sales volume	Average selling price	Turnover
Province/Autonomous Region	***'000 tons***	***HK$ per ton***	***HK$'000***	*'000 tons*	*HK$ per ton*	*HK$'000*
Guangdong	**30,465**	**315.7**	**9,616,748**	30,010	263.9	7,918,982
Guangxi	**21,917**	**277.0**	**6,070,908**	23,988	253.3	6,075,048
Fujian	**8,872**	**278.4**	**2,470,247**	9,534	217.8	2,076,103
Hainan	**5,337**	**357.9**	**1,910,290**	5,053	311.7	1,574,949
Yunnan	**4,922**	**330.7**	**1,627,846**	5,827	254.3	1,481,559
Guizhou	**2,140**	**256.5**	**548,891**	2,380	206.0	490,374
Shanxi	**2,242**	**274.9**	**616,362**	3,245	171.2	555,704
Total	**75,895**	**301.2**	**22,861,292**	80,037	252.0	20,172,719

The average selling prices of cement, clinker and concrete in 2017 were HK$301.2 per ton, HK$256.6 per ton and HK$375.8 per m^3 respectively, representing increases of 19.5%, 32.7% and 2.7% respectively from 2016. The average selling prices of our cement products increased due to stable demand for cement products and improved competitive landscape during the year. The increase in average selling price of concrete reflected the higher cost of production due to the increase in cement prices.

Costs of sales

The consolidated cost of sales of the Group comprised coal, electricity, materials and other costs, which represented 33.4%, 13.0%, 30.9% and 22.7% of the cost of sales respectively for the year (27.2%, 15.7%, 32.7% and 24.4% in 2016 respectively). As for cement products, coal, electricity, materials and other costs represented 39.0%, 15.1%, 21.6% and 24.3% of their costs respectively for the year (31.6%, 18.2%, 24.1% and 26.1% in 2016 respectively). Materials cost is the major component of the cost of sales of concrete, representing 89.7% of the cost of sales of concrete for the year (89.0% in 2016).

The average price of coal we purchased in 2017 was approximately HK$707 per ton, representing an increase of 36.2% from the average price of HK$519 per ton in 2016, while the average thermal value of coal decreased by 1.2% to 5,250 kcal per kg. During the year, our unit coal consumption slightly increased to 147.3 kg per ton of clinker produced from the average of 146.2 kg in 2016. Our standard coal consumption decreased to 106.9 kg per ton of clinker for the year from the average of 107.6 kg in 2016. As a result of the increase in coal price, our average coal cost for the year increased by 37.3% to HK$104.1 per ton of clinker produced from HK$75.8 in 2016.

Our average electricity cost decreased by 7.2% from HK$33.4 per ton of cement to HK$31.0 for the year. During the year, we enjoyed the benefits of lower electricity tariff for a total of 3,434.8 million kwh of electricity consumed (1,158.1 million kwh in 2016), which accounted for 54.7% of the total electricity consumption for the production of cement products (18.0% in 2016), and saved HK$153.7 million (HK$55.3 million in 2016) under direct power supply agreements and price bidding arrangements. We managed to improve our electricity consumption to 73.1 kwh per ton of cement for the year (73.9 kwh in 2016), representing a cost saving of approximately HK$36.8 million (HK$36.4 million in 2016). Our residual heat recovery generators generated 2,046.5 million kwh of electricity for the year, representing an increase of 0.7% over 2,032.9 million kwh in 2016. The electricity generated in 2017 accounted for approximately 32.6% of our required electricity consumption (31.7% in 2016) and we achieved a cost saving of approximately HK$1,013.0 million for the year (HK$1,101.1 million in 2016).

Other costs mainly comprised staff cost, depreciation, and repairs and maintenance cost. Repairs and maintenance cost included in the cost of sales of cement products for the year was HK$878.1 million, representing an increase of 3.5% from HK$848.2 million in 2016.

Gross profit and gross margin

The consolidated gross profit for 2017 was HK$9,230.5 million, representing an increase of 31.4% from HK$7,025.5 million for 2016 and the consolidated gross margin was 30.8%, representing an increase of 3.4 percentage points from 27.4% for 2016. The increases in consolidated gross profit and gross margin for the year were mainly attributable to the higher selling prices of our cement products compared to year 2016. The gross margins of cement, clinker and concrete for 2017 were 32.4%, 26.0% and 25.8%, as compared with 27.6%, 12.8% and 29.4% respectively for 2016.

Other income

Other income for 2017 was HK$370.9 million, representing an increase of 39.5% from HK$265.9 million for 2016. This was mainly due to increase in interest income, sales of scrap and raw materials, government incentives and rental income as compared with 2016.

Selling and distribution expenses

Selling and distribution expenses for 2017 were HK$1,783.6 million, representing an increase of 6.4% from HK$1,675.9 million for 2016. This was mainly due to increase in volume of concrete sold. As a percentage to consolidated turnover, selling and distribution expenses decreased to 6.0% in 2017 from 6.5% in 2016.

General and administrative expenses

General and administrative expenses for 2017 were HK$2,675.9 million, representing an increase of 16.3% from HK$2,301.6 million for 2016. During the year, impairment of goodwill in respect of our operations in Shanxi in the amount of HK$78.9 million was made. General staff costs increased by HK$305.2 million as a result of extra bonus payments as an incentive to our employees for the outstanding performance of the Group in 2017. As a percentage to consolidated turnover, general and administrative expenses decreased to 8.9% in 2017 from 9.0% in 2016.

Exchange gain (loss)

An exchange gain of HK$263.7 million was generated from non-RMB denominated net borrowings of the Group mainly due to the appreciation of RMB against other currencies during the year (HK$418.6 million exchange loss due to depreciation of RMB for 2016).

Share of results of associates

The associates of the Group contributed a profit of HK$20.6 million for the year (loss of HK$58.1 million in 2016) of which profit of HK$28.9 million, loss of HK$42.0 million and profit of HK$31.8 million (losses of HK$1.8 million, HK$5.3 million and HK$50.4 million in 2016) were attributable to the Group's associates operating in Inner Mongolia, Fujian and Yunnan respectively.

Share of results of joint ventures

Our joint ventures principally operating in Guangzhou area contributed a profit of HK$78.3 million for 2017 (HK$8.5 million in 2016). The performance of the joint venture operating mainly in the vicinity of Guangzhou City was in line with the Group.

Taxation

The effective tax rate of the Group for 2017 was 26.4%, as compared with 41.6% for 2016. No deferred tax asset has been recognized in respect of the increase in tax losses of HK$507.8 million during the year (HK$699.9 million in 2016). Had the effect of the results of associates and joint ventures, the exchange gain (loss) as well as the unrecognized tax losses been excluded, the effective tax rate of the Group for 2017 would be 25.7% (27.0% in 2016).

Net margin

Net margin of the Group for 2017 was 12.0%, which was 7.1 percentage points higher than that of 4.9% for 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2017	2016
	'000	*'000*
HK$	**268,075**	361,708
RMB	**4,324,284**	2,462,929
US$	**383**	9,976

As at 31 December 2017, the Group's banking facilities amounted to HK$4,300.0 million, RMB14,350.0 million and US$80.0 million, of which RMB7,130.0 million was unutilized and remained available for drawdown. The total bank loans of the Group amounting to HK$13,562.6 million equivalent (HK$10,845.4 million equivalent as at 31 December 2016) comprised loans in the following currencies:

	As at 31 December	
	2017	2016
	'000	*'000*
HK$	**4,300,000**	4,300,000
RMB	**7,220,000**	5,300,000
US$	**80,000**	80,000

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

As at 31 December 2017, bank loans of the Group which carried interests at fixed and variable rates amounted to HK$8,637.3 million and HK$4,925.3 million respectively (HK$5,030.7 million and HK$5,814.7 million respectively as at 31 December 2016).

During the year, the Group obtained a loan from China Resources Gas Group Limited, an associated corporation of the Company. The above loan is unsecured, interest bearing at the rate of 3.915% per annum for a term of six months and was fully repaid in November 2017.

As at 31 December 2016, the Company had outstanding bonds in the amount of US$400.0 million. The bonds matured and were fully redeemed in October 2017.

In 2016, the Company was granted an approval by the National Association of Financial Market Institutional Investors of The People's Republic of China for the issuance of medium-term notes in an aggregate amount of not more than RMB9.0 billion and commercial paper in an aggregate amount of not more than RMB4.5 billion in China. On 5 September 2016, the Company completed the issuance of the first tranche of the medium-term notes in the amount of RMB3.0 billion at the coupon rate of 3.50% per annum for a term of five years which will expire in September 2021 and the first tranche of the commercial paper in the amount of RMB500.0 million at the coupon rate of 2.96% per annum for a term of 365 days which was fully repaid in September 2017. These medium-term notes are unsecured and remained outstanding at 31 December 2017.

Under the terms of certain agreements for the total banking facilities of HK$625.3 million equivalent which have expired in February 2018, China Resources (Holdings) Company Limited was required to hold not less than 51% of the voting share capital in the Company. Under the terms of certain agreements for total banking facilities of HK$10,221.7 million equivalent with expiry dates from August 2018 to December 2022, China Resources (Holdings) Company Limited is required to hold not less than 35% of the issued share capital in the Company. Under the terms of certain agreements for the total banking facilities of HK$10,847.0 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The net gearing ratio of the Group as at 31 December 2017, calculated by dividing net borrowings by equity attributable to owners of the Company, was 38.6% (56.4% as at 31 December 2016).

The Group's business transactions were mainly carried out in HK$ and RMB. The Group's exposure to currency risk was attributable to the bank balances and debts which were denominated in currencies other than the functional currency of the entity to which these bank balances and debts were related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management regularly monitors the relevant foreign currency exposure and will consider taking appropriate measures to control the risk arising from significant exchange fluctuations. These will include hedging significant currency exposure and/or increasing the proportion of RMB-denominated borrowings of the Group should the higher interest costs be considered justifiable against the risk of exchange losses. The Group was not engaged in any hedging contract as at 31 December 2017 and 31 December 2016. As at 31 December 2017, non-RMB denominated debts accounted for 29% of the total debts of the Group (45% as at 31 December 2016).

The Group had net current liabilities of HK$3,461.9 million as at 31 December 2017. Taking into account the cash and bank balances, the unutilized banking facilities, the unissued registered amounts of medium-term notes and commercial paper, the expected future internally generated funds, the new banking facilities and other sources of financing to be obtained, the Board is confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future.

CHARGES ON ASSETS

As at 31 December 2017, there was no charge on assets by the Group (Nil as at 31 December 2016).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB1,715.6 million (RMB1,714.7 million as at 31 December 2016) granted to associates, of which RMB1,666.6 million (RMB1,655.2 million as at 31 December 2016) had been utilized.

FUTURE PLAN AND CAPITAL EXPENDITURE

Capital expenditure

As at 31 December 2017, the Group had outstanding capital expenditure for production plants under construction in the amount of HK$1,394.8 million. Details of these production plants are as follows:

Projects	Total capital expenditure for the project	Expended as at 31/12/2016	Expended during the year	Outstanding capital expenditure as at 31/12/2017
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Construction of production lines in Anshun City, Guizhou, with total annual capacities of 2.0 million tons of cement and 1.4 million tons of clinker	1,494.9	331.6	24.1	1,139.2
Construction of one set of 300 ton per day Municipal Waste Co-Processing equipment at our cement production plant in Midu County, Yunnan	138.8	–	98.1	40.7
Construction of one set of 500 ton per day Municipal Waste Co-Processing equipment at our cement production plant in Tianyang County, Guangxi	151.8	–	92.2	59.6
Construction of six concrete batching plants with total annual capacity of 3.3 million m^3 of concrete	195.1	13.3	26.5	155.3
Total	1,980.6	344.9	240.9	1,394.8

Payment of capital expenditure

In addition to the capital expenditure on the production plants under construction, the Group had outstanding payment for the construction of production plants completed in the previous years, which have already been included under other payables in the consolidated statement of financial position as at 31 December 2017. Total payments for capital expenditure of the Group are expected to be approximately HK$1,161.1 million and HK$824.2 million in the years 2018 and 2019, which will be financed by borrowings and internally generated funds.

STRATEGIES AND PROSPECTS

2018 is the critical year in transition between the first and second halves of the "Thirteenth Five-Year" Plan in China. The Chinese government will promote development of high quality and intensify supply-side structural reform. By 2020, the Chinese government will focus on preventing and resolving substantial risks, achieving targeted poverty alleviation and strengthening pollution prevention, thus fostering a sustainable and healthy development of the economy and the society. According to the Report on the Work of the Chinese government, the targeted GDP growth in 2018 is approximately 6.5%.

In terms of construction of transportation infrastructure, according to the Report on the Work of the Chinese government, in 2018, the targeted FAI on railways will reach RMB732.0 billion and the targeted FAI on highways and waterways will reach approximately RMB1.8 trillion. According to the statistics published by the Ministry of Transport of China, during the "Thirteenth Five-Year" period, the total investments in transportation will reach RMB15 trillion, representing an increase of approximately 20% from RMB12.5 trillion during the "Twelfth Five-Year" period. Among which, the investments in railways, highways and waterways will be RMB3.5 trillion, RMB7.8 trillion and RMB0.5 trillion respectively.

As of the end of 2017, the total operational length of railways in China reached approximately 127,000 km, among which, high-speed railways accounted for 25,000 km, while the total operational length of highways reached approximately 4,770,000 km. According to the "Thirteenth Five-Year Plan on the Development of Modern Complex Transportation System" issued by the State Council of China, it is targeted that by 2020, the total operational length of railways, highways and urban rail transit in China will reach approximately 150,000 km, 5,000,000 km and 6,000 km respectively.

In addition, the Chinese government has been steadily pushing forward the development of prefabricated construction. During the year, the Ministry of Housing and Urban-Rural Development of China published several standards for prefabricated construction, including the "Technical Standard of Prefabricated Concrete Construction" and formulated the "Action Plan for Prefabricated Construction in the Thirteenth Five-Year Period" whereby, by 2020, the floor space of prefabricated construction is aimed to account for over 15% of the floor space of all newly constructed buildings in China, among which, the targeted proportion will reach over 20% in the top three city clusters of Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta. The development of transportation infrastructure, urban underground utility tunnels and prefabricated construction will bring about long-term stable demand for the cement industry.

In terms of development strategy of regional co-ordination, the Chinese government is supportive of the construction in the Guangdong-Hong Kong-Macau Greater Bay Area. In July 2017, President XI Jinping attended the signing ceremony of the "Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area" in Hong Kong. In October, the Guangdong Government issued the "Comprehensive Development Plan for Coastal Economic Belt in Guangdong Province (2017-2030)". The Plan proposes to invest approximately RMB3.5 trillion in total in zoning the coastal economic belt as an important development region of the Guangdong-Hong Kong-Macau Greater Bay Area for the construction of an efficient and accessible composite transportation network, with a view to fostering in-depth economic co-operation with Hong Kong and Macau and jointly creating a world-class city cluster. The construction in the Bay Area will raise the competitiveness of the Pan Pearl River Delta Region, radiating to the neighbouring provinces such as Guangxi and Hainan, and drive for the regional demand for construction materials such as cement and concrete in the medium to long term.

Looking ahead, under the supply-side structural reform in China, the cement industry will encounter new opportunities and challenges. Positioning in Southern China, the Group will seek the business opportunities and proactively seize the opportunities in the construction of Guangdong-Hong Kong-Macau Greater Bay Area and the development of the prefabrication industry. During the "Thirteenth Five-Year" period, the Group will continue to strive for the lowest total cost with a leading market position in the region through the control, conversion and distribution of resources. Meanwhile, the Group will proactively fulfil corporate social responsibility and promote waste co-processing projects by use of cement kilns. In terms of marketing, the Group will strengthen brand building and enhance the capability in R&D of products, technologies and materials in order to drive for further development with innovation and create competitive advantage by differentiation. In the future, the Group will actively promote environmental transformation, explore the opportunities of upstream and downstream expansion in the industry, seek strategic co-operation with domestic and international leading cement enterprises for joint promotion of the sustainable development of the cement industry in China.

CORPORATE GOVERNANCE

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

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

Other than the US$400.0 million bonds which were redeemed in October 2017 as mentioned under Liquidity and Financial Resources on page 31, 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 final dividend of HK$0.155 per share in cash for the year ended 31 December 2017 (2016: HK$0.075 per share). Such final dividend will not be subject to any withholding tax in Hong Kong.

The Board declared an interim dividend of HK$0.115 per share in cash for 2017 (2016: HK$0.015 per share) and total distribution for the year ended 31 December 2017 will be HK$0.27 per share (2016: HK$0.09 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 May 2018 to Friday, 11 May 2018, 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, 11 May 2018, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 4 May 2018 with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about Wednesday, 30 May 2018 to shareholders of the Company whose names appear on the register of members of the Company after the close of business of the Company at 4:30 p.m. on Thursday, 17 May 2018 and the register of members of the Company will be closed on Thursday, 17 May 2018, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Wednesday, 16 May 2018 with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

REVIEW OF ANNUAL REPORT

The annual report encompassing the consolidated financial statements for the year ended 31 December 2017 has been reviewed by the Audit Committee of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to shareholders, customers, suppliers, business partners and other stakeholders for their attention and support to the Group. I would also like to express our thanks to my fellow Directors, the management team and all staff for their dedication to and hard work for the healthy development of the Group.

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

Hong Kong, 9 March 2018

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