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)

2022 ANNUAL RESULTS ANNOUNCEMENT

	2022	2021	**Decrease**
Turnover *(HK$ million)*	**32,218.6**	43,962.7	(26.7)%
Profit attributable to owners of the Company *(HK$ million)*	**1,935.7**	7,767.4	(75.1)%
Basic earnings per share	**HK$0.277**	HK$1.112	
Proposed final dividend per share	**HK$0.009**	HK$0.28	

	As at 31/12/2022	As at 31/12/2021	**Increase/ (Decrease)**
Total assets *(HK$ million)*	**80,613.8**	79,149.2	1.9%
Equity attributable to owners of the Company *(HK$ million)*	**49,233.4**	54,856.0	(10.2)%
Gearing ratio *(note 1)*	**33.4%**	19.0%	
Net assets per share – book *(note 2)*	**HK$7.05**	HK$7.86	(10.3)%

notes:

1. Gearing ratio is calculated by dividing the total bank borrowings and loans from related parties by equity attributable to owners of the Company.

2. 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 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Turnover	4	**32,218,607**	43,962,708
Cost of sales		**(27,299,718)**	(29,839,942)
Gross profit		**4,918,889**	14,122,766
Other income	5	**1,190,541**	734,920
Change in fair value of an investment property		**-**	10,000
Selling and distribution expenses		**(545,316)**	(2,064,191)
General and administrative expenses		**(2,814,189)**	(2,988,870)
Exchange (loss) gain		**(61,769)**	19,015
Finance costs	6	**(349,693)**	(231,693)
Share of results of associates		**15,232**	371,523
Share of results of joint ventures		**(71,251)**	317,627
Profit before taxation	7	**2,282,444**	10,291,097
Taxation	8	**(419,785)**	(2,566,452)
Profit for the year		**1,862,659**	7,724,645
Other comprehensive (expense) income:			
Items that will not be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(4,789,361)**	1,560,645
Change in fair value of other investment		**(12,049)**	(20,885)
Item that will be subsequently reclassified to profit or loss:			
Share of other comprehensive expense of associates		**(28,460)**	(5,216)
Other comprehensive (expense) income for the year		**(4,829,870)**	1,534,544
Total comprehensive (expense) income for the year		**(2,967,211)**	9,259,189

	Note	**2022**	2021
		HK$'000	*HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**1,935,735**	7,767,357
Non-controlling interests		**(73,076)**	(42,712)
		1,862,659	7,724,645
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(2,830,903)**	9,276,673
Non-controlling interests		**(136,308)**	(17,484)
		(2,967,211)	9,259,189
Basic earnings per share	*9*	**HK$0.277**	HK$1.112

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Non-current assets			
Fixed assets		**31,467,930**	29,556,092
Right-of-use assets		**5,128,710**	4,325,329
Investment property		**130,000**	130,000
Other investment		**39,361**	51,410
Intangible assets		**19,905,873**	12,298,717
Interests in associates		**6,304,386**	6,754,993
Interests in joint ventures		**2,070,095**	2,793,146
Deposits for acquisition of assets		**4,116,961**	4,448,461
Deferred tax assets		**881,164**	535,391
Loans to joint ventures		**-**	1,115,457
Long term receivables		**280,674**	299,086
Pledged bank deposits		**467,327**	318,456
		70,792,481	62,626,538
Current assets			
Inventories		**2,732,197**	2,941,190
Trade receivables	*11*	**2,900,660**	4,793,437
Other receivables		**1,660,315**	1,601,479
Loan to a joint venture		**211,134**	–
Taxation recoverable		**83,814**	21,368
Pledged bank deposits		**51,434**	97,847
Cash and bank balances		**2,181,728**	7,067,381
		9,821,282	16,522,702
Current liabilities			
Trade payables	*12*	**3,241,807**	3,786,280
Other payables		**7,274,462**	7,265,261
Taxation payable		**242,427**	909,656
Loans from an intermediate holding company		**-**	1,672,700
Loans from non-controlling shareholders		**462,888**	42,366
Bank loans – amount due within one year		**4,085,229**	7,336,197
		15,306,813	21,012,460
Net current liabilities		**(5,485,531)**	(4,489,758)
Total assets less current liabilities		**65,306,950**	58,136,780

	2022 *HK$'000*	2021 *HK$'000*
Non-current liabilities		
Bank loans – amount due after one year	**11,751,356**	1,223,090
Loans from non-controlling shareholders	**133,790**	139,288
Other long term payables	**2,099,599**	708,973
Deferred tax liabilities	**481,937**	424,082
	14,466,682	2,495,433
	50,840,268	55,641,347
Capital and reserves		
Share capital	**698,294**	698,294
Reserves	**48,535,152**	54,157,719
Equity attributable to owners of the Company	**49,233,446**	54,856,013
Non-controlling interests	**1,606,822**	785,334
Total equity	**50,840,268**	55,641,347

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. 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 ("Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property, equity investment designated at fair value through other comprehensive income and certain trade receivables, which have been 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 adopted the following revised HKFRSs for the first time in the current year:

Amendments to HKFRS 3	Reference to the conceptual framework
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use
Amendments to HKAS 37	Onerous contracts - cost of fulfilling a contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, illustrative examples accompanying HKFRS 16, and HKAS 41

The application of the revised standards has had no material impact on the consolidated financial statements.

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

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 16	Lease liability in a sale and leaseback[2]
HKFRS 17 and amendments to HKFRS 17	Insurance contracts[5]
Amendments to HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – comparative information[6]
Amendments to HKAS 1	Classification of liabilities as current or non-current (the "2020 Amendments") and non-current liabilities with covenants (the "2022 Amendments")[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies[1]
Amendments to HKAS 8	Definition of accounting estimates[1]
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction[1]

[1] *Effective for annual periods beginning on or after 1 January 2023.*
[2] *Effective for annual periods beginning on or after 1 January 2024.*
[3] *Effective for annual periods beginning on or after a date to be determined.*
[4] *As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause was revised to align the corresponding wording with no change in conclusion.*
[5] *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.*
[6] *An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17.*

The Directors do not anticipate that the application of new and revised HKFRSs and Interpretations will have material impact on the consolidated financial statements of the Group.

3. THE CHANGE OF ACCOUNTING ESTIMATES

After considering the Group's actual usage of the mining rights for aggregates mining and with reference to the amortization methods of other comparable cement companies, the Group decided to adjust the amortization method of mining rights for aggregates mining from the straight-line method to the production method which was adopted from 1 January 2022 onwards.

The Group applied prospective application to account for the changes in accounting estimate. After measurement based on the scope of the existing consolidated financial statements, the change in accounting estimate is expected to lower down the amortization expenses by HK$524,920,000 for the year 2022.

4. 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.

All of the revenue in cement segment and concrete segment are from sale of goods, which are recognized when the goods are transferred at a point in time. The performance obligation is satisfied upon delivery of goods.

The information of the segment results is as follows:

For the year ended 31 December 2022

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER - SEGMENT REVENUE				
External sales	**26,918,194**	**5,300,413**	**-**	**32,218,607**
Inter-segment sales	**707,165**	**2,819**	**(709,984)**	**-**
	27,625,359	**5,303,232**	**(709,984)**	**32,218,607**

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	**2,604,336**	**19,743**	**-**	**2,624,079**
Interest income				**118,173**
Exchange loss				**(61,769)**
Finance costs				**(349,693)**
Unallocated net corporate income				**7,673**
Share of results of associates				**15,232**
Share of results of joint ventures				**(71,251)**
Profit before taxation				**2,282,444**

For the year ended 31 December 2021

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER - SEGMENT REVENUE				
External sales	36,137,083	7,825,625	-	43,962,708
Inter-segment sales	1,315,837	1,465	(1,317,302)	-
	37,452,920	7,827,090	(1,317,302)	43,962,708

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	9,695,323	442,746	-	10,138,069
Interest income				166,659
Exchange gain				19,015
Finance costs				(231,693)
Unallocated net corporate expenses				(490,103)
Share of results of associates				371,523
Share of results of joint ventures				317,627
Profit before taxation				10,291,097

5. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Government incentives	**96,194**	86,506
Interest income	**118,173**	166,659
Sales of other materials and scrap	**508,315**	219,304
Rental income	**45,124**	58,787
Compensation received from insurance	**3,029**	6,959
Compensation received from suppliers and customers	**39,255**	37,346
Gain on disposal of fixed assets	**11,075**	-
Gain on disposal of right-of-use assets	**8,693**	27,307
Gain on disposal of mining rights	**-**	17,033
Gain on disposal of subsidiaries	**239,072**	-
Gain on disposal of a joint venture	**18,158**	-
Others	**103,453**	115,019
	1,190,541	734,920

6. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interests on:		
Bank loans and unsecured medium term notes	**375,952**	193,084
Loans from an intermediate holding company	**15,474**	4,208
Loans from non-controlling shareholders	**11,262**	1,737
Provision for environmental restoration	**28,539**	20,902
Lease liabilities	**11,016**	11,762
	442,243	231,693
Less: Amount capitalized to fixed assets	**(92,550)**	-
	349,693	231,693

7. PROFIT BEFORE TAXATION

	2022	2021
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**5,686**	14,580
Pension costs and mandatory provident fund contributions for staff, excluding Directors	**312,173**	327,427
Other staff costs	**3,267,604**	3,912,737
Total staff costs	**3,585,463**	4,254,744
Allowance for doubtful debts	**281,220**	134,329
Reversal of allowance for doubtful debts of other receivables	**(3,377)**	(226)
Amortization of mining rights	**264,680**	378,519
Auditor's remuneration	**8,438**	5,580
Depreciation of fixed assets	**2,049,838**	1,987,530
Depreciation of right-of-use assets	**224,805**	167,784
Reversal of impairment of inventories	**(461)**	(2,428)
(Gain) loss on disposal of fixed assets	**(11,075)**	18,309
Gain on disposal of right-of-use assets	**(8,693)**	(27,307)
Gain on disposal of mining rights	**-**	(17,033)
(Gain) loss on disposal of subsidiaries	**(239,072)**	6,688
Gain on disposal of a joint venture	**(18,158)**	-
Short term lease payments	**23,940**	20,974
Variable lease payments – motor vehicles	**513,861**	680,362

8. TAXATION

	2022	2021
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**13,507**	21,592
Chinese Mainland Enterprise Income Tax	**986,868**	2,834,116
	1,000,375	2,855,708
Overprovision in prior years		
Hong Kong Profits Tax	**(61)**	(97)
Chinese Mainland Enterprise Income Tax	**(83,513)**	(104,267)
	(83,574)	(104,364)
Deferred taxation		
Hong Kong	**118**	5,179
Chinese Mainland	**(497,134)**	(190,071)
	(497,016)	(184,892)
	419,785	2,566,452

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

Chinese Mainland Enterprise Income Tax includes the income tax calculated at 25% on the taxable income of the group entities in the People's Republic of China ("China" or "PRC") but excluding Hong Kong and Macao (the "Chinese Mainland"), the withholding tax calculated at 5% on dividends in the Chinese Mainland, and the deferred tax calculated at 5% on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong, for both years.

9. EARNINGS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to the owners of the Company for the purpose of basic earnings per share	**1,935,735**	7,767,357

	2022	2021
Number of share(s) of HK$0.10 each in the share capital of the Company ("Share(s)")		
Weighted average number of Shares for the purpose of basic earnings per share	**6,982,937,817**	6,982,937,817

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

10. DIVIDENDS

	2022	2021
	HK$'000	*HK$'000*
Dividends recognized as distribution during the year:		
2022 Interim – HK$0.12 per share (2021: HK$0.24 per share)	**837,953**	1,675,905
2021 Final – HK$0.28 per share (2020: HK$0.34 per share)	**1,955,223**	2,374,199
	2,793,176	4,050,104

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2022 of HK$0.009 per share (HK$0.28 per share in respect of the year ended 31 December 2021) 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$62,846,000 (2021: HK$1,955,223,000) of the proposed final dividend, calculated based on the Company's number of shares issued at the date of this announcement, is not recognized as a liability in the consolidated statement of financial position.

11. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	HK$'000	*HK$'000*
Trade receivables from third parties	**2,806,745**	4,713,814
Trade receivables from related parties	**93,915**	79,623
	2,900,660	4,793,437

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	
	2022	2021
	HK$'000	*HK$'000*
0 to 90 days	**1,371,303**	3,181,817
91 to 180 days	**425,260**	695,582
181 to 365 days	**582,207**	651,396
Over 365 days	**521,890**	264,642
	2,900,660	4,793,437

12. TRADE PAYABLES

	As at 31 December	
	2022	2021
	HK$'000	*HK$'000*
Trade payables to third parties	**3,134,309**	3,746,208
Trade payables to related parties	**107,498**	40,072
	3,241,807	3,786,280

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	
	2022	2021
	HK$'000	*HK$'000*
0 to 90 days	**3,037,448**	3,548,450
91 to 180 days	**119,481**	187,705
181 to 365 days	**74,628**	34,176
Over 365 days	**10,250**	15,949
	3,241,807	3,786,280

BUSINESS ENVIRONMENT

In 2022, in the face of the complex and difficult international environment, the Chinese government adhered to the general principle of seeking progress whilst maintaining stability and effectively responded to internal and external challenges. The Chinese economy stabilized and rebounded, and the overall economic and social situation was harmonious and stable. According to the statistics published by the National Bureau of Statistics of China, in 2022, the gross domestic product ("GDP") of China grew by 3.0% year-on-year to RMB121.0 trillion, and national fixed asset investments ("FAI") (excluding rural households) increased by 5.1% year-on-year to RMB57.2 trillion.

According to the statistics published by the National Bureau of Statistics of China, in 2022, the GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi, Hunan, Hubei, Shandong and Chongqing, where the Group has business operations, reached RMB12.9 trillion, RMB2.6 trillion, RMB5.3 trillion, RMB681.8 billion, RMB2.9 trillion, RMB2.0 trillion, RMB2.6 trillion, RMB4.9 trillion, RMB5.4 trillion, RMB8.7 trillion and RMB2.9 trillion respectively, representing year-on-year increases of 1.9%, 2.9%, 4.7%, 0.2%, 4.3%, 1.2%, 4.4%, 4.5%, 4.3%, 3.9% and 2.6% respectively. In 2022, the year-on-year changes in FAI of the aforementioned provinces were –2.6%, 0.1%, 7.5%, –4.2%, 7.5%, –5.1%, 5.9%, 6.6%, 15.0%, 6.1% and 0.7% respectively.

In 2022, the Chinese government actively promoted the implementation of a package of policies and follow-up measures to stabilize the economy, and accelerated the issuance and use of policy-based development financial instruments and local special bonds, which had significantly accelerated infrastructure investment in China. According to the statistics published by the National Bureau of Statistics of China, in 2022, national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) increased by 9.4% year-on-year. According to the statistics published by the Ministry of Transport of China and the National Railway Administration of China, FAI on highways and waterways in China from January to November in 2022 amounted to approximately RMB2.8 trillion in total, representing an increase of 9.2% year-on-year. In 2022, FAI on railways amounted to approximately RMB710.9 billion, representing a decrease of 5.1% year-on-year, which was sharper than the year-on-year decrease of 4.6% in the first half of the year.

During the year, whilst adhering to the position that "residential properties are not for speculation", the Chinese government implemented city-specific policies to support demand for basic housing needs and housing to improve living conditions, maintain reasonable and appropriate real estate financing and protect the legitimate rights and interests of housing consumers in order to promote the stable and healthy development of the real estate market. According to the statistics published by the National Bureau of Statistics of China, in 2022, the floor space of commodity housing sold in China decreased by 24.3% year-on-year to 1,360 million m^2 and the sales amount decreased by 26.7% year-on-year to RMB13.3 trillion. Real estate investment in China reached RMB13.3 trillion, representing a year-on-year decrease of 10.0%. Among which, the floor space of houses newly started construction decreased by 39.4% year-on-year to 1,210 million m^2 while the floor space of houses completed decreased by 15.0% year-on-year to 860 million m^2. As of the end of 2022, the floor space under construction by the real estate developers nationwide reached 9,050 million m^2, representing a year-on-year decrease of 7.2%.

The Chinese government systematically promoted urban construction and expedited the high-quality development of urbanization. According to the statistics published by the Ministry of Housing and Urban-Rural Development of China, in 2022, 52,500 old communities and 8.76 million households nationwide newly started renovations, which had achieved the annual target of renovating 51,000 old communities. In June 2022, the Chinese government issued the "Implementation Plan for New-type Urbanization during the 'Fourteenth Five-Year'", which proposed to promote urbanization with counties as important carriers, promote the upgrade of municipal public facilities, promote urban renewal and upgrade in an orderly manner and focus on promotion of urban renewal and upgrade in old urban districts with transformation of "three districts and one village" as the main theme. As of the end of 2022, China's urbanization rate of permanent residence was 65.22%, representing an increase of 0.50 percentage points over the end of 2021.

THE INDUSTRY

According to the statistics published by the National Bureau of Statistics of China, in 2022, the total cement production in China amounted to approximately 2,120.0 million tons, representing a year-on-year decrease of 10.8%. During the year, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi and Hunan were approximately 150.0 million tons, 100.0 million tons, 96.6 million tons, 16.3 million tons, 96.5 million tons, 64.3 million tons, 48.0 million tons and 99.4 million tons respectively, representing year-on-year changes of approximately –11.4%, –8.6%, –4.4%, –16.1%, –16.6%, –31.3%, –15.5% and –6.3% respectively.

During the year, according to the statistics of the China Cement Association, there were 19 new clinker production lines nationwide with new annual clinker production capacity of approximately 34.2 million tons. Among which, in our major operating regions, there were 8 new clinker production lines in Guangxi with new annual clinker production capacity of approximately 13.4 million tons, 2 new clinker production lines in Yunnan with new annual clinker production capacity of approximately 3.1 million tons and 2 new clinker production lines in Hunan with new annual clinker capacity of approximately 4.0 million tons.

Regarding policies for the industry, the Chinese government had issued a series of policies and measures to actively promote work in energy saving, carbon reduction and pollution reduction, improve and strictly enforce capacity replacement policies, promote regular off-peak production and advance rationalization of industrial structure to lay the foundation for achieving the goals of carbon peaking and carbon neutrality and promote the comprehensive green transformation of economic and social development. In addition, the Chinese government attaches great importance to production safety and occupational health and advances the high-quality and sustainable development of the building materials industry.

Regarding energy saving and emissions reduction, the Chinese government actively implemented energy-saving and low-carbon actions, and promoted the research and development of new technologies such as high-efficiency, low-carbon and energy-saving cement. During the year, the Ministry of Industry and Information Technology of China, the National Development and Reform Commission of China and the Ministry of Ecology and Environment of China jointly issued the "Implementation Plan for Carbon Peaking in the Industrial Sector", with the target for the "Fourteenth Five-Year" period to make positive progress in the optimization of the industrial structure and energy structure, greatly improve the utilization efficiency of energy and resources, build a batch of green factories and green industrial parks, research, develop, demonstrate and promote a batch of low-carbon, zero-carbon and negative carbon technological processes and equipment products with significant emission reduction effects, which lay a solid foundation for carbon peaking in the industrial sector. In November 2022, the Chinese government issued the "Implementation Plan for Carbon Peaking in the Building Materials Industry", which specified the main goals of carbon peaking in the cement industry. During the "Fourteenth Five-Year" period, significant progress should be made in the adjustment of industrial structure, energy-saving and low-carbon technologies should be continuously promoted in the industry, unit energy consumption and carbon emission intensity of key products should be continuously reduced and comprehensive energy consumption level of cement clinker per unit product should be reduced by over 3%. In addition, the Chinese government proposed to promote the construction of national carbon emission trading market in a steady and orderly manner and gradually expand the industry coverage of national carbon market, while further enhancing trading entities, trading product types and trading methods. As of the end of 2022, the cumulative trading volume of emission quotas on the national carbon market was 230 million tons and the cumulative trading turnover was RMB10,480 million. Overall operation of the market was stable and orderly.

In terms of green development, thoroughly fighting the battle of pollution prevention and control is an important measure in the construction of a good ecological environment. In 2022, China's ecological and environmental departments at all levels adhered to the same direction with unabated effort, coordinated joint governance and thoroughly advanced pollution prevention and control with the support of technology to lay a solid foundation for achieving the "Dream of a Beautiful China". In June 2022, the Chinese government issued the "Action Plan for Synergizing the Reduction of Pollution and Carbon Emissions", which had pushed forward pollution prevention and control to a new stage of joint governance. The plan adheres to a system concept, promotes the establishment of a multi-faceted and multi-field synergistic innovation model for pollution reduction and carbon reduction and advances pollution prevention and control to a new level.

In terms of industrial structure, the Chinese government requires strict implementation of the capacity replacement policy for the cement and flat glass industries and intensifies efforts to control excessive capacity. In 2022, due to the impact of sluggish downstream demand and high production costs, investments and construction of certain cement and clinker lines scheduled to be built did not proceed as planned and the replacement of clinker production capacity in the industry fell sharply, where annual replacement of clinker production capacity was approximately 4.5 million tons, which was approximately 90% lower than that of year.

In terms of production safety, the Chinese government attaches great importance to production safety. 2022 is the consolidation and enhancement stage of the three-year action for special rectification of national production safety. The National Mine Safety Administration of China issued multiple important notices on non-coal mines. In February, the "Guiding Opinions on Strengthening Production Safety Work in Non-coal Mines" was issued, which proposed stricter and clearer requirements for production safety work in non-coal mines. In April, the Work Safety Committee of the State Council of China issued the "'Fourteenth Five-Year' National Production Safety Plan", which required strict implementation of corporate responsibility for production safety, continuous promotion of corporate production safety standardization, strict review on design of safety facilities at non-coal mine construction projects and corporate license management of production safety, and strengthened supervision and inspection of the completion acceptance activities and acceptance results of safety facilities. In July, the "'Fourteenth Five-Year' Mine Production Safety Plan" was issued, which proposed clear requirements for strengthening the construction of mine safety standards, implementing the responsibilities of subject of corporate safety and strengthening the construction of mine automation and intelligentization.

In terms of aggregates, the Chinese government continued to strengthen the management of sand excavation in river courses to enhance the competitiveness of manufactured sand. In February 2022, the Ministry of Water Resources of China issued the "2022 Notice of Key Points on Rivers and Lakes Management", which proposed to strengthen the management of sand excavation in river courses and supervised the implementation of direct management responsibilities of sand excavation management by river basin management agencies. Meanwhile, the management of sand excavation permits should be reinforced, the supervision on sand excavation sites should be strengthened, and the management order system for excavation and transportation should be implemented to discover, strictly investigate and punish illegal sand excavation in a timely manner.

In terms of prefabricated construction, promotion of low-carbon production and living is required in China. In May 2022, the Chinese government issued the "Opinions on Promoting Urbanization with Counties as Important Carriers", which proposed to vigorously develop green construction and promote prefabricated construction, energy-saving doors and windows, green building materials and green lighting in order to fully roll out green construction. In July, the Ministry of Housing and Urban-Rural Development of China and the National Development and Reform Commission of China issued the "Notice on Issuing the Implementation Plan for Carbon Peaking in the Scope of Urban and Rural Construction", which proposed to promote green and low-carbon construction and vigorously develop prefabricated construction such that, by 2030, prefabricated buildings would account for 40% of newly constructed buildings in cities and towns for the year.

TRANSFORMATION AND INNOVATION

In response to the Group's "Fourteenth Five-Year" strategic development plan, during 2021, the Group reorganized the business into four business segments: basic building materials, structural building materials, functional building materials and new materials. The basic building materials business mainly includes cement and aggregates. The structural building materials business mainly includes concrete and prefabricated construction. The functional building materials business mainly includes engineered stone, tile adhesive and white cement. The new materials business currently mainly explores the development opportunities of new materials such as silicon-based, calcium-based and basalt materials. Since 2022, the Group had actively seized opportunities, achieved breakthroughs in these four business segments, and newly entered Hunan, Hubei, Shandong and other regions, which laid the foundation for achieving the Group's "Fourteenth Five-Year" strategic goals.

In terms of cement business, the Group had optimized the layout of its cement business and consolidated its market competitiveness in South China through acquiring 51% equity interests of Hunan Liangtian Cement Co., Ltd., 85% equity interests of Zhaoqing Jingang Cement Co., Ltd. and 13.83% equity of Fengqing County Xiqian Cement Co., Ltd., as well as selling 72% equity interests and loans of Shanxi China Resources Fulong Cement Limited.

In terms of aggregates, during the year, the Group achieved 100% controlling shareholding of the aggregates project in Deqing, Guangdong. The Group newly obtained the aggregates projects in Tianyang Napo, Guigang Gangnan, Guigang Qintang and Hezhou Fuchuan of Guangxi, Wuping of Fujian, Chongyang of Hubei and Wushan of Chongqing. Through associates, the Group newly obtained aggregates projects in Nanping of Fujian and Yimen of Yunnan. In addition, the aggregates capacity expansion projects in Guigang and Fuchuan of Guangxi as well as the aggregates project in Wuping of Fujian, Shangsi, Nanning and Wuxuan of Guangxi commenced trial production respectively. As of the end of 2022, the scale of annual production capacity of aggregates of the Group that had commenced operation or trial production had greatly increased.

In terms of structural building materials, the Group actively seized market opportunities for green building materials. The first phase of the Group's production lines for the autoclaved aerated lightweight concrete blocks and panels project in Fengkai, Guangdong, commenced construction in April 2022 and is expected to commence trial production in the first half of 2023. The first phase of the project has a design annual production capacity of approximately 400,000 m^3 of panels and a design annual production capacity of approximately 200,000 m^3 of blocks. In May 2022, the Group won the bid for a plot of land with an area of approximately 130,000 m^2 in Xinzhu Town, Ding'an County, Hainan for prefabricated construction, which is planned to build three production lines for autoclaved aerated lightweight concrete blocks and panels, with total design annual production capacities of approximately 600,000 m^3 of panels and approximately 300,000 m^3 of blocks. This will form synergetic effect with local production lines of precast concrete components of the Group. As of the end of December 2022, the Group had a total of 6 projects of precast concrete components. Upon completion of construction of all projects, the design annual production capacity of precast concrete components is expected to reach approximately 1.4 million m^3.

In terms of functional building materials, the Group rapidly increased the production capacity of engineered stone through mergers and acquisitions, which enabled the Group to become a leading enterprise in the engineered stone industry and achieve high-quality and sustainable development. In July 2022, the Group acquired 67% equity interests of each of Shandong Runhe New Material Co., Ltd., Runhe (Lanling) New Material Co., Ltd. and Runhe (Feixian) New Material Co., Ltd. These engineered stone companies own a total of 107 production lines for compression molding of engineered stone and 27 grinding and polishing lines of engineered stone in operation with total planned annual production capacity of 15.0 million m^2 in Linyi City, Shandong, which marks the opening of a new chapter for the Group in Shandong. After all projects under construction have commenced operation, the Group's annual production capacity of engineered stone will reach 26.1 million m^2.

In terms of corporate social responsibility, the Group plans for its development from the lofty perspective of harmonious coexistence between human and nature, takes ecology, environmental protection, safety and intensive utilization of resources as the main theme of work, continues to improve the construction of environmental management system, deepens energy saving and emission reduction, practices the construction of ecological civilization, and strictly abides by the red line of ecological protection. We actively respond to climate change, lead the green and low-carbon development of the industry, and comprehensively enhances ecological vitality for building a beautiful China.

During the year, the Group creatively proposed the "3C" theory of energy saving and carbon reduction, i.e. low carbon at the source, carbon reduction in the process and decarbonization at the end, which contributed our solution proposal to the goals of carbon peaking and carbon neutrality. At the same time, in cooperation with tertiary institutions and the China Building Materials Academy, the Group had intensively researched and developed a variety of new cement grinding aid products, which can reduce the amount of clinker used while enhancing the utilization rate of low-grade industrial waste, thereby reducing the consumption of raw material resources and energy consumption of coal and electricity required for clinker production to promote the coordinated reduction of carbon dioxide emissions. The project won the First Prize in the 2022 Guangxi Science and Technology Progress Award.

In 2022, the Group's unfailing efforts in technological innovation and corporate social responsibility work were recognized by the industry and the society. These include:

- In May, the "Research, Development and Application of New-Type High-Efficiency Cement Grinding Aids" project submitted by China Resources Cement Technology Research and Development (Guangxi) Co., Ltd. as the leading unit and the "Key Technology and its Application of High-Quality Cementitious Materials Made of Industrial Waste" project jointly submitted together with seven units including Guilin University of Technology and Wuhan University of Technology in China were both honoured with the First Prize of the Science and Technology Progress Award in the 2021 "Guangxi Science and Technology Award" by the People's Government of Guangxi Zhuang Autonomous Region;

- In June, the "Development and Application of the Environmentally Friendly Admixtures Based on Monoform Center of Gravity Design" project jointly submitted by China Resources Cement Technology Research and Development (Guangxi) Co., Ltd., Guangxi China Resources Hongshuihe Cement Co., Ltd. and China Resources Cement (Fuchuan) Limited was honoured with the Third Prize of the Award for Technological Invention in the "Concrete Science and Technology Award" by the China Concrete and Cement-based Products Association;

- In September, the Company was honoured with the Best ESG Award at the 2022 Sina Finance Overseas Investment Summit Forum;

- In September, the Company was honoured with the National Second Prize of the Smart Industry Thematic Track in the 5G Application Competition of the Fifth "Blooming Cup";

- In November, the "Cement Kiln Flue Gas Carbon Capture New Process Re-Engineering and Application Demonstration" project was successfully included in the project list of "Open Competition for the Best Candidate" as the second batch of major scientific and technological breakthroughs in the national building materials industry;

- In December, China Resources Cement (Tianyang) Limited was successfully selected as 2022 Intelligent Manufacturing Demonstration Factory by the Ministry of Industry and Information Technology of China;

- In December, the "Project Series of Carbon Reduction and Consumption Reduction for Calcium Carbide Slag and Yellow Phosphorus Slag Compound Ingredients" of China Resources Cement (Jinsha) Limited was honoured with the Third Prize in the 2022 Carbon Peaking and Carbon Neutrality Actionable Model Cases Selection for by the China Business Executives Academy, Dalian of the State-owned Assets Supervision and Administration Commission of the State Council of China.

POTENTIAL DISPOSAL

As announced by the Company on 21 October 2022, China Resources Cement Investments Limited, the Company's indirect wholly own subsidiary, intended to dispose of its 72% equity interests of and its shareholders' loans to China Resources Cement (Changzhi) Limited, as well as its 72% equity interests of China Resources Concrete (Lucheng) Limited through public tender.

As the auction failed, on 12 December 2022, the Group had informed the Shanghai United Assets and Equity Exchange to rescind the public tender of the abovementioned disposal.

Before achieving the commercial objective of disposal of the two subsidiaries, the Company will continuously optimize the operational management and enhance the operational efficiency and effectiveness. Our strategic development plan will be adjusted according to the market conditions in the future if appropriate.

PRODUCTION CAPACITY

Changes to Production Plants

In terms of clinker and cement, in January 2022, the Group acquired 51% equity interests of Hunan Liangtian Cement Co., Ltd., which increased the annual production capacity of clinker by approximately 1.6 million tons and the annual capacity of cement by approximately 2.0 million tons. Currently, technological upgrade of production lines is being rolled out, and is expected to complete in August 2023. Upon completion of the upgrade, the annual production capacity of clinker will remain unchanged, while the annual production capacity of cement will be approximately 2.1 million tons. In March 2022, the Group sold 72% equity interests and loans of Shanxi China Resources Fulong Cement Limited to Tangshan Jidong Cement Co., Ltd. through tendering for a total consideration (excluding interests) of RMB1,607,251,200 (equivalent to approximately HK$1,981,253,000), which reduced the annual production capacity of cement by approximately 4.0 million tons.

In July 2022, the Group acquired 85% equity interests of Zhaoqing Jingang Cement Co., Ltd., which increased the annual production capacity of clinker by approximately 800,000 tons and the annual production capacity of cement by approximately 1.5 million tons.

In September 2022, China Resources Cement (Wuxuan) Limited, the Group's wholly owned subsidiary, commenced operation of its second cement production line project, which increased the annual production capacity of clinker by approximately 1.4 million tons and the annual production capacity of cement by approximately 2.0 million tons.

In November 2022, China Resources Cement (Fengkai) Limited, the Group's wholly owned subsidiary, commenced operation of its #9 and #10 cement grinding projects, which increased the annual production capacity of cement by approximately 3.4 million tons.

In terms of concrete, during the year, the Group completed the upgrade for production capacity of 2 concrete batching plants, leased 2 concrete batching plants from third parties, halted production of 4 concrete batching plants and closed 2 concrete batching plants. The total annual production capacities of concrete increased by approximately 1.2 million m^3 as compared with the end of 2021.

Capacity Utilization

The utilization rates of the Group's cement, clinker and concrete production lines in 2022 were 81.6%, 90.5% and 29.3% as compared with 93.6%, 100.6% and 40.9% respectively for 2021.

COST MANAGEMENT

Operational Management

In 2022, the Group centred operational management on "steady growth" and "cost reduction", continued to improve the management system for energy saving and carbon reduction and benchmarked against world-class enterprises and industry benchmarks to improve the level of operational management. During the year, the Group separated and implemented the indicators and targets of the action plan for energy saving and carbon reduction to production plants. Taking the indicator assessment system as the initial point and starting from the two key technical routes of technical transformation and upgrade of the physical system and chemical replacement of raw fuels, the Group promoted energy saving and carbon reduction projects at cement production plants and actively exchanged the experiences of benchmark production plants to create a strong culture of "energy saving and carbon reduction" to promote the improvement of energy efficiency levels.

During the year, the Group continued to promote the improvement and upgrade of grate coolers in cement and clinker production lines and the optimization of highly-effective pre-decomposition systems, promoted the application of energy-saving and highly-effective fans and air compressors, comprehensively promoted the application of grinding aids for raw materials and coal-saving agents, directed production plants to launch tests on solid waste, guided multi-faceted exploration on potential application of alternative raw materials and research and development of applications of alternative fuel systems, and actively promoted photovoltaic power generation projects, thereby improving production efficiency, energy saving and carbon reduction. Meanwhile, the project for recycled use of wastewater was rolled out at cement production plants to reduce water consumption by means of recycling and re-use.

In terms of intelligent automation, the Group continued to promote the use of automatic bagging machines and automatic loading machines and actively promoted the application of fully electric mining trucks, unmanned driving and digitalization in mines to advance the construction of green mines.

In terms of treatment and management of mines, limestone mine slopes were treated and managed through measures such as cleaning pumice stones, setting up passive safety nets and hanging nets for support, which had strengthened the rock mass stability of slopes and improved the safety coefficient of mine slopes.

In terms of project management, the Group strengthened the technical control on construction process, reinforced the process management and delicacy management for projects, and promoted digitalization and intelligentization for project construction to improve production safety and operational efficiency. In addition, the Group revised the management system for project construction, improved the evaluation system for management, promoted the compliant operation of projects, standardized technical standards for aggregates and accelerated the construction progress of projects such as aggregates to facilitate the Group's future business development.

Procurement Management

In 2022, the overall market price of coal was at a high level. During the year, the Group purchased a total of approximately 8.6 million tons of coal (approximately 9.5 million tons in 2021), among which, approximately 90%, 10% and 0% were sourced from northern China, neighbouring areas of our production plants and overseas respectively (80%, 19% and 1% in 2021). The proportion of direct procurement from coal producers was approximately 80% (82% in 2021).

In the future, the Group will continuously strengthen the strategic cooperation with large-scale domestic coal suppliers, expand new procurement channels, introduce strategic suppliers, and continue to pay attention to the national policy on coal import to establish procurement channels for coal imports in a timely manner. In addition, the Group will also analyze market trends through multiple channels and dynamically manage inventory to widen our advantages of procurement cost.

Logistics Management

In 2022, under the influence of multiple factors such as the unstable state of the epidemic, sluggish transportation market and standardization of truck loads, the Group adopted a series of measures to achieve a downward trend in the overall logistics cost. In terms of shipping, on the basis of the internal unified tendering for shipping along the Xijiang River, the Group reduced shipping costs throughout the whole process through measures such as adjusting the tendering modes for materials entering and leaving Hainan islands to multi-stage tendering, introducing units to compete for the lightering business, and refining the management of transportation process. In terms of truck transportation, the Group's tendering freight costs were slightly reduced by means of centralized and unified bidding for key projects and internal customers as well as expansion of the scope of transportation resources.

In 2022, the annual shipping capacity of the Group along the Xijiang River was approximately 39.1 million tons, which secured stable and continuous logistics capabilities for the Group's business operation. The Group continuously optimized the layout of its silo terminals and cooperation methods to build compliant and environmentally friendly silo terminals. During the year, the Group controlled the operations of 36 silo terminals with total annual capacity of approximately 35.3 million tons, which are mainly located in the Pearl River Delta Region of Guangdong. This consolidates the Group's leading market position in Southern China.

Sales and Marketing

Product Promotion

In 2022, the Group continued to intensify the marketing promotion of products such as “Wang Pai Gong Jiang” high-end renovation cement, cement for nuclear power stations and Portland cement for roads. Among which, the Group supplied cement for nuclear power stations to 5 nuclear power projects in Zhejiang, Fujian and Guangdong. The Group had expanded cement for railway construction projects and low-heat low-alkali cement in Yunnan, which are mainly used in railway and water conservation projects. This will help to leverage our differentiated competitive advantages. During the year, the Group increased the supply of pre-stressed nuclear power cement for Phase 2 of the nuclear power stations in Hainan. In addition, the Group promoted Portland cement for roads as the key recommended cement for projects such as airport and road construction in Fujian, and jointly advanced the “Project for World Leader in Transport” with the Fuzhou University, China and the Fujian Highway Administration Bureau Business Development Centre of Fujian Province, with trial phases commenced in Langqi of Fuzhou and Douwei of Hui’an and had entered the phase of academic acceptance.

Brand Building

The Group continued to deepen the construction of the Runfeng brand. In combination with the “Fourteenth Five-Year” brand strategy, the Group expanded the application of “Runfeng” to business areas such as concrete, aggregates and prefabricated construction to create a unified brand for the industry chain. On 28 June, the Group held the sixth anniversary celebration for the Runfeng brand and launched the new advertising slogan of “Quality Makes Beauty”, which was widely disseminated on social media and industry media. During the year, the Group deepened the brand’s “quality” positioning and tell good stories of the brand by measures such as improving the brand building system, continuously enhancing product services to meet customers’ needs and steadily increasing brand exposure rate to end users.

In order to enhance the brand image of the Group’s products for functional building materials, the Group adopted “Runpin” as the unified brand for functional building materials, and the “Runpin” WeChat public account went live in March. In June, the “Runpin” brand was officially launched and the “Runpin Luxury” showroom was unveiled and commenced operation. During the year, the “Runpin” brand was vigorously promoted through measures such as vigorously expanding end-user channels, improving product categories, constructing the brand building system, releasing brand promotional videos and product manuals, appearing at the Xiamen International Stone Fair and operating we-media to gradually construct the brand building system and preliminarily establish the “Runpin” reputation in the industry.

TRANSFORMATION AND INNOVATION

New Business Development

In 2022, the Group actively seized development opportunities of new businesses, fully utilized the synergistic advantages between cement, concrete and aggregates, achieved rapid development in the aggregates and engineered stone businesses and initial success in the optimization of business structures. The proportion of assets and revenue of new businesses continuously increased.

Aggregates

In 2022, the Group continued to actively acquire high-quality aggregates mine resources and accelerated construction and commissioning of aggregates projects. During the year, the Group obtained control on a total of 6 new mine resources in Guangxi, Hubei and Chongqing through bidding, acquisitions and equity participation.

As of the end of 2022, based on its own existing cement mines, the Group's annual production capacity of aggregates through its subsidiaries (inclusive of trial production) was approximately 48.4 million tons, and the total annual production capacities of aggregates attributable to the Group according to our equity interests of the associates located in Yunnan and Fujian were approximately 3.1 million tons. In addition to the newly obtained aggregates projects, upon completion of construction of all projects, the annual production capacity of aggregates in operation or under construction controlled by the Group through its subsidiaries is expected to reach 137.1 million tons and the annual production capacity of aggregates in operation or under construction attributable to the Group according to our equity interests of associates and joint ventures will reach approximately 13.6 million tons.

Relevant information of the newly obtained aggregates projects *(note)* is outlined below:

Project location	Planned annual production capacity *(tons)*	Resources reserve *(tons)*	(Expected) Date to commence operation
Production capacity controlled through subsidiaries			
Guangdong			
Fengkai	30,000,000	425,000,000	2023
Deqing	6,500,000	169,000,000	2023
Luoding	1,500,000	102,180,000	2023
Guangxi			
Capacity Expansion in Guigang	3,000,000 (Post-expansion capacity)	31,880,000	In trial production
Capacity Expansion in Fuchuan	1,000,000 (Post-expansion capacity)	Utilize cement mines	In trial production
Shangsi	5,000,000	65,000,000	In trial production
Tianyang	5,000,000	61,000,000	In trial production
Tianyang Napo	4,000,000	114,000,000	2023
Wuxuan	6,500,000	208,000,000	In trial production
Nanning	9,800,000	153,800,000	In trial production
Shangsi Pingguang	2,000,000	42,000,000	2024
Guigang Gangnan	9,700,000	296,000,000	2024
Guigang Qintang	7,500,000	141,490,000	2025
Hezhou Fuchuan	3,000,000	93,000,000	2023
Nanning Binyang	5,000,000	76,000,000	2023
Nanning Xixiangtang	4,000,000	20,000,000	2023
Fujian			
Wuping	2,000,000	56,000,000	In trial production
Yongding (Phase 1)	500,000	Utilize cement mines	2023
Hainan			
Ding'an	3,000,000	63,000,000	2023
Yunnan			
Weishan	3,000,000	100,000,000	2023
Midu	1,000,000	15,560,000	2023
Chongqing			
Wushan	2,600,000	150,000,000	In operation
Hubei			
Chongyang	5,000,000	84,000,000	2024
Shaanxi			
Luonan	3,000,000	122,000,000	2023
Tongchuan	5,000,000	147,000,000	2023

Project location	Shareholding	Planned annual production capacity *(tons)*	Attributable annual production capacity *(tons)*	Resources reserve *(tons)*	(Expected) Date to commence operation
Production capacity controlled through associates and joint ventures					
Guangxi					
Hengzhou	50%	10,000,000	5,000,000	180,000,000	2023
Fujian					
Nanping	49%	1,500,000	735,000	13,250,000	In operation
Hainan					
Tunchang	34%	6,000,000	2,040,000	120,000,000	2024
Chongqing					
Qijiang Anwen	50%	3,000,000	1,500,000	70,300,000	2024
Qijiang Shihao	50%	3,000,000	1,500,000	20,700,000	2024
Yunnan					
Zhaotong	50%	1,500,000	750,000	Utilize cement mines	2023
Yimen	50%	2,000,000	1,000,000	Utilize cement mines	In operation

note: The projects listed in the table are all projects with aggregates mines.

Prefabricated Construction

The Group promoted the prefabricated construction business in an orderly manner according to the Chinese government policies and market conditions.

In terms of the precast concrete components business, in November 2022, the precast concrete components project at Intelligent Building Jiangmen, Guangdong, commenced trial production, with annual production capacity of approximately 50,000 m^3.

As of the end of December 2022, the Group had a total of 6 projects of precast concrete components. Upon completion of construction of all projects, the design annual production capacity of precast concrete components is expected to reach approximately 1.4 million m^3.

Relevant information of the precast concrete components projects is outlined below:

Project	Area of land *(m^2)*	Design annual production capacity *(m^3)*	Status	Particulars
Guangdong				
Dongguan Runyang *(note)*	33,000	40,000	In operation	• Products are mainly supplied to public housing and commodity housing projects in Shenzhen, Zhuhai and Guangzhou.
Intelligent Building Zhanjiang	210,000	400,000	In operation	• Phase 1 production line of precast concrete components (design annual production capacity of 200,000 m^3) officially commenced operation in September 2021.
Intelligent Building Jiangmen	45,500	50,000	In trial production	• Concrete batching plant (annual production capacity of 900,000 m^3) is under construction; project for precast concrete components (design annual production capacity of 50,000 m^3) had commenced trial production in November 2022.
Guangxi				
Intelligent Building Nanning	167,000	400,000	In trial production	• Concrete batching plant (annual production capacity of 600,000 m^3) commenced operation in December 2019; Phase 1 production line of precast concrete components (design annual production capacity of 200,000 m^3) commenced trial production in September 2021.
Intelligent Building Guigang	130,000	200,000	In operation	• Concrete batching plant (annual production capacity of 600,000 m^3) commenced operation in November 2019; production line of precast concrete components officially commenced production in December 2020.
Hainan				
Intelligent Building Ding'an	153,000	300,000	In operation	• Production commenced in April 2021.

note: The Group holds 49% equity interests of the associate DongGuan RunYang United Intelligent Manufacturing Company Limited.

In addition, the Chinese government actively promotes green building materials and supports energy saving and consumption reduction in the construction industry and innovation in building methods. The first phase of the Group's production lines for the autoclaved aerated lightweight concrete blocks and panels project in Fengkai, Guangdong, commenced construction in April 2022 and is expected to commence trial production in the first half of 2023. The first phase of the project has a design annual production capacity of approximately 400,000 m^3 of panels and a design annual production capacity of approximately 200,000 m^3 of blocks. In May, the Group won the bid for a plot of land with an area of approximately 130,000 m^2 in Xinzhu Town, Ding'an County, Hainan for prefabricated construction, which is planned to build three production lines for autoclaved aerated lightweight concrete blocks and panels, each with design annual production capacities of approximately 200,000 m^3 of panels and approximately 100,000 m^3 of blocks. This is currently under planning.

Functional Building Materials

In 2022, the Group grasped the promising development prospects of engineered stone and further expanded its strategic layout.

DongGuan Universal Classical Material Ltd. owns one production line of inorganic engineered stone with a planned annual production capacity of approximately 600,000 m^2 in Dongguan, Guangdong. On this basis, it expanded one production line of inorganic engineered stone with a planned annual production capacity of approximately 1.5 million m^2. In addition, the Group built two production lines of inorganic engineered stone in Laibin, Guangxi, with a planned total capacity of approximately 3.0 million m^2. The above projects had commenced trial production in October and December 2022 respectively.

In addition, the Group rapidly increased the production capacity of engineered stone through mergers and acquisitions, which enabled the Group to become a leading enterprise in the engineered stone industry and achieve high-quality and sustainable development. In March, the Group acquired 75% equity interests of Guangdong Borrego New Material Technology Co., Ltd. The company has four production lines of engineered stones in operation in Lianzhou, Guangdong, with total planned annual production capacities of approximately 6.0 million m^2. In July, the Group acquired 67% equity interests of each of Shandong Runhe New Material Co., Ltd., Runhe (Lanling) New Material Co., Ltd. and Runhe (Feixian) New Material Co., Ltd. These engineered stone companies own a total of 107 production lines for compression molding of engineered stone and 27 grinding and polishing lines of engineered stone in operation with total planned annual production capacity of approximately 15.0 million m^2 in Linyi City, Shandong, which marks the opening of a new chapter for the Group in Shandong. After all projects under construction have commenced operation, the Group's annual production capacity of engineered stone will reach 26.1 million m^2.

On the other hand, the Group actively sought upstream resources for engineered stone to form a synergistic effect with the existing engineered stone business. In July, the Group acquired 85% equity interests of Hezhou Xubao Mining Investment Co., Ltd. through bidding for a consideration of RMB893,510,140 (equivalent to approximately HK$1,044,809,000). The company owns a marble quarry for facing under construction in Hezhou City, Guangxi, with resource reserve of approximately 46.7 million m^3 and planned annual production capacity of approximately 1.14 million m^3. It is expected to commence operation in 2024. In addition, the company owns a plot of industrial land with an area of approximately 120,000 m^2 in Pinggui District, Hezhou City, Guangxi, which is currently under planning. This transaction has enabled the Group to take control of stone resources and laid a foundation for the Group's future development in the calcium carbonate industry.

New Materials

In terms of the new materials business, with silicon-based new materials as the breakthrough point for strategic transformation, the Group will extend the calcium-based industry chain based on its existing high-quality mine resources, incubate and cultivate the basalt fiber new materials business in order to actively promote the implementation of projects in the new materials industry. Among which, for the Guigang calcium-based project, the mining rights with resource reserve of approximately 110.0 million tons had been successfully obtained and 100,000 tons of standard coal energy consumption replacement was acquired. Currently, transfer of land from the government for project construction use is in progress. Other projects are being advanced in an orderly manner as planned.

Digital Transformation

The Group continued to promote the construction of digitalization and intelligentization, and was committed to creating benchmark for intelligent manufacturing and promoting the intelligent upgrade of factories and the comprehensive improvement of operations management.

In terms of intelligent factories, the Group built a benchmark for whole-process intelligent factories at the cement production plant in Tianyang District of Guangxi, which was successfully selected as the excellent unit for the 2022 Intelligent Manufacturing Demonstration Factories by four ministries including the Ministry of Industry and Information Technology of China and won a total of ten honours from governments at national, autonomous regional and other levels. The production plant achieved full coverage of intelligent video surveillance in the factory through 5G technology to ensure production safety. We deepened application of the intelligent shipping system in digital mines to optimize mining and transportation resources and improve production efficiency. We connected the online monitoring system to the remote diagnosis system platform to provide 7*24-hour oversight to achieve early warning and fault prediction. In addition, the Group's cement production plant in Fengkai County of Guangdong is constructing a whole-process intelligent factory based on the international standards of "lighthouse factory".

The Group independently researched and developed an advanced whole-process control system and applied big data technology to build an advanced control model to achieve intelligent control of kilns, mills and residual heat power generation, which commenced operation at 8 cement production plants located in Fengkai, Luoding, Hepu, Longyan and Yanshi during the year.

During the year, the quality management system independently researched and developed by the Group had commenced operation at 15 cement production plants located in Luoding, Hongshuihe, Yangchun and Luchuan, which had achieved whole-process standardization and informationized quality control from entry into factory and process control of raw fuel materials to products leaving the factory. The system can combine online analysis and intelligent laboratories to achieve real-time detection, automatic collection, automatic batching and automatic statistics. In addition, during the year, the online monitoring data of the Group's 18 cement production plants located in Guangdong, Guangxi, Yunnan and Guizhou were connected to the remote diagnosis system to achieve early warning and prediction of latent hazards. With the online equipment monitoring system as the foundation, the remote diagnosis system as the guarantee and the equipment management system as the core, the Group had constructed the first self-built "trinity" intelligent equipment operation and maintenance platform in the industry, which greatly improved the reliability of equipment operations and reduced the consumption of equipment spare parts.

The Group actively promotes the application of 5G technology and steadily advanced the major special construction for integration, innovation and application of the “5G+ Industrial Internet”. Based on the multi-faceted development needs of the building materials industry, the Group created a vertical industry platform for building materials cum “Runfeng Smart” Industrial Internet platform, which formed solutions for 18 5G applications in 8 major scenarios, which have been applied to more than 30 production plants to achieve cross-factory interconnection and data collaboration and contributed to practical industry experience for the promotion of the national 5G Industrial Internet. The project won the National Second Prize of the Smart Industry Thematic Track in the 5G Application Competition of the Fifth “Blooming Cup”. The “Project for Industrial Equipment Intelligent Maintenance Based on ‘Mobile Internet of Things + Artificial Intelligence’” and the “Integrated Large-Scale Application Project for 5G Internet of Things Low-Carbon Cloud-Networked Intelligent Manufacturing” were successfully selected into the 2022 Model Case Database of Applications of Mobile Internet of Things by the Ministry of Industry and Information Technology of China.

The Group actively participated in group formulation for two standards, namely, the “General Requirements for User Manual of Building Materials Products” and the “General Requirements for Traceability and Traceability System of Building Materials Products” hosted by the China Building Materials Federation. Among the participating units, the Company ranked second for the “General Requirements for Traceability and Traceability System of Building Materials Products” and fourth for the “General Requirements for User Manual of Building Materials Products”.

In terms of intelligent logistics, during the year, the “Smart Card” intelligent logistics system had been promoted and launched at 5 concrete batching plants and 2 aggregates production plants, which achieved the unmanned weighbridges, helped to enhance delivery efficiency and delivery service quality, and reduced logistics costs. In addition, the Group continued to promote the in-depth application of intelligent logistics and promoted the upgrade of the Beidou system for vehicle transportation with pilot trial at the subsidiary production plants in the Southeast Region. Through technologies such as Beidou positioning, load-carrying hardware and artificial intelligence algorithms, the Group can perceive vehicle status in real time and achieve entry of equipment terminal data to China Resources Group’s Beidou spacetime data service platform.

In terms of smart marketing, during the year, the Group’s project for digital transformation of marketing model had been fully launched in the cement business of each regions with a coverage rate of 100%. At the same time, it was gradually rolled out in the concrete, aggregates and tile adhesives businesses. The logistics distribution business and supply chain financing business on the platform were launched simultaneously. As of the end of December 2022, the cumulative transaction volume of the e-commerce platform reached approximately 114.0 million tons, with nearly 30,000 registered users, 460 carriers cumulatively and approximately 65,000 vehicles (vessels) settled cumulatively.

Research, Development and Innovation

Innovation is an important momentum to stimulate corporate vitality and motivate long-term corporate development. As of the end of December 2022, the Group had 329 technology talents, among which, there were 76 employees specialized in research and development and 68 employees specialized in intelligentization and digitalization.

In 2022, the Group continued to increase investment in research and development, actively promoted the research and development of new technologies and new products, and proposed the “3C” theory of energy saving and carbon reduction, i.e. low carbon at the source, carbon reduction in the process and decarbonization at the end. This theoretical system mainly formulates energy saving and carbon reduction technology pathways based on cement production mines, cement and clinker combustion systems, grinding systems, concrete and other industrial chains to solve the carbon reduction issues of the industry.

The Group continues to construct a high-level platform for research and development of new materials. During the year, the “Southeast University-China Resources Cement Joint Research and Development Centre”, the “China Academy of Space Technology-China Resources Cement Joint Research and Development Laboratory” and the “China Resources Chemical Materials-China Resources Cement-China Resources Land Green, Low-Carbon and Environmentally Friendly Building Materials Innovation Consortium” were established respectively, which promoted the implementation of cooperative projects such as 3D printing, functional coatings and new wall materials and initiated joint training for doctoral and master's engineering students.

In addition, in order to encourage and support all-staff innovation, comprehensively enhance the quality and standard of technological innovation work and accelerate the transformation of technological innovation achievements, in 2022, the Group completed the preparation of the 2023 Technological Innovation Plan to further specify the direction of research and development for technological innovation and implement the cultivation plan for technological innovative talents. We issued seven policies including the “Regulations on the Management of Science and Technology Innovation”, the “Measures for the Identification of Science and Technology Talents” and the “Measures for the Management of Research and Development Projects”, held the Seventh “Runfeng Cup” Innovation Competition and the first open competition event to select the best candidates for major research and development projects, organized the first science and technology forum, launched the innovation platform of “Run Technological Innovation”, and initiated the first science popularization activity. Through establishing technological innovation system and creating an atmosphere for technological innovation, the Group expedited the advancement of technological innovation in the scopes of technology, management and business models and fostered the promotion and application of technological innovation achievements.

EMPLOYEES

General Information

As at 31 December 2022, the Group employed a total of 19,046 employees, all of whom are full-time, among whom, 344 were based in Hong Kong and the remaining 18,702 were based in the Chinese Mainland (19,491, 154, 19,337 respectively as at 31 December 2021). A breakdown of our employees by function is set out as follows:

	As at 31 December	
	2022	2021
Management	**472**	410
Finance, administration and others	**2,486**	2,813
Production staff	**10,941**	11,048
Technical staff	**4,426**	4,318
Sales and marketing staff	**721**	902
Total	**19,046**	19,491

Among our 472 senior and middle-level managerial staff, 87% are male and 13% are female, 83% possess university degrees or above, 16% have received post-secondary education and the average age of managerial staff is approximately 47 (410, 88%, 12%, 79%, 19%, 48 respectively as at 31 December 2021).

The Group has established a remuneration allocation mechanism based on job value and combined with performance contribution, personal ability and talent development.

REVIEW OF OPERATIONS

The functional currency of the Group is RMB while the financial figures are all denominated in HK$. Comparing with 2021, RMB had depreciated against HK$ by approximately 3.1%.

Turnover

The consolidated turnover for the year ended 31 December 2022 amounted to HK$32,218.6 million, representing a decrease of 26.7% from HK$43,962.7 million for the last year. An analysis of segmental turnover by product is as follows:

	2022			2021		
	Sales volume *’000 tons/m³*	**Average selling price** *HK$ per ton/m³*	**Turnover** *HK$’000*	Sales volume *’000 tons/m³*	Average selling price *HK$ per ton/m³*	Turnover *HK$’000*
Cement *(note)*	**72,110**	**358.6**	**25,858,944**	81,349	431.0	35,065,067
Clinker	**2,929**	**361.7**	**1,059,250**	3,288	326.0	1,072,016
Concrete	**10,805**	**490.6**	**5,300,413**	14,814	528.3	7,825,625
Total			**32,218,607**			43,962,708

note: Inclusive of sales volume of 4.0 million tons of cement from related parties (4.6 million tons in 2021).

In 2022, our external sales volume of cement, clinker and concrete decreased by 9.2 million tons, 359,000 tons and 4.0 million m^3, representing decreases of 11.4%, 10.9% and 27.1% respectively over 2021. During the year, approximately 83.6% of the cement products we sold were 42.5 or higher grades (82.9% in 2021) and approximately 27.7% were sold in bags (28.9% in 2021). Internal sales volume of cement for our concrete production was 1.9 million tons (2.9 million tons in 2021), representing 2.6% of the total volume of cement sold (3.5% in 2021).

Our cement sales by geographical areas in 2022 were as follows:

Province/ Autonomous Region	**2022** Sales volume *'000 tons*	**2022** Average selling price *HK$ per ton*	**2022** Turnover *HK$'000*	2021 Sales volume *'000 tons*	2021 Average selling price *HK$ per ton*	2021 Turnover *HK$'000*
Guangdong	**31,086**	**378.2**	**11,755,905**	31,515	490.0	15,442,347
Guangxi	**20,954**	**328.7**	**6,886,773**	23,451	410.0	9,615,276
Fujian	**8,787**	**333.1**	**2,927,065**	10,345	385.4	3,987,260
Hainan	**3,153**	**459.2**	**1,447,946**	3,938	490.0	1,929,594
Yunnan	**3,183**	**370.6**	**1,179,666**	4,832	381.5	1,843,311
Guizhou	**2,338**	**322.3**	**753,617**	3,216	287.3	923,883
Shanxi	**1,704**	**366.2**	**624,053**	4,052	326.6	1,323,396
Hunan	**905**	**313.7**	**283,919**	-	-	-
Total	**72,110**	**358.6**	**25,858,944**	81,349	431.0	35,065,067

The average selling prices of cement, clinker and concrete in 2022 were HK$358.6 per ton, HK$361.7 per ton and HK$490.6 per m^3 respectively, representing a decrease of 16.8%, an increase 11.0% and a decrease 7.1% respectively from 2021. The decrease in selling prices of our products was mainly attributable to the slowdown of economic growth and construction activities in China.

Costs of Sales

The consolidated cost of sales of the Group (exclusive of cement sales from related parties) comprised coal, electricity, materials and other costs, which represented 36.9%, 10.0%, 28.0% and 25.1% of the cost of sales respectively for the year (31.9%, 10.1%, 35.0% and 23.0% in 2021 respectively). As for cement products, coal, electricity, materials and other costs represented 43.4%, 11.7%, 20.1% and 24.8% of their costs respectively for the year (38.6%, 12.2%, 23.9% and 25.3% in 2021 respectively). Materials cost is the major component of the cost of sales of concrete, representing 77.0% of the cost of sales of concrete for the year (91.1% in 2021).

The average price of coal we purchased in 2022 was approximately HK$1,235 per ton, representing an increase of 24.9% from the average price of HK$989 per ton in 2021, while the average thermal value of coal decreased by 2.2% to 5,194 kcal per kg. During the year, our unit coal consumption decreased to 138.8 kg per ton of clinker produced from the average of 141.4 kg in 2021. Our standard coal consumption decreased to 102.5 kg per ton of clinker for the year from the average of 107.1 kg in 2021 *(note)*. As a result of the increase in coal price, our average coal cost for the year increased by 22.6% to HK$171.4 per ton of clinker produced from HK$139.8 in 2021.

note: The data in 2021 had been restated according to the latest national standards implemented since 2022.

Our average electricity cost increased by 5.4% from HK$33.3 per ton of cement to HK$35.1 for the year. During the year, we consumed for a total of 3,309.4 million kwh of electricity (3,854.5 million kwh in 2021), which accounted for 63.1% of the total electricity consumption for the production of cement products (64.3% in 2021) under direct power supply agreements and price bidding arrangements. Our electricity consumption was 71.3 kwh per ton of cement for the year (72.5 kwh in 2021). Our residual heat recovery generators generated 1,617.3 million kwh of electricity for the year, representing a decrease of 14.1% over 1,883.8 million kwh in 2021. The electricity generated in 2022 accounted for approximately 30.9% of our required electricity consumption (31.4% in 2021) and we achieved a cost saving of approximately HK$936.0 million for the year (HK$984.3 million in 2021).

Other costs mainly comprised staff cost, transportation 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$1,065.5 million, representing a decrease of 27.8% from HK$1,476.6 million in 2021.

Gross Profit and Gross Margin

The consolidated gross profit for 2022 was HK$4,918.9 million, representing a decrease of 65.2% from HK$14,122.8 million for 2021 and the consolidated gross margin was 15.3%, representing a decrease of 16.8 percentage points from 32.1% for 2021. The decreases in consolidated gross profit and consolidated gross margin for the year were mainly attributable to the general decrease in selling prices, the increase in cost of production of our cement products and the reclassification of transportation cost from selling and distribution expenses to cost of sales. The gross margins of cement, clinker and concrete for 2022 were 15.7%, 17.4% and 12.8%, as compared with 34.6%, 23.9% and 22.1% respectively for 2021.

Other Income

Other income for 2022 was HK$1,190.5 million, representing an increase of 62.0% from HK$734.9 million for 2021. This was mainly attributable to the increase in income in gain on disposal of subsidiaries of HK$239.1 million as compared with 2021.

Selling and Distribution Expenses

Selling and distribution expenses for 2022 were HK$545.3 million, representing a decrease of 73.6% from HK$2,064.2 million for 2021. As a percentage to consolidated turnover, selling and distribution expenses for the year decreased to 1.7% from 4.7% for 2021. This was mainly due to the reclassification of transportation cost of cement amounting to HK$565.4 million and transportation cost of concrete amounting to HK$602.0 million from selling and distribution expenses to cost of sales during the year for better benchmarking with other companies in the industry.

General and Administrative Expenses

General and administrative expenses for 2022 were HK$2,814.2 million, representing a decrease of 5.8% from HK$2,988.9 million for 2021. As a percentage to consolidated turnover, general and administrative expenses increased to 8.7% for 2022 from 6.8% for 2021.

Share of Results of Associates

The associates of the Group contributed a profit of HK$15.2 million for the year (HK$371.5 million in 2021) of which a profit of HK$166.5 million, a loss of HK$41.4 million, a loss of HK$92.4 million and a loss of HK$6.0 million (profits of HK$93.7 million, HK$91.6 million, HK$165.4 million and HK$19.5 million in 2021) were attributable to the Group's associates operating in Inner Mongolia, Fujian, Yunnan and Guangdong respectively.

Share of Results of Joint Ventures

The joint ventures of the Group contributed a loss of HK$71.3 million for the year (profit of HK$317.6 million in 2021).

Taxation

The effective tax rate of the Group for 2022 was 18.4%, as compared with 24.9% for 2021. Had the effect of the results of associates and joint ventures, the exchange difference, as well as the withholding tax in the Chinese Mainland for dividends and the deferred tax on the intended distribution profits from subsidiaries in the Chinese Mainland to a holding company in Hong Kong been excluded, the effective tax rate of the Group for 2022 would be 20.2% (23.7% in 2021).

Net Margin

Net margin of the Group for 2022 was 5.8%, which was 11.8 percentage points lower than that of 17.6% for 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of funding mainly included cash on hand, bank loans, loans from related parties, issue of equity securities and cash flows generated from operations.

As at 31 December 2022, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 31 December	
	2022	2021
	'000	*'000*
HK$	**329,533**	253,423
RMB	**2,116,574**	5,910,554
US$	**172**	140

Bank and other borrowings of the Group as at 31 December 2022 and 2021 were all unsecured, with breakdown as follows:

	As at 31 December	
	2022	2021
	HK$'000	*HK$'000*
Bank loans	**15,836,585**	8,559,287
Loans from related parties	**596,678**	1,854,354
	16,433,263	10,413,641

As at 31 December 2022, bank and other borrowings of the Group which carried interests at fixed and variable rates amounted to HK$5,365.4 million and HK$11,067.9 million respectively (HK$6,113.6 million and HK$4,300.0 million respectively as at 31 December 2021). These borrowings were denominated in the following currencies:

	As at 31 December	
	2022	2021
	'000	*'000*
HK$	**2,300,000**	4,300,000
RMB	**12,624,846**	4,998,520

As at 31 December 2022, the Group's unsecured banking facilities amounted to HK$2,300.0 million and RMB24,194.5 million, of which RMB12,102.6 million was unutilized and remained available for drawdown.

Under the terms of certain agreements for total banking facilities of HK$2,300.0 million equivalent with expiry dates in March 2025, 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$2,300.0 million equivalent, the net gearing ratio of the Company (calculated by dividing net borrowings by equity attributable to owners of the Company, and as may be adjusted to exclude certain non-tangible assets) shall not exceed 180%. The Group was in compliance with the above financial covenants as at 31 December 2022 and 31 December 2021.

The Group adopts robust and prudent treasury policies in financial management. Treasury management, financing and investment activities are all managed and monitored by the senior management of the Company, and all treasury activities of the Group are centralized. The Group regularly monitors its current and expected liquidity needs as well as compliance with bank loan agreements in order to maintain its sufficient cash reserves and flexibility in funding for meeting the Group's short-term and long-term liquidity needs.

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 2022 and 31 December 2021. As at 31 December 2022, non-RMB denominated debts accounted for 14% of the total debts of the Group (41% as at 31 December 2021).

The Group had net current liabilities of HK$5,485.5 million as at 31 December 2022. Taking into account the cash and bank balances, the unutilized banking facilities, 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 2022, there was no charge on assets by the Group (Nil as at 31 December 2021).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB2,109.2 million (RMB1,433.3 million as at 31 December 2021) granted to associates and joint venture, of which RMB1,360.3 million (RMB1,316.5 million as at 31 December 2021) had been utilized.

ISSUE OF EQUITY SECURITIES

Pursuant to the placing, underwriting and subscription agreement dated 11 June 2018, the Company issued 450 million ordinary Shares at a price of HK$9.30 per Share in cash to CRH (Cement) Limited, the Company's immediate holding company. The gross funds raised was HK$4,185.0 million and the net proceeds, after deducting all professional fees and other out-of-pocket expenses, was approximately HK$4,180.3 million, representing a net issue price of approximately HK$9.29 per Share. The closing price as quoted on the Stock Exchange on 11 June 2018 was HK$10.32 per Share. Details of the placing and the top-up subscription were disclosed in the Company's announcements dated 11 June 2018 and 25 June 2018.

In order to utilize the net proceeds in a more effective way and to facilitate efficient allocation of the Company's financial resources, on 22 October 2021, the Board resolved that HK$571.7 million out of the remaining net proceeds initially used for development of prefabricated construction business would be reallocated to developing of aggregates business. According to the policies and market conditions of prefabricated construction, the Group has promoted related businesses in an orderly manner, and the amount intended to be utilized for the development of prefabricated construction business had been fully utilized before 31 December 2022.

In view of strengthening the efficiency and effectiveness of the capital use of the Group, guaranteeing the flow of its own capital and enhancing the flexibility in financial management of the Group, such change in the use of net proceeds would better meet the current business development needs of the Group, which also enables the Group to invest its financial sources in a more beneficial and effective way so as to coordinate with the future development of the Group and grasp potential business opportunities in the future. Relevant details were disclosed in the Company's announcement dated 22 October 2021.

The Board considers that the abovementioned issues of Shares has strengthened the capital base of the Company. Details of the use of net proceeds are as follows:

Intended use of net proceeds	**Amount intended to be utilized**	**Amount unutilized as at 31/12/2021**	**Amount utilized during the year**	**Amount unutilized as at 31/12/2022**	**Expected timeline of utilization**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Development of prefabricated construction business	1,100,300	5,100	5,100	-	Not applicable
Development of aggregates business	1,825,700	-	-	-	Not applicable
Repayment of debts	836,000	-	-	-	Not applicable
General working capital	418,279	-	-	-	Not applicable
Total	4,180,279	5,100	5,100	-	

Save as disclosed above, neither the Company nor any of its subsidiaries carried out any fund raising activities in respect of issue of equity securities during the year.

FUTURE PLAN AND CAPITAL EXPENDITURE

Capital Expenditure

As at 31 December 2022, the outstanding capital expenditure for the Group's expansion plans to be invested was approximately HK$12,456.5 million. Details of these expansion plans are as follows:

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2021 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2022 *HK$ million*
Technological upgrade of an existing cement production plant in Chenzhou City, Hunan	545.9	-	44.1	501.8
Construction of a production plant for aggregates with planned annual production capacity of approximately 30.0 million tons in Fengkai County, Guangdong	8,102.7	4,643.5	1,278.0	2,181.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 6.5 million tons in Deqing County, Guangdong	1,087.2	-	270.7	816.5
Construction of a production plant for aggregates with planned annual production capacity of approximately 1.5 million tons in Luoding City, Guangdong	90.2	-	0.2	90.0
Construction of a production plant for aggregates with planned annual production capacity of approximately 4.0 million tons in Napo Town, Tianyang District, Guangxi	1,113.4	-	137.5	975.9
Construction of a production plant for aggregates with planned annual production capacity of approximately 2.0 million tons in Pingguang Forest, Shangsi County, Guangxi	678.6	81.9	-	596.7
Construction of a production plant for aggregates with planned annual production capacity of approximately 9.7 million tons in Guigang City, Guangxi	3,948.3	-	1,346.0	2,602.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 7.5 million tons in Qintang District, Guigang City, Guangxi	735.8	-	304.6	431.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Fuchuan County, Guangxi	379.7	-	161.5	218.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Binyang County, Nanning City, Guangxi	236.5	-	0.2	236.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Ding'an County, Hainan	2,171.6	1,528.7	238.7	404.2

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2021 *HK$ million*	Expended during the year *HK$ million*	Outstanding capital expenditure as at 31/12/2022 *HK$ million*
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Weishan County, Yunnan	400.1	137.8	22.1	240.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 1.0 million tons in Midu County, Yunnan	93.5	-	23.2	70.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Xianning City, Hubei	960.1	-	216.5	743.6
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Luonan County, Shaanxi	329.3	-	8.4	320.9
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Tongchuan City, Shaanxi	514.7	-	25.1	489.6
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 m^3 in Nanning City, Guangxi	558.4	254.6	51.7	252.1
Construction of four production lines for autoclaved aerated lightweight concrete blocks and panels with total design annual production capacities of approximately 400,000 m^3 of blocks and approximately 800,000 m^3 of panels respectively in Fengkai County, Guangdong	612.0	57.1	174.4	380.5
Construction of three production lines for autoclaved lightweight concrete blocks and panels with total design annual production capacities approximately 300,000 m^3 of blocks and approximately 600,000 m^3 of panels respectively in Ding'an County, Hainan	474.3	-	53.8	420.5
Construction of production lines for products of marble quarry for facing with total planned annual production capacities of approximately 1.14 million m^3 in Hezhou City, Guangxi	163.4	-	1.4	162.0
Construction of 6 concrete batching plants with total annual capacity of approximately 5.4 million m^3 of concrete	342.4	19.9	-	322.5
Total	**23,538.1**	**6,723.5**	**4,358.1**	**12,456.5**

Payment of Capital Expenditure

Total payments for capital expenditure of the Group are expected to be approximately HK$5,705.0 million in 2023, which will be financed by proceeds from borrowings and internally generated funds.

STRATEGIES AND PROSPECT

The Chinese government proposed that the economic work in 2023 shall prioritize stability while pursuing progress, continue to implement proactive fiscal policy and prudent monetary policy, increase the effort of macro-economic policy adjustments, reinforce coordination and cooperation of various types of policies, and form synergy for the joint promotion of high-quality development.

The Chinese government has been accelerating the construction of a world leader in transport. In October 2022, the Ministry of Transport of China, the National Railway Administration of China, the Civil Aviation Administration of China and the State Post Bureau of China jointly issued the "Opinions on Accelerating the Construction of the Main Skeleton of the Comprehensive National Transport Network". It clearly proposed that, by 2025, the utilization rate of the main skeleton capacity should be significantly raised and the physical network mileage should reach approximately 260,000 kilometers. By 2030, construction of the main skeleton should be basically completed and the physical network mileage should reach approximately 280,000 kilometers. By 2035, construction of the main skeleton should be fully completed and lay a solid foundation for basically building a world leader in transport.

In terms of real estate, Chinese government persists in maintaining the position that "residential properties are not for speculation" and supports local governments to improve real estate policies based on local conditions in order to promote the stable and healthy development of the real estate market. In November 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission issued the "Notice on the Present Financial Support for the Steady and Healthy Development of the Real Estate Market", which comprehensively implemented the long-term mechanism for real estate and executed city-specific policies to support demand for basic housing needs and housing to improve living conditions, maintain reasonable and appropriate real estate financing and protect the legitimate rights and interests of housing consumers in order to promote the stable and healthy development of the real estate market.

The Chinese government comprehensively promotes rural revitalization and enhances the quality of new-type urbanization construction. The "Action Execution Plan for Rural Construction" issued in May stated that rural construction is an important mission for implementing strategy for rural revitalization and is also the important content of national modernized construction. The plan proposed to build liveable beautiful villages through the implementation of projects for clear rural roads, construction projects for rural clean energy, projects for upgrading village-level integrated service facilities and projects for improving quality and safety of rural housing. It is targeted that, by 2025, rural construction will achieve substantive progress, the living environment in rural areas will continue to improve, positive progress will be made in covering more villages and extending to more households with respect to rural public infrastructure and the level of basic public services in rural areas will steadily increase, all of which will effectively stimulate demand for building materials such as cement.

In terms of coordinated regional development strategy, the Chinese government continues to expedite infrastructure connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"). According to the "Guangdong-Hong Kong-Macao Greater Bay Area (Inter-city) Railway Link Development Plan", the total operational length of railways in operation and under construction in the Greater Bay Area is targeted to reach 4,700 km by 2025 and 5,700 km by 2035. By the end of 2021, the operational length of railways had exceeded 2,300 km. The gradual advancement of regional development and construction such as the Greater Bay Area will support the regional demand for the building materials industry in the medium to long term.

In addition, the "Chief Executive's 2022 Policy Address" issued by the Hong Kong Special Administrative Region in October 2022 highlighted that the Northern Metropolis is the foothold for Hong Kong's strategic development base as well as the new engine for Hong Kong to scale new heights. The Government of the Hong Kong Special Administrative Region will take forward the development of the Northern Metropolis in full steam. It is expected that major projects will start to roll out in 2025, which will drive the regional demand for the building materials industry in the medium to long term.

Looking ahead, the Group will thoroughly implement the spirit of the "20th National Congress", grasp the new development stage, thoroughly implement the new development philosophy and build a new development paradigm. We will continue to reinforce the three core strengths of "leading market position in the region, innovation-driven development, lowest total costs". We will strengthen, optimize and expand the basic building materials and functional building materials businesses, steadily develop the structural building materials business, and incubate and cultivate the new materials business. In 2023, the Group will focus on the management theme of "systematic reshaping and high-quality development", conduct mid-term strategic review, strengthen strategic research, practice the development model of "resources + research and development + industry", focus on the "4+1" business portfolio (cement, aggregates, concrete, engineered stone and new materials businesses), optimize resource allocation, invest precisely and effectively, vigorously enhance the industry status in the markets of existing businesses, accelerate intelligent, digital and green transformation and focus on promoting transformation of the new materials business. We will insist on benchmark against international first-class standards, continuously improve operational efficiency and quality, and enhance the management standards of environmental protection, safety, and health to accelerate the achievement of carbon peaking goal. In addition, the Group will proactively seize the regional development opportunities in China including the Greater Bay Area, accelerate the pace of transformation and innovation, and fulfil corporate social responsibility to advance the green and sustainable development of the cement industry in China.

CORPORATE GOVERNANCE

During the year, the Company has complied with the applicable code provisions set out in Part 2 of Appendix 14 of the Listing Rules (the "CG Code") except that the roles of chairman and chief executive should not be performed by the same individual in respect of code provision C.2.1 of the CG Code. The Company is endeavouring to identify suitable candidate(s) of the Chief Executive Officer with appropriate professional qualifications or relevant expertise as soon as practicable, and will make further announcement(s) in relation to the above matter as and when appropriate.

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 final dividend of HK$0.009 per Share in cash for the year ended 31 December 2022 (2021: HK$0.28 per Share).

The Board declared an interim dividend of HK$0.12 per Share in cash for 2022 (2021: HK$0.24 per Share) and the total distribution for the year ended 31 December 2022 will be HK$0.129 per Share (2021: HK$0.52 per Share).

The final dividend will be payable in cash to each shareholder in HK$ by default. Shareholders will be given the option to elect to receive all or part of the final dividend in RMB for RMB0.00793258 per Share at the exchange rate of HK$1.0:RMB0.881398, being the average benchmark exchange rate of HK$ to RMB as published by the People's Bank of China during the five business days immediately before Friday, 17 March 2023. Procedures for electing to receive the final dividend in RMB will be set out in the annual report of the Company.

Shareholders should seek professional advice with their own tax advisers regarding the possible tax implications of the dividend payment.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, 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 Thursday, 25 May 2023, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 19 May 2023 with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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, 19 July 2023 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 Friday, 9 June 2023 and the register of members of the Company will be closed from Monday, 5 June 2023 to Friday, 9 June 2023, both days inclusive, during which period 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 Friday, 2 June 2023 with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

REVIEW OF ANNUAL REPORT

The annual report encompassing the consolidated financial statements for the year ended 31 December 2022 has been reviewed by the Audit Committee of the Company.

APPRECIATION

I would like to take this opportunity to thank the Directors, the management team and all employees for their contributions and hard work, which had contributed to the high-quality development of the Group's business. On behalf of the Board, I would also like to express our gratitude to shareholders, customers, suppliers, business partners and other stakeholders for their persistent trust and unfailing support to the Group.

By order of the Board
China Resources Cement Holdings Limited
JI Youhong
Chairman

Hong Kong, 17 March 2023

As at the date of this announcement, the executive Director is Mr. JI Youhong; the non-executive Directors are Mr. ZHU Ping, Mr. CHEN Kangren and Mr. YANG Changyi; and the independent non-executive Directors are Mr. IP Shu Kwan Stephen, Mr. SHEK Lai Him Abraham, Madam ZENG Xuemin and Mr. NG Kam Wah Webster.