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)

2009 ANNUAL RESULTS ANNOUNCEMENT

	2009	2008	**Increase**
Turnover *(HK$ million)*	**6,906.9**	5,781.3	19.5%
Profit attributable to owners of the Company *(HK$ million)*	**1,010.2**	760.9	32.8%

	2009	2008	**Increase (Decrease)**
Total assets *(HK$ million)*	**24,233.9**	10,693.5	126.6%
Equity attributable to owners of the Company *(HK$ million)*	**12,257.6**	4,366.6	180.7%
Net borrowings *(HK$ million) (note 1)*	**3,225.2**	4,124.8	(21.8)%
Net gearing ratio *(note 2)*	**26.3%**	94.5%	
Net assets per share – book *(HK$) (note 3)*	**1.88**	5.59	

notes:

1. Net borrowings equal total indebtedness less cash and bank balances and pledged bank deposits.

2. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.

3. Net assets per share – book is calculated by dividing equity attributable to owners of the Company by number of issued shares at end of the year.

The board ("Board") of directors ("Directors") of China Resources Cement Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	NOTES	**2009** *HK$'000*	2008 *HK$'000*
Turnover	*3*	**6,906,925**	5,781,278
Cost of sales		**(4,864,817)**	(4,462,068)
Gross profit		**2,042,108**	1,319,210
Other income	*4*	**76,845**	265,499
Gain on disposal of a subsidiary		**22,399**	–
Change in fair value of investment properties		**(1,000)**	55,040
Selling and distribution expenses		**(474,446)**	(346,656)
General and administrative expenses		**(469,537)**	(345,351)
Finance costs	*5*	**(149,059)**	(123,592)
Share of results of associates		**6,822**	(1)
Impairment loss recognised in respect of goodwill		**–**	(1,301)
Profit before taxation	*6*	**1,054,132**	822,848
Taxation	*7*	**(26,807)**	(39,101)
Profit for the year		**1,027,325**	783,747
Attributable to:			
Owners of the Company		**1,010,176**	760,924
Minority interests		**17,149**	22,823
		1,027,325	783,747
Basic earnings per share	*8*	**HK$0.400**	HK$0.973
Dividend per share	*9*	**Nil**	HK$0.059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets		**14,264,055**	8,124,263
Prepaid lease payments		**443,284**	293,401
Investment properties		**34,000**	35,000
Intangible assets		**347,612**	137,807
Interests in associates		**8,511**	48
Deposits for acquisition of fixed assets		**645,755**	73,025
Deferred tax assets		**22,421**	9,616
Long term receivables		**264,842**	118,916
		16,030,480	8,792,076
Current assets			
Inventories		**602,380**	379,789
Trade receivables	*10*	**802,833**	638,156
Other receivables		**624,799**	316,664
Taxation recoverable		**20,991**	36,961
Pledged bank deposits		**429,348**	9,171
Cash and bank balances		**5,723,061**	363,590
		8,203,412	1,744,331
Assets classified as held for sale		**–**	157,053
		8,203,412	1,901,384
Current liabilities			
Trade payables	*11*	**950,590**	785,190
Other payables		**1,140,828**	889,235
Provisions		**3,915**	3,861
Amount due to a fellow subsidiary		**–**	10,916
Taxation payable		**6,556**	11,005
Bank loans – amount due within one year		**3,099,222**	2,810,763
		5,201,111	4,510,970
Liabilities associated with assets classified as held for sale		**–**	22,731
		5,201,111	4,533,701

	2009	2008
	HK$'000	*HK$'000*
Net current assets (liabilities)	**3,002,301**	(2,632,317)
Total assets less current liabilities	**19,032,781**	6,159,759
Non-current liabilities		
Bank loans – amount due after one year	**6,278,373**	1,686,812
Provisions	**42,695**	40,588
Long term payable	**27,011**	–
Deferred tax liabilities	**54,048**	31,115
	6,402,127	1,758,515
	12,630,654	4,401,244
Capital and reserves		
Share capital	**651,926**	78,179
Reserves	**11,605,699**	4,288,418
Equity attributable to owners of the Company	**12,257,625**	4,366,597
Minority interests	**373,029**	34,647
Total equity	**12,630,654**	4,401,244

Notes

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the years ended 31 December 2007 and 2008, the Group had the following group reorganisation ("Group Reorganisation") involving entities under common control.

On 28 December 2007, the Group transferred the entire issued share capital of Flavour Glory Limited ("Flavour Glory") and Clear Bright Investments Limited ("Clear Bright") to Smooth Concept Investments Limited ("Smooth Concept") at an aggregate consideration of HK$287,833,000. On 30 June 2008, Smooth Concept transferred back the entire issued share capital of Flavour Glory and Clear Bright to the Group at an aggregate consideration of HK$315,772,000. The Group, Smooth Concept, Flavour Glory and Clear Bright are under the common control of China Resources (Holdings) Company Limited ("CR Holdings") both before and after the transfers of interests in Flavour Glory and Clear Bright, and that control is not transitory. CR Holdings is an intermediate holding company of the Company. For the purpose of the preparation of the consolidated financial statements of the Group, the Group's equity interests in Flavour Glory and Clear Bright are considered to be 100% throughout years ended 31 December 2008 and 2009 after taking into consideration the subsequent transfer-back of the issued share capital of these two companies by Smooth Concept. The difference amounting to HK$27,939,000 that represented the profit of Flavour Glory and Clear Bright for the period from 28 December 2007 to 30 June 2008 was treated as a deemed distribution to Smooth Concept upon application of merger accounting for these reorganisations of companies under common control.

On 5 March 2008, the Group disposed of the entire issued share capital of Redland Concrete Limited ("Redland Concrete") to China Resources Logic Limited (subsequently known as China Resources Gas Group Limited) ("CR Gas"), a subsidiary of CR Holdings, for a cash consideration of HK$217,758,000. On 31 December 2008, the Group acquired back Redland Concrete by acquiring the entire issued share capital of Rich Team Resources Limited ("Rich Team"), the then holding company of Redland Concrete, from CR Gas for a cash consideration of HK$304,698,000.

The Group, Rich Team, Redland Concrete and CR Gas are under the common control of CR Holdings both before and after the transfers of interests in Redland Concrete and the Rich Team between the Group and CR Gas, and that control is not transitory. The Group's equity interest in Rich Team was considered to be 100% throughout years ended 31 December 2008 and 2009 except for during the period from 5 March 2008 to 31 December 2008, after taking into consideration the subsequent transfer-back of the entire issued share capital of Rich Team to the Group. Profit of Rich Team Group from 5 March 2008 to 31 December 2008 attributable to the minority interest in CR Gas of HK$17,867,000 is included in profit attributable to the minority interest in the consolidated statement of comprehensive income for the year ended 31 December 2008 as CR Gas was not wholly owned by CR Holdings. The difference amounting to HK$86,940,000, after adjusting for the consolidated profit of Rich Team Group shared by the minority shareholders of CR Gas amounting to HK$17,867,000 for the period from 5 March 2008 to 31 December 2008, amounting to HK$69,073,000 was treated as a deemed distribution to CR Holdings upon application of merging accounting.

The consolidated financial statements for the years ended 2008 and 2009 have been prepared using the principles of merger accounting as set out in Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" ("AG5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and included the results and cash flows of the companies comprising the Group pursuant to the Group Reorganisation as if the Group Reorganisation had occurred and that the Group had held the equity interests in the companies comprising the Group from the date when the combining entities or business first came under the control of the controlling party, CR Holdings.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments *(see note 3)*.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 *Effective for annual periods beginning on or after 1 July 2009.*

2 *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*

3 *Effective for annual periods beginning on or after 1 January 2010.*

4 *Effective for annual periods beginning on or after 1 February 2010.*

5 *Effective for annual periods beginning on or after 1 July 2010.*

6 *Effective for annual periods beginning on or after 1 January 2011.*

7 *Effective for annual periods beginning on or after 1 January 2013.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

The Group's reportable segments under HKFRS 8 are as follows:

Cement – manufacture and sale of cement and related products

Concrete – manufacture and sale of concrete and related products

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

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

The information of segment results are as follows:

For the year ended 31 December 2009

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	**5,070,678**	**1,836,247**	**–**	**6,906,925**
Inter-segment sales *(note)*	**347,623**	**86**	**(347,709)**	**–**
	5,418,301	**1,836,333**	**(347,709)**	**6,906,925**
RESULTS				
Segment results	**1,012,795**	**225,123**	**–**	**1,237,918**
Interest income				**11,119**
Finance costs				**(149,059)**
Unallocated corporate expenses				**(52,668)**
Share of results of associates				**6,822**
Profit before taxation				**1,054,132**
Taxation				**(26,807)**
Profit for the year				**1,027,325**

For the year ended 31 December 2008

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	4,068,089	1,713,189	–	5,781,278
Inter-segment sales *(note)*	356,622	39	(356,661)	–
	4,424,711	1,713,228	(356,661)	5,781,278
RESULTS				
Segment results	802,155	167,299	–	969,454
Interest income				5,643
Finance costs				(123,592)
Unallocated corporate expenses				(28,656)
Share of result of an associate				(1)
Profit before taxation				822,848
Taxation				(39,101)
Profit for the year				783,747

note: Inter-segment sales are charged at prevailing market prices.

4. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest income	**11,119**	5,643
Exchange gain	**–**	183,619
Government incentives	**33,061**	52,086
Sales of scrap materials	**6,440**	4,466
Compensation received from insurance	**3,290**	1,838
Service income	**3,038**	2,165
Rental income	**10,247**	8,513
Others	**9,650**	7,169
	76,845	265,499

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**318,007**	166,882
Amount due to immediate holding company	**–**	14,088
Interest on long term payable	**156**	–
	318,163	180,970
Less: Amount capitalised to fixed assets	**(169,104)**	(57,378)
	149,059	123,592

Capitalisation rate of borrowing costs to expenditure on qualifying assets is approximately 5.0% (2008: 6.1%).

6. PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**8,488**	7,257
Pension costs and mandatory provident fund contributions excluding Directors	**50,282**	22,337
Other staff costs	**448,862**	344,649
Total staff costs	**507,632**	374,243
Amortisation of mining rights (included in general and administrative expenses)	**4,225**	2,654
Auditor's remuneration	**3,452**	3,179
Depreciation of fixed assets	**432,638**	321,364
Exchange loss	**342**	–
Impairment loss on other receivables	**–**	12,329
Impairment loss recognised in respect of fixed assets	**5,671**	–
Loss on disposal of fixed assets	**872**	3,418
Operating lease payment in respect of		
– rented premises	**23,698**	18,468
– motor vehicles	**27,891**	32,359
Release of prepaid lease payment	**8,683**	6,684
Reversal of allowance for doubtful debts	**(20,533)**	(22,863)

7. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**15,186**	16,538
Chinese Mainland Enterprise Income Tax	**20,291**	13,115
Underprovision in prior years	**1,954**	1,012
	37,431	30,665
Deferred taxation		
Hong Kong	**2,335**	(748)
Chinese Mainland	**(12,959)**	10,541
	(10,624)	9,793
Attributable to change in tax rate	**–**	(1,357)
	(10,624)	8,436
	26,807	39,101

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both years.

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

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

Under the Law of the Chinese Mainland on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Chinese Mainland is 25% from 1 January 2008 onwards. Certain subsidiaries that previously enjoyed a preferential tax rate prior to 1 January 2008 will be gradually transited to the new tax rate over five years from 1 January 2008 and certain subsidiaries that previously enjoyed the Tax Holiday will continue to enjoy such preferential tax treatment until the expiry of such prescribed period.

8. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
EARNINGS		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**1,010,176**	760,924

	As at 31 December	
	2009	2008
NUMBER OF SHARES		
Weighted average number of shares for the purpose of basic earnings per share	**2,523,517,029**	781,787,461

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

9. DIVIDEND

On 31 July 2008, the Company paid an interim dividend of HK$45,985,000 to the then sole shareholder.

The Board does not recommend the payment of a dividend for the year.

10. TRADE RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables from third parties	**799,999**	626,560
Trade receivables from fellow subsidiaries	**2,834**	11,596
	802,833	638,156

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

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

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**727,022**	567,558
91 to 180 days	**44,138**	41,625
181 to 365 days	**31,673**	28,973
	802,833	638,156

11. TRADE PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables to third parties	**950,509**	785,190
Trade payables to fellow subsidiaries	**81**	–
	950,590	785,190

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

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**882,766**	693,538
91 to 180 days	**30,291**	58,193
181 to 365 days	**13,636**	10,871
Over 365 days	**23,897**	22,588
	950,590	785,190

12. REVIEW OF ANNUAL RESULTS

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

THE BUSINESS ENVIRONMENT

In view of the global financial crisis and economic slowdown in 2009, the Chinese Central Government announced a number of economic stimulus policies to boost domestic economy and maintain the economic growth of the country at a healthy and sustainable rate. The provincial governments also announced major construction plans to promote private investment and domestic consumption. The GDP of China reached RMB33.5 trillion for year 2009, representing an increase of 8.7% over year 2008. The FAI of China which comprised infrastructural projects, rural development and property development, contributed a significant portion of the GDP and reached RMB22.5 trillion for year 2009, representing an increase of 30.1% over year 2008.

In Southern China, the GDP for year 2009 in Guangdong, Guangxi, Fujian and Hainan were approximately RMB3,908 billion, RMB770 billion, RMB1,195 billion and RMB165 billion, representing increases of 9.5%, 13.9%, 12.0% and 11.7% respectively over the same period in 2008 and the respective FAI in these provinces were approximately RMB1,335 billion, RMB571 billion, RMB636 billion and RMB100 billion, representing increases of 19.5%, 50.8%, 20.3% and 41.4% respectively over the same period in 2008.

THE INDUSTRY

As driven by the strong growth in GDP and FAI in 2009, the demand for cement products was strong and the total cement production in the Chinese Mainland in 2009 increased to approximately 1.63 billion tons, representing an increase of 17.9% over that of 2008. The total cement production in Southern China in 2009 reached approximately 228 million tons, representing an increase of approximately 15.1% over that of 2008, of which 100 million tons, 64 million tons, 55 million tons and 9 million tons were produced in Guangdong, Guangxi, Fujian and Hainan, representing increases of approximately 5.7%, 23.5%, 21.0% and 45.4% respectively. According to the China Cement Association, vertical kilns with total annual production capacity of approximately 74 million tons in the Chinese Mainland were eliminated in 2009 and there were, in operation, 1,113 NSP clinker production lines with total annual production capacity of approximately 958.6 million tons in the Chinese Mainland as at 31 December 2009.

In a statement issued by the National Development and Reform Commission and approved by the State Council of China in September 2009, the Chinese Central Government indicated that it will deal with the over-supply and duplicate construction of production capacity of certain industries (including the cement industry) and move towards the healthy development of these industries. In line with the advanced international industry practice, the Chinese Central Government plans to adopt more environmental friendly policies and for the purpose of the healthy development of the cement industry, the Chinese Central Government will also enforce its policy to restrain the excessive construction of cement production lines and will implement further measures to accelerate the elimination of the inefficient vertical kilns. These measures will be beneficial to the long term development of the cement industry and will create more opportunities for the future expansion of the Company.

In early 2010, the Chinese Central Government expressed its intention to encourage and support plans for the construction of self-use residential homes by people living in the rural areas with a view to promoting domestic consumption through capital investment and to improve the quality of living. The implementation of the policy is expected to increase the demand for good quality cement products substantially which will have a positive impact on the profitability of NSP cement producers.

SOCIAL RESPONSIBILITY

We placed strong emphasis in corporate social responsibility. As an example of our commitment to the environmental protection, we have a strong desire to minimise the environmental impact of our operation on the communities where they are located. We have installed dust absorption facilities at all our production plants so that our dust emissions are materially lower than the standard rates specified by the government authority and the international standards. We have also installed residual heat recovery generators that recycle the heat generated during the clinker production process is re-used in the production process. Our production lines are also installed with equipment that will use industrial wastes such as coal ash, slag and de-sulphur gypsum generated by the coal-fired electric power plants and iron and steel manufacturers during their production process as part of the raw materials for our cement production. We are committed to the sustainable development of the cement industry and have joined the Cement Sustainability Initiative. We are prepared to integrate our strong financial performance with an equally strong commitment to social and environmental responsibility, and we are also ready to engage in an honest and open dialogue with our stakeholders.

In addition, we have participated in certain activities that allow us to fulfill our role as a social corporate citizen. During the year ended 31 December 2009, we donated 34,000 tons of cement worth of HK$7.0 million for charity purpose in Southern China including the construction of schools, paths, and also the " China Resources Town of Hope" in Baise, Guangxi, with a view to assisting the establishment of a comfortable town for poor people in that area. Other cash donations to charities amounted to HK$4.6 million for the year.

OPERATIONAL PERFORMANCE REVIEW

New production plants

During the year 2009, there were four clinker production lines completed and put into operation. They were Nanning 2nd line and Pingnan 4th line in March, Pingnan 5th line in June and Fengkai 1st line in December and have increased our total annual clinker production capacity to 6.2 million tons. There were also six cement grinding lines and six concrete batching plants completed and commenced operation during the year 2009, increasing our total annual cement production capacity and annual concrete production capacity by 8.1 million tons and 3.6 million m^3 respectively. In 2009, we acquired 63.4% equity interest in Hainan Cement, which has an annual clinker production capacity of 3.3 million tons and an annual cement production capacity of 4.0 million tons . As at 31 December 2009, our annual production capacities for clinker, cement and concrete amounted to 20.5 million tons, 28.5 million tons and 15.3 million cubic meters respectively. Notwithstanding the rapid expansion of our production capacity during the year 2009, we managed to maintain production activities at high level and the utilisation rates of our cement, clinker and concrete production lines were 83.0%, 114.8% and 49.9% respectively for year 2009 as compared with 85.9%, 115.5% and 54.3% for year 2008.

Major production costs

Since coal priced at peak in October 2008, the price of coal decreased in year 2009. The average price of coal we purchased in 2009 was around HK$587 per ton, representing a decrease of 23.7% from the average price of HK$769 per ton in 2008. We also managed to improve our production technology and lower our unit coal consumption in the clinker production process from the average of 171.4 Kg per ton of clinker in 2008 to 160.8 Kg per ton of clinker in 2009. Our standard coal consumption decreased from 110.0 Kg per ton of clinker in 2008 to 108.5 Kg per ton of clinker in 2009, representing a cost savings of HK$107.3 million in total. Our average coal cost of production for 2009 dropped by 28.4% to HK$94.4 per ton of clinker produced. Coal cost represented approximately 42.0% of the cost of sales for cement in 2009 (46.3% in 2008) and approximately 33.5% of the Group's total cost of sales in 2009 (37.1% in 2008). We are exploring further possibilities to lower our coal cost through technological upgrades and will expand our sourcing channels with a view to keeping our coal cost at the lowest level.

Our electricity cost dropped by 8.1% to HK$37.8 per ton of cement due to lower electricity consumption and the cost reduction from the use of residual heat recovery generators. We managed to improve our electricity consumption from 94.2 KWh per ton of cement to 91.6 KWh per ton of cement during the production process through technological upgrade projects, representing a cost savings of approximately HK$26.8 million. Our residual heat recovery generators performed satisfactorily and generated 477.2 million KWh of electricity in 2009, which was re-used in our production process, representing an increase of 43.6% over 332.3 million KWh of electricity generated in 2008. The electricity generated in 2009 accounted for approximately 26% of our required electricity consumption. By reducing the use of electricity, we not only helped the environment but also achieved a cost saving of approximately HK$246.0 million in 2009. We will continue to implement these measures to further control our electricity cost. Electricity cost represented approximately 16.0% of the Group's total cost of sales in 2009 (14.6% in 2008).

Low water level in Xijiang

In the last quarter of 2009, the Xijiang River experienced one of the lowest water level recorded in its history. As a result, the traffic along the Xijiang River was reduced significantly and the delivery of our cement products downstream to Guangdong was affected as we were unable to deliver sufficient quantity of cement products by water to satisfy the demand from our customers in Guangdong. In order to maintain the long term relationship with our major customers in Guangdong, we arranged to deliver some of our cement products by truck for the affected section of water transportation route. For cement products that were originally allocated for our customers in Guangdong but could not be delivered as planned, we were able to sell them in Guangxi at market prices due to the strong demand for high quality cement products in Guangxi.

Logistics Department

Logistics is always on the top of our agenda in managing our business. We have built over 20 silo terminals in Guangdong along the Xijiang River and its branches to facilitate the sale of our cement products. Following the commencement of operation of our Fengkai cement plant in December 2009, our cement products can be delivered to our customers in Guangdong directly from this plant moving forward and we will be able to avoid any significant impact on our business arising from the traffic interruption to the Xijiang River. In order to facilitate our business strategy to extend our territorial coverage to East Guangdong and Fujian, we will set up our Logistics Department which aims at establishing a few strategic logistics and distribution centres along the Xijiang River in Guangdong to provide for the grinding, packing, distribution and storage of our cement products. We are also exploring the possibility to own vessels and barges for the purpose of transporting our cement products downstream to our distribution centres and silos terminals located in Guangdong and coal and raw materials upstream to our production sites in Guangxi so as to ensure availability of adequate transportation facility and to stabilise the freight cost of logistical movement on the Xijiang River.

Procurement

In 2009 and earlier years, we secured coal supply substantially with original sources from Vietnam through a number of distributors. In order to control risk relating to coal supply, we began to source coal supply from Northern China with a view to diversifying our suppliers and minimising concentration risk. Although the coal prices of the Northern China are relatively higher than those of Vietnam, the coals of Northern China are generally of better quality as they can generate more heat energy during the burning process. We are performing experimental tests on blending these high quality coals with the less expensive coals with a view to seeking a more effective production formula, so as to reduce our production cost.

Human Capital

In order to prepare for the rapid expansion of our Group and to fulfill the need for management personnel at all levels, we plan to enhance our human capital reserve. In addition to hiring more talents, we will engage professionals and specialists to assist us to train our middle to senior management to ensure that there is adequate pool of candidates for the succession plan of each of our existing and future operating units. We have also adopted performance appraisal systems for all levels of employees such that each individual will be adequately remunerated according to his or her performance.

FINANCIAL PERFORMANCE REVIEW

Turnover

An analysis of segmental turnover by product is as follows:

		2009			2008	
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	’000 tons/m³	***HK$***	***HK$’000***	*’000 tons/m³*	*HK$*	*HK$’000*
Cement	**16,446**	**272.9**	**4,488,004**	13,206	282.9	3,735,796
Clinker	**2,757**	**211.3**	**582,674**	1,348	246.5	332,293
Concrete	**6,308**	**291.1**	**1,836,247**	5,552	308.6	1,713,189
Total			**6,906,925**			5,781,278

The increase in volume sold in 2009 reflected the strong demand for our products. Our new production capacities in 2009 allowed us to meet the increase in demand for our products. For the year 2009, approximately 78.2% of the cement products we sold were of 42.5 or higher grades (73.9% in 2008) and approximately 30.6% of our cement products were sold in bags (24.3% in 2008). Internal sale volume of cement for our concrete production was 1,321,000 tons, representing an increase of 4.6%. The intra-group transactions of HK$347,623,000 were eliminated from turnover on consolidation in 2009.

The average selling prices of cement, clinker and concrete in 2009 were HK$272.9 per ton, HK$211.3 per ton and HK$291.1 per m^3 respectively, representing decreases of 3.5%, 14.3% and 5.7% respectively. The change in average selling prices of cement and clinker in 2009 primarily reflected the price decreases due to the reduced coal price in 2009 as offset by the price increases due to freight cost increases arising from the exceptionally low water level in the Xijiang River that were passed on to our customers in the last quarter of 2009. The decrease in average selling price of concrete in 2009 was due to the general decrease in the cement prices. During the period of the exceptionally low water level in the Xijiang River, our cement products that were originally allocated for our customers in Guangdong could not be delivered as planned and they were subsequently all sold in Guangxi at the market prices. Our cement sales by geographical areas in 2009 were as follows:

	2009			2008		
	Volume	**Average selling price**	**Turnover**	Volume	Average selling price	Turnover
	'000 tons	***HK$***	***HK$'000***	*'000 tons*	*HK$*	*HK$'000*
Guangdong	**7,734**	**270.4**	**2,090,807**	7,644	286.9	2,193,037
Guangxi	**7,937**	**267.4**	**2,122,615**	5,562	277.4	1,542,759
Fujian	**118**	**279.6**	**33,119**	–	–	–
Hainan	**657**	**367.4**	**241,463**	–	–	–
Total	**16,446**	**272.9**	**4,488,004**	13,206	282.9	3,735,796

Gross profit and gross margin

The consolidated gross profit for 2009 was HK$2,042.1 million, representing an increase of 54.8% over HK$1,319.2 million for 2008 and the consolidated gross margin was 29.6%, representing an increase of 6.8 percentage points over 22.8% for 2008. The increase in consolidated gross profit in 2009 was mainly attributable to the increase in sales volume as well as the improvement in the overall gross margin due to our lower production cost resulting from the return of coal prices to reasonable levels in 2009 and our continuous effort in lowering the coal and electricity consumption for our cement products. The gross margins of cement, clinker and concrete for 2009 were 31.4%, 17.5% and 29.0%, as compared with 23.0%, 12.6% and 24.5% respectively for 2008.

Taxation

The effective tax rate of the Group for 2009 was 2.5%, representing a decrease of 2.3 percentage points from 4.8% of 2008. This was because a higher portion of the profit was generated from subsidiaries which were still entitled to the income tax exemption for the first two years starting from their first profit-making year, followed by a 50% tax reduction for the next three years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	31 December 2009	31 December 2008
	'000	*'000*
HK$	**4,835,930**	154,466
RMB	**1,143,546**	192,169
US$	**2,276**	3

As at 31 December 2009, the Group's banking facilities amounted to US$30.0 million, HK$2,990.0 million and RMB9,179.3 million and a total amount of US$11.9 million, HK$779.2 million and RMB2,949.4 million remained available for draw down. Under the terms of certain agreements for the total banking facility of HK$720.0 million equivalent, China Resources Holdings, the Company's holding company is required to hold not less than 51% of the voting share capital in the Company. Under the terms of certain agreements for the total banking facility of HK$2,182.6 million equivalent, the net gearing ratio of the Company (as may be adjusted to exclude certain non-tangible assets) shall not exceed 180-185%. The net gearing ratio of the Company as at 31 December 2009 was 26.3% (94.5% as at 31 December 2008).

As at 31 December 2009, the total bank loans of the Group amounted to HK$9,377.6 million (HK$4,497.6 million as at 31 December 2008) equivalent and they comprised loans in the following currencies:

	31 December 2009 *'000*	31 December 2008 *'000*
US$	**18,060**	–
HK$	**2,192,000**	420,000
RMB	**6,203,500**	3,580,000
Japanese Yen	**–**	129,317

Among these bank loans denominated in RMB, total amount of HK$936.8 million equivalent (Nil as at 31 December 2008) was secured by bank deposits and fixed assets of the Group and HK$8,440.8 million equivalent (HK$4,497.6 million as at 31 December 2008) was unsecured.

Bank loans which carried interests at fixed and variable rates amounted to HK$681.4 million and HK$8,696.2 million respectively as compared to HK$113.6 million and HK$4,384.0 million as at 31 December 2008.

The Group's business transactions in 2009 were mainly carried out in Hong Kong dollars and Renminbi. The Group's exposure to currency risk was attributable to the bank balances and bank loans which were denominated in currencies other than the functional currency of the entity to which these bank balances and bank loans were related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise. As at 31 December 2009, the Group did not engage in any hedging transactions.

CHARGES ON ASSETS

As at 31 December 2009, certain assets of subsidiaries of the Company with an aggregate carrying value of HK$844.6 million (Nil as at 31 December 2008) were pledged with banks for banking facilities used by these subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2009, our Group employed a total of 11,303 full time employees of whom 167 were based in Hong Kong and the remaining 11,136 were based in the Chinese Mainland. A breakdown of our employees by functions is stated as follows:

Management	175
Finance and administration	1,987
Production and technical	7,780
Quality Control	1,109
Sales and marketing	252
Total	11,303

Among our 175 senior and middle managerial staff, 57% possess university degrees, 34% have received post-secondary education and their average age is about 39. We offer our employees remuneration packages mainly on the basis of individual performance and experience and also having regard to industrial practice, which include basic wages, production unit allowance, performance related bonuses and other staff benefits. The Company has established a share award scheme whereby eligible employees of the Group may be granted shares of the Company acquired by the trustee under the share award scheme.

USE OF PROCEEDS

As stated in the Prospectus, the Group had plans to use the proceeds obtained from the IPO, the amount applied to the intended use and the residual amount to be used as at 31 December 2009 were as follows:

Expansion Plan	Utilisation of proceeds if issue price was HK$3.55	Additional proceeds to be utilised if issue price was HK$3.90	Additional proceeds from the Over-allotment Option	Total Intended Use of Proceeds	Used during the period from 6/10/2009 to 31/12/2009	Residual balance to be used as at 31/12/2009
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Construction of production lines in Fengkai, Guangdong with a total capacity of 4.0 million tons of cement and 6.2 million tons of clinker	2,374.0	282.1	–	2,656.1	616.6	2,039.5
Construction of production lines in Fuchuan, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	344.8	41.0	–	385.8	157.9	227.9
Construction of production lines in Shangsi, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	251.3	29.9	–	281.2	127.7	153.5
Construction of production lines in Tianyang, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	700.5	83.2	–	783.7	98.4	685.3
Construction of production lines in Wuxuan, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	692.9	82.3	–	775.2	53.9	721.3
Construction of production lines in Shantou, Guangdong with a total capacity of 1.8 million tons of cement	43.6	5.2	–	48.8	21.7	27.1
Repayment of bank loans	617.8	–	374.3	992.1	572.1	420.0
Working capital and other corporate usage	552.2	–	–	552.2	552.2	–
	5,577.1	523.7	374.3	6,475.1	2,200.5	4,274.6

Unused balance was kept as cash at bank.

FUTURE PLAN AND CAPITAL EXPENDITURE

In addition to the expansion plan mentioned in the above section on Use of Proceeds, the Company commenced the construction of one clinker production line with annual capacity of 1.6 million tons and one cement production line with annual capacity of 1.9 million tons in Luchuan, Guangxi and one clinker production line with annual capacity of 1.6 million tons and one cement production line with annual capacity of 1.9 million tons in Yongding, Fujian Province in the fourth quarter of 2009. It is expected that the cost for the construction of these production lines in Luchuan and Yongding will amount to approximately HK$963.4 million and HK$1,080.2 million respectively.

In December 2009, the Group had successfully bid for one 2500 t/d NSP clinker and cement production line (which was under construction) in Yangchun City, Guangdong Province at a consideration of RMB190.5 million. We will further invest a total of HK$236.8 million to complete the construction and it is expected that the production line will be commence operation by the end of 2010.

As at 31 December 2009, the Group had approved and commenced the construction of 13 concrete batching plants in Southern China with total annual production capacity of 7.8 million m^3 at the total cost of approximately HK$374.8 million.

The future plan on capital expenditure and the expected sources of funding is summarised as below:

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2009 *HK$ million*	Outstanding capital expenditure at 31/12/2009 *HK$ million*	To be financed by proceeds from IPO *HK$ million*	To be financed by bank loans and internally generated funds *HK$ million*
Construction of production lines in Fengkai, Guangdong with a total capacity of 4.0 million tons of cement and 6.2 million tons of clinker	5,379.2	2,954.3	2,424.9	2,039.5	385.4
Construction of production lines in Fuchuan, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,010.8	641.8	369.0	227.9	141.1
Construction of production lines in Shangsi, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,223.9	890.6	333.3	153.5	179.8
Construction of production lines in Tianyang, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	966.1	157.3	808.8	685.3	123.5
Construction of production lines in Wuxuan, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	902.1	98.2	803.9	721.3	82.6
Construction of production lines in Shantou, Guangdong with a total capacity of 1.8 million tons of cement	235.2	191.0	44.2	27.1	17.1
Construction of production lines in Luchuan, Guangxi with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	963.4	75.3	888.1	–	888.1
Construction of production lines in Yongding, Fujian Province, with a total capacity of 1.9 million tons of cement and 1.6 million tons of clinker	1,080.2	83.6	996.6	–	996.6
Construction of production lines in Yangchun, Guangdong with a total capacity of 1.0 million tons of cement and 0.8 million tons of clinker	236.8	2.7	234.1	–	234.1
Construction of 13 concrete batching plants with a total capacity of 7.8 million m^3 of concrete	374.8	104.9	269.9	–	269.9
	12,372.5	5,199.7	7,172.8	3,854.6	3,318.2

As at 31 December 2009, there were other outstanding contracts for capital expenditures in the amount of HK$35.1 million. Apart from the foregoings, the Group had no other significant planned capital expenditure as at 31 December 2009. These planned and intended capital expenditures and any other future expansion will be financed by IPO proceeds, bank loans and internally generated funds.

STRATEGIC OBJECTIVES AND PROSPECTS

We will continue with our "Lowest Total Cost" expansion strategy along the Xijiang River and have plans to extend our business territories to cover the coastal areas in Southern China using structured river and sea logistic network. The successful listing of our Company's shares on the Stock Exchange has provided us with the requisite funding to carry out our expansion plan. As at 31 December 2009, our annual production capacities for clinker, cement and concrete amounted to 20.5 million tons, 28.5 million tons and 15.3 million cubic meters respectively. According to our current construction plan, our annual production capacities for clinker, cement and concrete will be increased to 33.7 million tons, 45.1 million tons and 23.1 million cubic meters respectively at the end of 2010.

We target to expand our annual production capacity to over 50 million tones of clinker, 65 million tons of cement and 40 million cubic meters of concrete over the next three years. These expansion targets will be principally achieved by organic growth through both the expansion of our existing production plants and the construction of new production lines on approved projects. These expansion targets will enable our Company to maintain our leading position as the most influential cement and concrete producer in Southern China as we will possess a market share of approximately 25% in Southern China. While we are focusing on our capacity expansion in Southern China, we are also looking for expansion opportunities in other parts of China, which may be achieved through mergers and acquisitions.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period from the Listing Date to 31 December 2009, the Company complied with all code provisions as well as most of the recommended best practices of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules except that all non-executive Directors were not appointed for a specific term. Since all Directors are subject to re-election by shareholders at annual general meetings and at least about once every three years on a rotation basis in accordance with the Articles of Association of the Company, there are sufficient measures to ensure the corporate governance of the Company complies with the same level to that required under the Code on Corporate Governance Practices.

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

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank those who participated in obtaining listing of the Company's shares on the Stock Exchange. I would also like to thank our shareholders for their continuing support and finally, I wish to pay tribute to the management and all the employees for their contribution and dedication to their work.

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

Hong Kong, 19 March 2010

As at the date of this announcement, the executive directors of the Company are Madam Zhou Junqing, Mr. Zhou Longshan and Mr. Lau Chung Kwok Robert; the non-executive directors of the Company are Mr. Li Fuzuo, Mr. Du Wenmin and Mr. Wei Bin; and the independent non-executive directors of the Company are Mr. Ip Shu Kwan, Stephen, Madam Zeng Xuemin and Mr. Lam Chi Yuen.