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 INTERIM RESULTS ANNOUNCEMENT

	For the six months ended 30 June		
	2022 **(unaudited)**	2021 (unaudited)	**(Decrease)**
Turnover *(HK$ million)*	**16,116.5**	20,179.6	(20.1)%
Profit attributable to owners of the Company *(HK$ million)*	**1,804.5**	3,633.5	(50.3)%
Basic earnings per share	**HK$0.258**	HK$0.520	
Interim dividend per share	**HK$0.12**	HK$0.24	

	As at 30/6/2022 (unaudited)	As at 31/12/2021 (audited)	**(Decrease)**
Total assets *(HK$ million)*	**75,974.5**	79,149.2	(4.0)%
Equity attributable to owners of the Company *(HK$ million)*	**52,226.1**	54,856.0	(4.8)%
Gearing ratio *(note 1)*	**19.1%**	19.0%	
Net assets per share – book *(note 2)*	**HK$7.48**	HK$7.86	(4.8)%

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 relevant reporting period.

The board (the "Board") of directors (the "Directors") of China Resources Cement Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2022 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	**2022**	2021
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**16,116,525**	20,179,633
Cost of sales		**(12,813,841)**	(13,906,722)
Gross profit		**3,302,684**	6,272,911
Other income		**581,555**	364,481
Selling and distribution expenses		**(275,955)**	(961,302)
General and administrative expenses		**(1,233,506)**	(1,061,187)
Exchange loss		**(67,510)**	(5,085)
Finance costs	*4*	**(171,161)**	(95,497)
Share of results of associates		**11,805**	204,955
Share of results of joint ventures		**(26,220)**	144,290
Profit before taxation	*5*	**2,121,692**	4,863,566
Taxation	*6*	**(357,708)**	(1,237,268)
Profit for the period		**1,763,984**	3,626,298
Other comprehensive (expense) income:			
Items that will not be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(2,498,860)**	618,661
Change in fair value of other investment		**(8,836)**	(6,024)
Item that will be subsequently reclassified to profit or loss:			
Share of other comprehensive (expense) income of associates		**(5,080)**	1,347
Total comprehensive (expense) income for the period		**(748,792)**	4,240,282
Profit (loss) for the period attributable to:			
Owners of the Company		**1,804,538**	3,633,516
Non-controlling interests		**(40,554)**	(7,218)
		1,763,984	3,626,298
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(674,656)**	4,239,754
Non-controlling interests		**(74,136)**	528
		(748,792)	4,240,282
Basic earnings per share	*7*	**HK$0.258**	HK$0.520

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30/6/2022 HK$'000 (unaudited)	As at 31/12/2021 HK$'000 (audited)
Non-current assets			
Fixed assets		**28,247,769**	29,556,092
Right-of-use assets		**4,149,383**	4,325,329
Investment property		**130,000**	130,000
Other investment		**42,574**	51,410
Intangible assets		**12,696,220**	12,298,717
Interests in associates		**6,730,807**	6,754,993
Interests in joint ventures		**2,699,148**	2,793,146
Deposits for acquisition of assets		**5,184,918**	4,448,461
Deferred tax assets		**563,856**	535,391
Loans to joint ventures		**497,404**	1,115,457
Long term receivables		**286,267**	299,086
Pledged bank deposits		**455,793**	318,456
		61,684,139	62,626,538
Current assets			
Inventories		**3,604,114**	2,941,190
Trade receivables	*8*	**4,937,531**	4,793,437
Other receivables		**1,524,264**	1,601,479
Loan to joint venture		**576,038**	–
Taxation recoverable		**29,143**	21,368
Pledged bank deposits		**22,274**	97,847
Cash and bank balances		**3,596,970**	7,067,381
		14,290,334	16,522,702
Current liabilities			
Trade payables	*9*	**3,587,167**	3,786,280
Other payables		**7,878,002**	7,265,261
Taxation payable		**523,015**	909,656
Loans from an intermediate holding company		**643,132**	1,672,700
Loans from non-controlling shareholders		**113,619**	42,366
Bank loans - amount due within one year		**6,188,808**	7,336,197
		18,933,743	21,012,460
Net current liabilities		**(4,643,409)**	(4,489,758)
Total assets less current liabilities		**57,040,730**	58,136,780

	As at 30/6/2022 *HK$'000* (unaudited)	As at 31/12/2021 *HK$'000* (audited)
Non-current liabilities		
Bank loans - amount due after one year	**2,876,246**	1,223,090
Loans from non-controlling shareholders	**136,078**	139,288
Other long term payables	**703,834**	708,973
Deferred tax liabilities	**208,807**	424,082
	3,924,965	2,495,433
	53,115,765	55,641,347

Capital and reserves		
Share Capital	**698,294**	698,294
Reserves	**51,527,840**	54,157,719
Equity attributable to owners of the Company	**52,226,134**	54,856,013
Non-controlling interests	**889,631**	785,334
Total equity	**53,115,765**	55,641,347

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 are measured at fair value.

2.1 THE CHANGE OF ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the revised standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the Period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the Period.

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 above amendments to HKFRSs in the Period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

2.2 THE CHANGE OF ACCOUNTING ESTIMATES

During the Period, 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$230,450,000 for the Period.

3. SEGMENT INFORMATION

Segment information has been identified on the basis of different products in internal management reports which are prepared in accordance with accounting policies 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: cement and concrete. 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 six months ended 30 June 2022 (unaudited)

	Cement	**Concrete**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER - SEGMENT REVENUE				
External sales	**13,247,514**	**2,869,011**	**-**	**16,116,525**
Inter-segment sales	**401,489**	**1,518**	**(403,007)**	**-**
	13,649,003	**2,870,529**	**(403,007)**	**16,116,525**

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	**2,084,043**	**11,613**	**-**	**2,095,656**
Interest income				**80,600**
Exchange loss				**(67,510)**
Finance costs				**(171,161)**
Unallocated net corporate income				**198,522**
Share of results of associates				**11,805**
Share of results of joint ventures				**(26,220)**
Profit before taxation				**2,121,692**

For the six months ended 30 June 2021 (unaudited)

	Cement	Concrete	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER - SEGMENT REVENUE				
External sales	16,626,246	3,553,387	-	20,179,633
Inter-segment sales	574,710	749	(575,459)	-
	17,200,956	3,554,136	(575,459)	20,179,633

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	4,425,868	187,878	-	4,613,746
Interest income				100,941
Exchange loss				(5,085)
Finance costs				(95,497)
Unallocated net corporate expenses				(99,784)
Share of results of associates				204,955
Share of results of joint ventures				144,290
Profit before taxation				4,863,566

4. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Bank loans and unsecured medium term notes	**177,068**	80,482
Loans from an intermediate holding company	**13,516**	-
Loans from non-controlling shareholders	**5,680**	-
Provision for environmental restoration	**13,300**	9,555
Lease liabilities	**5,511**	5,460
	215,075	95,497
Less: Amount capitalized to fixed assets	**(43,914)**	-
	171,161	95,497

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Total staff costs (including Directors' emoluments)	**1,449,261**	1,521,125
Allowance for doubtful debts	**183,653**	93,592
Amortization of mining rights	**114,080**	116,140
Depreciation of fixed assets	**987,675**	980,223
Depreciation of right-of-use assets	**99,388**	76,061
Short term lease payments	**13,623**	7,994
Variable lease payments		
- motor vehicles	**257,788**	309,935
(Gain) loss on disposal of a subsidiary	**(239,072)**	6,688
Interest income	**(80,600)**	(100,941)

6. TAXATION

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**9,710**	9,206
Chinese Mainland Enterprise Income Tax	**657,519**	1,464,548
	667,229	1,473,754
Deferred taxation		
Hong Kong	**(956)**	3,930
Chinese Mainland	**(308,565)**	(240,416)
	(309,521)	(236,486)
	357,708	1,237,268

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

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 periods.

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	**1,804,538**	3,633,516

	For the six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
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.

8. TRADE RECEIVABLES

	As at 30/6/2022	As at 31/12/2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables from third parties	**4,830,013**	4,713,814
Trade receivables from related parties	**107,518**	79,623
	4,937,531	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 30/6/2022	As at 31/12/2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**2,718,982**	3,181,817
91 to 180 days	**595,788**	695,582
181 to 365 days	**1,214,700**	651,396
Over 365 days	**408,061**	264,642
	4,937,531	4,793,437

9. TRADE PAYABLES

	As at 30/6/2022	As at 31/12/2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables to third parties	**3,526,443**	3,746,208
Trade payables to related parties	**60,724**	40,072
	3,587,167	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 30/6/2022	As at 31/12/2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**3,369,207**	3,548,450
91 to 180 days	**140,973**	187,705
181 to 365 days	**68,691**	34,176
Over 365 days	**8,296**	15,949
	3,587,167	3,786,280

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.12 per Share for the Period (2021: HK$0.24). The interim dividend, which amounts to approximately HK$838.0 million (2021: HK$1,675.9 million), will be distributed on or about Friday, 28 October 2022 to shareholders whose names appear on the register of members of the Company after the close of business on Tuesday, 13 September 2022.

The interim dividend will be payable in cash to each shareholder in HK$ by default. Shareholders may also elect to receive the interim dividend in RMB.

Shareholders will be given the option to elect to receive all or part of the interim dividend in RMB at the exchange rate of HK$1.0: RMB0.86025, being the average benchmark exchange rate of HK$ to RMB as published by the People's Bank of China during the five business days immediately before Friday, 12 August 2022. If shareholders elect to receive the interim dividend in RMB, such dividend will be paid to shareholders at RMB0.10323 per share. To make such election, shareholders should complete the Dividend Currency Election Form which is expected to be despatched to shareholders in late September 2022 as soon as practicable after the record date of Tuesday, 13 September 2022 to determine shareholders' entitlement to the interim dividend, and lodge it with the Company's share registrar, Tricor Investor Services Limited at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 7 October 2022.

Shareholders who are minded to elect to receive all or part of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Friday, 28 October 2022 at the shareholders' own risk.

If no duly completed Dividend Currency Election Form in respect of the shareholder is received by the Company's share registrar by 4:30 p.m. on Friday, 7 October 2022, such shareholder will automatically receive the interim dividend in HK$. All dividend payments in HK$ will be made in the usual ways on Friday, 28 October 2022.

If shareholders wish to receive the interim dividend in HK$ in the usual way, no additional action is required.

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 Tuesday, 13 September 2022 to Friday, 16 September 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 9 September 2022 with the Company's share registrar, Tricor Investor Services Limited at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

BUSINESS ENVIRONMENT

Since 2022, in the face of the complex and difficult international environment and the adverse impacts from the multiple and frequent outbreaks of domestic COVID-19 epidemic (the "Epidemic"), the Chinese government had boosted efforts on macro-policy adjustments, effectively implemented a package of policies and measures to stabilize the economy and managed to control the Epidemic rebound in the second quarter such that the economy had stabilized and recovered, and the overall social situation had remained stable.

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2022, the gross domestic product ("GDP") of China grew by 2.5% year-on-year to RMB56.3 trillion. The GDPs of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi and Hunan, where the Group's businesses operate, reached RMB6.0 trillion, RMB1.2 trillion, RMB2.5 trillion, RMB314.5 billion, RMB1.3 trillion, RMB983.0 billion, RMB1.2 trillion and RMB2.3 trillion respectively, representing year-on-year increases of 2.0%, 2.7%, 4.6%, 1.6%, 3.5%, 4.5%, 5.2% and 4.3% respectively.

In May 2022, the State Council of China issued the "Policy Package to Stabilize the Economy", which proposed 33 detailed measures covering six aspects, including fiscal policies, monetary and financial policies, as well as policies on investment stabilization and consumption promotion, food and energy security, stabilization of industrial chains and supply chains, and people's basic livelihoods, and aimed to earnestly stabilize the economy in the second quarter, strive to lay a good foundation for the development in the second half year and maintain the operation of the economy within a reasonable range.

In terms of fiscal policies, the Chinese government required the local governments to accelerate the issuance and usage of the approved RMB3.45 trillion of special-purpose bonds, to basically complete the issuance by the end of June and to strive to be basically used up by the end of August. The special-purpose bonds would be invested in nine major areas including transport infrastructure, energy and affordable housing, while projects for new-type infrastructure and new energy would be prioritized to be included in the scope of funding.

In terms of monetary policies, the Chinese government lowered the loan prime rate ("LPR") in January and May respectively. The one-year LPR was reduced from 3.80% in December 2021 to 3.70% and the five-year LPR was lowered from 4.65% to 4.45%, which helped to reduce the financing cost in the real economy. In May, the Chinese government cut the mortgage rate floor based on the benchmark LPR of the corresponding tenor by 20 basis points for first time home buyers. Local governments can independently determine the mortgage rate floor for first and second home buyers according to changes of the real estate market situation and regulatory requirements of municipal governments.

With regards to policies for stabilizing investment, the Chinese government required to accelerate a batch of hydraulic engineering projects with proven research, continue to build comprehensive urban underground pipelines based on local conditions and speed up investment on transportation infrastructure.

Under the support of a series of policies, the national fixed asset investments ("FAI") and infrastructure investments in the first half of the year had achieved steady growth. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2022, the national FAI (excluding rural households) increased by 6.1% year-on-year to RMB27.1 trillion. The year-on-year growth in FAI of Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi and Hunan, where the Group businesses operate, were approximately 1.0 %, 2.5%, 9.2%, 7.3%, 8.0%, 8.1%, 5.4% and 8.7%.

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2022, the national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) increased by 7.1% year-on-year. According to the statistics published by the Ministry of Transport of China and the National Railway Administration of China, in the first half of 2022, FAI on highways and waterways in China amounted to approximately RMB1.3 trillion, representing an increase of 9.4% year-on-year. FAI on railways amounted to approximately 285.3 billion, representing a year-on-year decrease of 4.6%.

During the first half of the year, the overall real estate market remained sluggish. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2022, the floor space of commodity housing sold in China decreased by 22.2% year-on-year to 690 million m^2 and the sales amount decreased by 28.9% year-on-year to RMB6.6 trillion. Real estate investment in China decreased by 5.4% year-on-year to RMB6.8 trillion. Among which, the floor space of houses newly started construction decreased by 34.4% year-on-year to 660 million m^2 while the floor space of houses completed dropped by 21.5% year-on-year to 290 million m^2. The floor space under construction by the real estate developers nationwide reached 8,490 million m^2, representing a year-on-year decrease of 2.8%.

The Chinese government actively implemented urban renewal and comprehensively promoted rural revitalization. According to the statistics published by the Ministry of Housing and Urban-Rural Development of China, in the first half of 2022, 38,900 old communities nationwide newly started renovations, which had reached 76.0% of the annual target of 51,000. In May 2022, the Chinese government issued the "Implementation Plan on Actions for Rural Construction", which proposed to accelerate the construction of a convenient and efficient backbone network of rural roads and promote the construction of hard roads to natural villages (groups) with large populations so as to advance the in-depth integrated development of rural roads and rural industries.

THE INDUSTRY

According to the statistics published by the National Bureau of Statistics of China, in the first half of 2022, the total cement production in China amounted to approximately 980.0 million tons, representing a year-on-year decrease of 15.0%. According to the statistics of the China Cement Association, during the Period, cement production in Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Shanxi and Hunan were approximately 66.5 million tons, 47.0 million tons, 47.0 million tons, 7.8 million tons, 45.9 million tons, 31.8 million tons, 21.6 million tons and 42.0 million tons respectively, representing year-on-year decreases of approximately 22.1%, 22.8%, 3.2%, 16.3%, 25.3%, 32.0%, 18.8% and 13.2% respectively.

According to the statistics of the China Cement Association, during the Period, there were 10 new clinker production lines nationwide with new annual clinker production capacity of approximately 18.0 million tons. Among which, in our major operating regions, there were 3 new clinker production lines in Guangxi, among which, 1 clinker production line partially replaced its own capacity. Thus, the total annual clinker production capacity increased by approximately 5.1 million tons, with a net increase of approximately 3.5 million tons.

Regarding industrial policies, the Chinese government had issued a series of policies and measures to actively promote energy saving and emissions reduction, and continuously placed emphasis on production safety to facilitate the comprehensive green transformation of the socio-economic development.

Regarding energy saving and emissions reduction, in January 2022, the State Council of China issued the "Comprehensive Work Plan for Energy Conservation and Emission Reduction for the 'Fourteenth Five-Year' Plan", which targeted that by 2025, the national energy consumption per unit of GDP shall decrease by 13.5% compared with 2020, the total energy consumption shall be reasonably controlled, and the total emission of nitrogen oxides shall decrease by 10% or above compared with 2020. The National Development and Reform Commission and the National Energy Administration of China issued the "Opinions on Improving Institutional Mechanisms and Policy Measures for Green and Low-Carbon Energy Transition", which aimed to basically establish an institutional framework for propelling the green and low-carbon development of energy during the "Fourteenth Five-Year" Period, and encourage qualified enterprises to take the lead in forming a low-carbon and zero-carbon energy consumption model.

In February, the National Development and Reform Commission of China issued the "Guidelines for the Implementation of Energy Saving and Carbon Reduction Transformation and Upgrade of Cement Industry", which proposed to orderly advance transformation and upgrade through methods such as promoting application of energy saving technologies, strengthening the replacement of raw fuels with clean energy, and reasonably reducing unit consumption of cement and clinker. It also proposed to strengthen the research and development of advanced technologies and cultivate benchmarking demonstration enterprises such that by 2025, clinker capacities at the energy efficiency benchmark level or above shall reach 30% in the cement industry, and clinker capacities below the energy efficiency basis level shall be basically eliminated. As of the end of 2020, capacities which were above the energy efficiency benchmark level amounted to approximately 5% and capacities that were below the energy efficiency basis level amounted to approximately 24% in the cement industry.

In June, seven ministries including the Ministry of Ecology and Environment of China jointly issued the "Action Plan for Synergizing the Reduction of Pollution and Carbon Emissions", which required key regions of air pollution prevention and control should strictly prohibit new capacities in six key industries including the cement industry, and promoted the acceleration in the replacement of raw fuels and ultra-low emission transformation in the cement industry so as to further deepen environmental governance for carbon peaking actions, and boost high-quality peaking through environmental governance. Six ministries including the Ministry of Industry and Information Technology of China jointly issued the "Action Plan for Improving Industrial Energy Efficiency" and regarded energy saving and efficiency enhancement as the most direct, the most efficient and the most economical measure for carbon reduction. It is targeted that by 2025, energy efficiency of key products of industries such as building materials industry shall reach the international advanced level, and the energy consumption per unit of added value of industrial enterprises above designated scale shall decrease by 13.5% compared with 2020.

The Chinese government attaches great importance to production safety. 2022 was the consolidation and improvement phase for the three-year action for special rectification of production safety. In February 2022, the National Mine Safety Administration issued the "Guiding Opinions on Strengthening Production Safety at Non-Coal Mines". The policy proposed stricter and clearer requirements for the production safety of non-coal mines in terms of source control, basic conditions, responsible bodies and staffing. In March, the National Mine Safety Administration held a meeting to clarify key tasks for 2022, and emphasized that the goal of closing 4,000 non-coal mines under the three-year action should be achieved.

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 May 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 required river basin management agencies to earnestly perform responsibilities of sand excavation management. 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 shall be implemented to discover, strictly investigate and punish illegal sand excavation in a timely manner.

TRANSFORMATION AND INNOVATION

Innovation is the main driving force for the development of enterprises. Since 2022, the Group had actively seized opportunities and achieved breakthroughs in four business segments, including basic building materials, structural building materials, functional building materials and new materials. The Group also entered into regions such as Hunan, Hubei and Shandong which laid the foundation for achieving the Group's "Fourteenth Five-Year" strategic goals.

In terms of basic building materials, the Group had optimized the layout of the Group's cement business and consolidated the market competitiveness of the Group in South China through acquiring 51% equity interests of Hunan Liangtian Cement Co., Ltd. and 85% equity interests of Zhaoqing Jingang Cement Co., Ltd., as well as selling 72% equity interests and loans of Shanxi China Resources Fulong Cement Limited. In addition, the Group achieved 100% controlling shareholding of the aggregates project in Deqing, Guangdong. The Group newly obtained the aggregates projects in Napo, Tianyang and Gangnan, Guigang of Guangxi, Chongyang of Hubei and Wushan of Chongqing. During the Period, the aggregates capacity expansion project in Guigang, Guangxi and the aggregates project in Wuping, Fujian had commenced operation, which will steadily increase the scale of aggregates production capacity.

In terms of structural building materials, the Group actively seized market opportunities for green building materials. The Group acquired a new plot of land for prefabricated construction in Ding'an County, Hainan, which is planned to build production lines for autoclaved aerated lightweight concrete blocks and panels and will form synergistic effect with local production lines of precast concrete components of the Group.

Regarding functional building materials, the Group further expanded the business domain of engineered stone through acquiring 75% equity interests of Guangdong Borrego New Material Technology Co., Ltd. and 67% equity interests of each of Shangdong Runhe New Materials Co., Ltd., Runhe (Lanling) New Materials Co., Ltd. and Runhe (Feixian) New Materials Co., Ltd. In addition, the Group acquired 85% equity interests of Hezhou Xubao Mining Investments Co., Ltd. through bidding and now owns a marble quarry for facing in Hezhou City, Guangxi. Hezhou City holds titles of the "Capital of Heavy Calcium" and the "Capital of Granite" in China. This project enabled the Group to grasp stone resources and laid the foundation for the future development of the Group's calcium carbonate business.

In the first half of 2022, the Group's unfailing efforts in technological innovation 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 and the "Key Technology and its Application of High-Quality Cementitious Materials Made of Industrial Waste" project of China Resources Cement Technology Research and Development (Guangxi) Co., Ltd., were both honoured with the First Prize of the Science and Technology Progress Award in the "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" of China Resources Cement Technology Research and Development (Guangxi) Co., Ltd. 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.

PRODUCTION CAPACITY

Changes to Production Plants

In January 2022, the Group acquired 51% equity interests of Hunan Liangtian Cement Co., Ltd. The company has annual production capacities of approximately 1.6 million tons of clinker and approximately 2.0 million tons of cement in Chenzhou, Hunan. Currently, technological upgrade of production lines is being rolled out. 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, 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).

In July, the Group entered into an agreement with Hainan RuiZe New Building Material Co., Ltd., to acquire 85% equity interests of its wholly owned subsidiary, Zhaoqing Jingang Cement Co., Ltd., for a consideration of RMB539,750,000 (equivalent to approximately HK$631,100,000). The company currently owns annual production capacities of approximately 750,000 tons of clinker and approximately 1.0 million tons of cement in Gaoyao District, Zhaoqing City, Guangdong.

In terms of concrete, in the first half of the year, the Group added one concrete batching plant with an additional annual production capacity of approximately 600,000 m^3.

Capacity Utilization

The utilization rates of the Group's cement, clinker and concrete production lines during the Period were 69.9%, 87.1% and 28.8% as compared with 97.2%, 108.2% and 39.1% respectively for the corresponding period last year.

COST MANAGEMENT

Operational Management

In the first half of 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 Period, 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 Period, 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, and guided multi-faceted potential application of alternative raw materials and research and development of applications of alternative fuel systems, thereby improving production efficiency, energy saving and carbon reduction.

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 mine digitalization in mines to advance the construction of green mines.

In terms of project management, the Group strengthened the technical control for the construction process, reinforced the process management and delicacy management for projects, and promoted digitalization and intelligentization construction for projects 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, accelerated the construction progress of projects such as aggregates to facilitate the Group's future business development.

Procurement Management

In the first half of 2022, the overall pricing of the coal market remained high. During the Period, the Group purchased a total of approximately 4.3 million tons of coal (approximately 5.4 million tons in the first half of 2021), among which, approximately 91%, 9% and 0% were sourced from northern China, neighbouring areas of our production plants and overseas respectively (78%, 21% and 1% in the first half of 2021). The proportion of direct procurement from coal producers was approximately 91% (81% in the first half of 2021). In the future, the Group will continuously strengthen the strategic cooperation with large-scale domestic coal suppliers, broaden selection of coal types, optimize ship scheduling and adjust the procurement strategy of coal import in a timely manner in accordance with national coal import policy and market trends to ensure a stable supply of high-quality coal. In addition, based on market research and judgement, the Group will rationally adjust and control coal inventory and optimize the mix of coal types to reduce comprehensive procurement costs.

In terms of mixed materials, the Group intensified market research, expanded the scope of sourcing, continued to develop procurement channels and strengthened the promotion and application of materials with heat value and industrial waste residues to promote reduction of both energy consumption and costs.

Aggregates are the main raw materials for concrete production. By implementing the business models of centralized procurement by the structural building materials business division and regional centralized procurement, the Group promoted procurement strategies such as regional joint procurement and introducing direct supply from the source to reduce procurement costs.

Logistics Management

In the first half of 2022, the Group optimized capacity allocation and the annual shipping capacity along the Xijiang River increased by 2.7 million tons compared to the corresponding period last year to approximately 39.5 million tons, which secured stable and continuous logistics capabilities for the Group’s business development. The Group continuously optimized the layout of its silo terminals and controlled the operations of 38 silo terminals with total annual capacity of approximately 35.1 million tons, which are mainly located in the Pearl River Delta Region of Guangdong. This consolidates the Group’s leading market position in Guangdong.

SALES AND MARKETING

Product Promotion

In the first half of the year, the Group continued to intensify the marketing promotion of new products. Among which, cement for nuclear power stations was supplied to 5 nuclear power projects in Zhejiang, Fujian and Guangdong. Sales for Portland cement for roads in Fujian had been achieved. Tests were launched for different environmental applications such as airports, ports and highways and the inclusion of Portland cement for roads in cement standards for highway construction use was promoted. In addition, the Group had expanded cement for railway construction projects low-heat and low-alkali cement in Yunnan, which are mainly used in railway and water conservation projects. This will help to leverage our differentiated competitive advantages.

Brand Building

The Group continued to deepen the construction of the Runfeng brand. In the first half of the year, 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.

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, launched the “Runpin” WeChat public account in March and officially released the “Runpin” brand on June 23. Through promotional videos and product manuals, the “Runpin Luxury” showroom was unveiled and commenced operation, which drove design promotion and enhanced brand awareness.

SUSTAINABLE DEVELOPMENT

Energy Saving and Environmental Protection

The Group continued to promote the application and promotion of ultra-low pollutant emissions technologies. In the first half of the year, the Group completed the technological upgrade of selective catalytic reduction denitration (SCR) systems at the cement production plant in Changzhi City of Shanxi and the nitrogen oxides emission concentration had stabilized at the level of 50 mg/m^3 or below. At the cement production plant in Fengkai County of Guangdong, we established a technology research team for highly effective selective non-catalytic reduction denitration (heSNCR) systems and completed the technological upgrade of three production lines, which had controlled the nitrogen oxides emission concentration below the level of 100 mg/m^3.

The Group actively responded to national policy and the “dual carbon” target, mainly through new technologies and new techniques such as reduction of energy consumption, usage of clean energy, research and development of low-carbon cement, research and development and application of alternative fuels and research of carbon capture and utilization to reduce carbon emissions.

The Group adopted various methods to reduce energy consumption. In the first half of the year, oxygen-enriched combustion technology was piloted at the cement production plant in Pingnan County of Guangxi, the technological upgrade for quality and efficiency enhancement and technological upgrade of preheater cross-flow were promoted at the cement production plants of Pingnan County and Guigang City of Guangxi, and technological upgrade of six-stage preheater was promoted at the cement production plant in Fengkai County of Guangdong, which had further improved our level of energy efficiency.

In the first half of the year, all cement production plants of the Group completed the procurement and trial use of raw grinding aids and commenced their usage at suitable production plants. In addition, the Group promoted and applied 7 alternative raw materials at 17 production plants, including yellow phosphorus slag, carbide slag, wet ash, aluminum slag and coal gangue, to replace raw materials with iron, aluminum, siliceous and limestone. 10 alternative fuels were put in trial use at 8 production plants, including scraps, waste tires, waste plastics, eucalyptus barks and straws. As of the end of June 2022, the comprehensive energy consumption per unit of clinker product of the Group's cement production plants located in Hepu of Guangxi and Anshun of Guizhou had reached the benchmark level.

In terms of clean energy, the Group actively promoted the construction of projects for distributed photovoltaic power generation. The Group's projects for distributed photovoltaic power generation located at the cement production plants in Fuchuan City of Guangxi and Luoding City of Guangdong commenced construction in March and May respectively. The planned total installed capacities will be 4.9 megawatts and 11.6 megawatts respectively with annual power generation capacities of approximately 4.3 million kilowatts and 12.0 million kilowatts respectively, both of which are expected to complete construction and connect to the grid by the end of this year.

In terms of low-carbon products, the Group's Technology Research and Development Company actively promotes the progress of research and development of low-carbon products, and develops and formulates cement technology to reduce the clinker coefficient. It has successfully prepared the manufacture of cementitious materials with carbon absorption and studied its application in decorative panels. It had developed the formula and techniques of non-autoclaved aerated concrete with advantages in low-carbon and environmental protection such as high carbon sequestration, large amount of solid waste used as raw materials and relatively lower energy consumption. It had developed a preliminary formula for low-carbon cementitious materials and studied their application in inorganic engineered stone and precast concrete components. As of the end of June 2022, various cement and clinker products from 14 cement production plants had passed the low-carbon product certification.

In addition, the Group actively launched relevant research on carbon emission reduction, carbon capture and carbon utilization. In the first half of the year, the construction of a research and development platform for carbon utilization was launched at the cement production plant in Fengkai County of Guangdong. At the same time, in accordance with relevant national regulations and policies, and in light of our actual circumstances, the Group had formulated and released the “China Resources Cement Guidelines for the Management of Carbon Emission Data”, which will help to strengthen the management of carbon emission data and improve the quality of carbon emission data.

Co-processing

The Group proactively fulfils its social responsibility. In reliance on our own technological advantages, we comprehensively promote co-processing projects in the three scopes of municipal solid waste, urban sludge and hazardous industrial waste to create complete solutions to solid waste processing. In the first half of 2022, the Group’s co-processing projects in Yuebao of Guangzhou and Yanshi of Fujian officially commenced operation.

As of the end of June 2022, the Group had 10 co-processing projects in total, with annual processing capacity of approximately 1.71 million tons. Details of the projects are set out as follows:

Project	**Type**	**Annual processing capacity** *(tons)*	**Status**
Binyang, Guangxi	Municipal solid waste	110,000	In operation
Tianyang, Guangxi	Municipal solid waste	180,000	In operation
Fengqing, Yunnan (*note 1*)	Municipal solid waste	110,000	In operation
Midu, Yunnan	Municipal solid waste	110,000	In trial operation
Nanning, Guangxi	Urban sludge (*note 2*)	110,000	In operation
Zhushui, Guangzhou (*note 1*)	Urban sludge (*note 2*)	300,000	In operation
Yuebao, Guangzhou (*note 1*)	Urban sludge (*note 2*)	560,000	In operation
Changjiang, Hainan	Hazardous industrial waste	30,000	In operation
Shangsi, Guangxi (*note 3*)	Hazardous industrial waste	100,000	In trial operation
Yanshi, Fujian (*note 3*)	Hazardous industrial waste	80,000	In operation
	Urban sludge	20,000	Under construction

notes:

1. Located in the cement production plants of our associates and joint ventures.

2. The Nanning project co-processed wet sludge of 80% moisture content. The Zhushui and Yuebao projects co-processed dry sludge of below 40% moisture content. The annual processing capacity of each urban sludge co-processing project is calculated as the annual processing capacity of wet sludge.

3. Co-processing projects jointly developed by the Group and environmental protection companies.

OCCUPATIONAL HEALTH AND PRODUCTION SAFETY

Epidemic Prevention and Control

The Group always gives the highest priority to the safety and health of its employees. In the first half of 2022, in accordance with the policies, systems and requirements of national and local governments for Epidemic prevention and control, the Group continued to conduct work on regular Epidemic prevention and control and strictly enforced sanitation and disinfection at the working environment to effectively prevent the risk of virus transmission. The Hong Kong headquarters emergency leading group for Epidemic prevention was established to pay close attention to the Epidemic situation in Hong Kong and implemented the "daily report" and "zero report" mechanism for Epidemic information. We set "flexitime" and "mobile clock-in" as policies for regular Epidemic prevention and control. Employees from individual Epidemic outbreak regions could work from home, which has effective reduced the impact of Epidemic on daily routine work.

Safety Management

The Group continued to strengthen inspection, supervision and management of latent safety hazards, continued to promote three-year special rectification and consolidation of production safety, implemented management requirements for the year of improvement for production safety, urged production plants to dynamically update the list of latent hazards rectification and list of policies, and continuously improved the dual prevention mechanism of classified management and control of safety risks and investigation and management of latent hazards to strengthen the special rectification of hazardous chemicals, buildings and safety training and include the rectification of latent hazards in the annual assessment to improve the overall safety management level and secure the safety of our employees' lives and properties.

In the first half of the year, the Group launched environment, health and safety ("EHS") investigation, inspection and assistance, major inspection and major rectification for production safety, and special inspections of mines, hazardous chemicals and buildings to prevent and resolve major safety risks. We launched major inspections on 8 cement and aggregates production plants and provided targeted assistance to companies newly acquired last year.

The Group proactively promoted safety enhancement projects by use of advanced technology. In the first half of the year, the cement production plants located in Fengkai County of Guangdong and Tianyang District of Guangxi launched the construction of smart parks and intelligent video surveillance systems. We continued to promote devices for preventing objects from falling in the inner preheater and promoted blasting of mixed explosives. Currently, the mines of 17 plants had been using on-site mixed explosives to initiate blasting. 13 mines had maintained a consistent utilization rate of mixed explosives at above 90%, which had increased the intrinsic safety standards of mine blasting.

The Group is committed to building a healthy working environment. As of the end of June 2022, the installation and use of 38 automatic bagging machines and 19 automatic loading machines had been completed, which deepened the achievements for dust treatment and management. The Group places great emphasis on employee health management. As of the end of June 2022, a total of 14 cement production plants and concrete batching plants of the Group had passed the assessment and acceptance of completion of "Healthy Enterprises" and 55 employees were selected as "Health Experts" by the Health Commission of respective provinces, cities and counties.

Safety Training

The Group continued to implement safety training and combined online and offline training methods. Videos of safety emergency drills were uploaded on the Group's online learning platform, China Resources Learning and Innovation Center and the EHS management system to encourage our staff to self-study. In the first half of 2022, the aggregate duration of safety training for the Group's staff amounted to approximately 186,435 hours, whereas that for counterparties amounted to approximately 43,581 hours. This effectively improved the safety awareness of employees, created a safe atmosphere and improved the level of health and safety management.

The Group organized a wide variety of safety activities to promote all-staff participation in safety management, arouse corporate safety culture and implant the concept of safety management in staff, families and society. In the first half of the year, the Group organized 307 emergency drills with 5,461 participants in attendance, 38 sessions of safety open days with 2,507 participants in attendance, 567 sessions of safety alert education with 15,744 participants in attendance, and 85 sessions of knowledge competitions with 3,893 participants in attendance were organized.

INNOVATION-DRIVEN DEVELOPMENT

Digital Transformation

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

In the first half of the year, the Group deepened the application of whole-process intelligent factories at the cement production plant located in Tianyang District of Guangxi and achieved full coverage of intelligent video surveillance in the factory through 5G technology to ensure production safety. We deepened application of the smart 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 control system for the whole process and applied big data technology to build an advanced control model to realize intelligent control of kilns, mills and residual heat power generation, which commenced operation in the first half of the year at the cement production plants located in Luoding City of Guangdong and Luchuan County and Hepu County of Guangxi.

As of the end of June 2022, the quality management system independently researched and developed by the Group had commenced operation in 10 cement production plants located in Guangdong, Guangxi and Yunnan. The system can combine online analysis and intelligent laboratories to realize real-time detection, automatic collection, automatic batching, and automatic statistics. In addition, in the first half of the year, the online monitoring data of the Group's 9 cement production plants located in Guangdong, Guangxi, Yunnan and Guizhou were connected to the remote diagnosis system to realize early warning and prediction of latent hazards and began the construction of an intelligent equipment operation and maintenance platform.

The Group actively promotes the application of 5G technology and continued to carry out the construction of a major national special project for the integration and innovation of the “5G+ Industrial Internet”. In the first half of the year, based on the dedicated 5G network that the Group has constructed at the cement production plant in Tianyang District of Guangxi and relying on the co-management and co-maintenance platform with the operator, we monitored and managed the 5G network and simultaneously completed the planning for the dedicated 5G network. In addition, the Group has launched application and construction of digital mining areas and data mining scenarios. At the same time, the Group and ZTE Corporation have jointly established the “5G+ Smart Building Materials” joint innovation laboratory, which has researched and developed 5G safety helmets and 5G terminal modules for intelligent operation and maintenance of equipment as well as two industry terminal product prototypes.

In terms of smart marketing, in the first half of 2022, the digital transformation project of China Resources Cement's marketing model has been fully launched in the cement business of each region with a coverage rate of 100%, and the logistics distribution business and supply chain financing business on the platform were launched simultaneously. As of the end of June 2022, the cumulative transaction volume of the e-commerce platform reached approximately 61.6 million tons, with nearly 22,000 registered users and approximately 256 carriers 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 June 2022, the Group had 329 technology talents, among which, there were 74 employees specialized in research and development and 66 employees specialized in intelligentization and digitalization.

In the first half of 2022, the Group established the "Southeast University-China Resources Cement Joint Research and Development Centre" with Southeast University, and established the "Green, Low-Carbon and Environmentally Friendly Building Materials Innovation Consortium" with China Resources Chemical and China Resources Land. Our Technology Research and Development Company actively promoted research and development and application of new products, new equipment, new technologies and new processes such as inorganic flexible engineered stone, functional coatings, carbon-absorbing cementitious materials, formulated cement, utilization of tungsten tailings, co-processing rotary furnace, silicon-based and basalt fiber detection technology, carbon neutralization technology and emulator simulation technology. In May 2022, the "Research, Development and Application of New-Type High-Efficiency Cement Grinding Aids" project and the "Key Technology and its Application of High-Quality Cementitious Materials Made of Industrial Waste" project of China Resources Cement Technology Research and Development (Guangxi) Co., Ltd., were both honoured with the First Prize of the Science and Technology Progress Award in the "Guangxi Science and Technology Award" by the People's Government of Guangxi Zhuang Autonomous Region.

NEW BUSINESS DEVELOPMENT

Aggregates

Since 2022, the Group has continued to actively acquire high-quality aggregates mine resources and accelerated the construction and commissioning of aggregates projects. In January, the aggregates project in Nanping, Fujian, controlled by an associate was completed and commenced trial operation. In May, the Group invested in 51% equity interests of Guangxi Tianyang Jiang'an Stone Co., Ltd., by signing an agreement on subscription of increased registered capital. The company owns the mining rights of a limestone mine for construction stone in Longhe, Napo Town, Tianyang District, Baise City. In June, the Group commenced capacity expansion of an aggregates project based on the mine of the cement production plant in Guigang City, Guangxi, with planned annual production capacity increasing from approximately 1.5 million tons to approximately 3.0 million tons. In the same month, the aggregates project in Wuping, Fujian, controlled by the Group through its subsidiary, commenced production. Also, the Group won the bid for the mining rights of a limestone and dolostone quarry for flux in Shadun Mining Concession, Chongyang County, Xianning City, Hubei, for RMB120.0 million (equivalent to approximately HK$140.3 million). In July, the Group acquired 44% equity interests of Zhaoqing Runsheng Quarry Co., Ltd, and, together with the acquisition of 56% equity interests and debt in October 2021, has achieved 100% controlling shareholding of the aggregates project of Guangdong Deqing. In August, the Group won the bid for the mining rights of a basalt quarry for construction in Shiniuling, Muzi Town, Gangnan District, Guigang City, Guangxi, for RMB1.2 billion (equivalent to approximately HK$1.4 billion). In the same month, the Group acquired 65% equity interests of each of Chongqing Wushan County Zhongsheng Mining Co., Ltd. and Wushan Zhongrun Desheng Building Materials Co., Ltd. These companies own the mining rights of limestone quarries for construction stone in Yaozhan Village, Duping Township, Wushan County, which had commenced production in January 2021.

Currently, based on its own existing cement mines, the Group's annual production capacity of aggregates through its subsidiaries was approximately 14.1 million tons, and the annual production capacity of aggregates attributable to the Group according to our equity interests of the associate located in Yunnan was approximately 2.95 million tons. In addition to the newly obtained aggregates projects, upon completion of construction of all projects, the annual production capacity of aggregates controlled by the Group through its subsidiaries is expected to reach 114.2 million tons and the annual production capacity of aggregates attributable to the Group according to our equity interests of associates and joint ventures will reach approximately 13.7 million tons.

Relevant information of the newly obtained aggregates projects *(note 1)* is outlined below:

Project location	**Planned annual production capacity** *(tons)*	**Resource reserve** *(tons)*	**Expected date to commence operation**
Production capacity controlled through subsidiaries			
Guangdong			
Fengkai	30,000,000	425,000,000	2022
Deqing	6,500,000	169,000,000	2022
Guangxi			
Shangsi	5,000,000	65,000,000	2022
Tianyang	5,000,000	61,000,000	2022
Tianyang Napo	4,000,000	114,000,000	2022
Wuxuan	6,500,000	208,000,000	2022
Nanning	9,800,000	153,800,000	2022
Shangsi Pingguang	2,000,000	42,000,000	2023
Guigang Gangnan	9,700,000	296,000,000	2025
Fujian			
Wuping *(note 2)*	2,000,000	56,000,000	2022
Hainan			
Ding’an	3,000,000	63,000,000	2022
Yunnan			
Weishan	3,000,000	100,000,000	2023
Chongqing			
Wushan *(note 3)*	2,600,000	150,000,000	2021
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)*	Resource 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 *(note 4)*	49%	1,500,000	735,000	13,250,000	2022
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	2023
Qijiang Shihao	50%	3,000,000	1,500,000	20,700,000	2023

notes:

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

2. The aggregates project of Fujian Wuping commenced operation in June 2022.

3. The aggregates project of Chongqing Wushan commenced operation in January 2021.

4. The aggregates project of Fujian Nanping was completed and commenced trial operation in January 2022.

Prefabricated Construction

The Group promoted the prefabricated construction business in an orderly manner according to government policies and market conditions. The first phase of the Group's production lines for the autoclaved aerated lightweight concrete blocks and panels project in Fengkai, Guangdong, has 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.

As of the end of June 2022, the Group had a total of 7 projects of precast concrete components. Following the completion of construction, the design annual production capacity of precast concrete components is expected to reach approximately 1.6 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 1*)	33,000	40,000	In operation	• Products are mainly supplied to public housing and commodity housing projects in Shenzhen, Zhuhai and Guangzhou.
Zhanjiang Runyang	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.
Jiangmen Runfeng	45,500	50,000	Under construction	• Concrete batching plant (annual production capacity of 900,000 m^3) is in progress; production line of precast concrete components is expected to commence operation before the end of 2022.
Guangxi				
Nanning Wuhe	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.
Guigang Runhe	130,000	200,000	In trial production	• Concrete batching plant (annual production capacity of 600,000 m^3) had commenced operation in November 2019; production line of precast concrete components commenced trial production in June 2020.
Baise Runhe (*note 2*)	120,000	200,000	Under planning	• Production line of precast concrete components will be constructed according to market conditions.
Hainan				
Ding'an Runfeng	153,000	300,000	In trial production	• Trial production had commenced in April 2021.

notes:

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

2. According to product type, the dry-mixed mortar and tile adhesive production lines of the project are shown in the chapter of "Functional Building Materials".

Functional Building Materials

In the first half of 2022, the Group accelerated the development of the engineered stone business and achieved outstanding results.

DongGuan Universal Classical Material Ltd. owned one production line of inorganic engineered stone with a planned annual production capacity of approximately 600,000 m^2 in Dongguan, Guangdong, and is undergoing expansion for one production line of inorganic engineered stone with a planned annual production capacity of approximately 1.5 million m^2. In addition, the Group is building two production lines of inorganic engineered stones in Laibin, Guangxi, with a planned total capacity of 3.0 million m^2. The above projects under construction are expected to commence operation in the second half of 2022.

In addition, the Group has rapidly increased the production capacity of engineered stone through mergers and acquisitions, which helped 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 of each of Shandong Runhe New Material Co., Ltd., Runhe (Lanling) New Material Co., Ltd., and Runhe (Feixian) New Material Co., Ltd. These 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. This marks the opening of a new chapter for the Group in Shandong. After all projects under construction commence operation, the Group's annual production capacity of engineered stone will reach 26.1 million m^2.

On the other hand, the Group actively grasped upstream resources for engineered stone to form a synergistic effect with the existing engineered stone business. In June, the Group acquired 85% equity interests of Hezhou Xubao Mining Investments Co., Ltd. through bidding for a consideration of RMB893,510,140 (equivalent to approximately HK$1,044,800,000). The company owns a marble quarry for facing 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 helped the Group to take control of stone resources and laid a foundation for the Group's future development in the calcium carbonate industry.

At the end of 2021, the Chinese government issued a document which prohibited the use of on-site cement-mixed mortar to paste facing tiles for exterior walls. The Group seized this market opportunity and planned to first build a dry-mixed mortar production line with an annual capacity of 300,000 tons and a tile adhesive production line with an annual capacity of 50,000 tons on the site of the prefabricated building project of Guangxi Baise Runhe, which are expected to commence operation by the end of 2023.

INTEGRITY CONSTRUCTION

The Group attaches great emphasis to integrity construction and probity education. In the first half of 2022, the Group completed the accountability and integrity work for more than 300 "first in commands" of various internal units and senior and middle-level managerial staff in key areas such as procurement, sales, engineering, and project development, and urged them to earnestly implement the "one position with dual responsibilities". During the Period, the Group organized 84 sessions of alert education, reaching 4,925 participants in total. 130 sessions of integrity education were conducted, reaching 3,831 participants in total. Among which, integrity alert education was organized for the young managers in the second phase of the Blue Sapphire Scheme and the students of the "Tsing Ma Project" training class, incorporating family style education into the content of integrity alert education to strengthen the family style education of young managers. Integrity alert education was launched for personnel in procurement-sensitive positions and partners of the Company to continue to deepen the effects of integrity alert education. In addition, the Group launched confiding conversations with 136 employees. 338 senior and middle-level managerial staff and staff in sensitive positions were organized to sign the "Commitment Letter on Integrity and Self-Discipline". 416 opinions on integrity cultivation were issued.

EMPLOYEES

General Information

As at 30 June 2022, the Group employed a total of 18,700 employees (19,491 as at 31 December 2021), all of whom are full-time, among whom, 164 employees were based in Hong Kong (154 as at 31 December 2021) and the remaining 18,536 were based in the Chinese Mainland (19,337 as at 31 December 2021). A breakdown of our employees by function is set out as follows:

	As at 30/6/2022	As at 31/12/2021
Management	**417**	410
Finance, administration and others	**2,750**	2,813
Production staff	**10,525**	11,048
Technical staff	**4,163**	4,318
Sales and marketing staff	**845**	902
Total	**18,700**	19,491

Among our 417 senior and middle-level managerial staff, 88% are male and 12% are female, 81% possess university degrees or above, 17% 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. In addition, the Group incorporates work in energy saving and carbon reduction, as well as indicators such as carbon emissions and energy consumption, into the performance assessment of management personnel, so as to promote the realization of the Group's goals for carbon peaking and carbon neutrality.

REVIEW OF OPERATIONS

The functional currency of the Group is RMB while the financial figures are all denominated in HK$. Comparing with the corresponding period last year, RMB had appreciated against HK$ by approximately 0.7%.

Turnover

The consolidated turnover for the Period amounted to HK$16,116.5 million, representing a decrease of 20.1% from HK$20,179.6 million for the corresponding period last year. An analysis of segmental turnover by product is as follows:

	For the six months ended 30 June					
	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)*	**30,669**	**406.2**	**12,457,738**	41,636	385.3	16,040,322
Clinker	**2,041**	**386.9**	**789,776**	1,952	300.2	585,924
Concrete	**5,392**	**532.1**	**2,869,011**	7,041	504.7	3,553,387
Total			**16,116,525**			20,179,633

note: Inclusive of sales volume of 2.0 million tons of cement from related parties (2.1 million tons for the corresponding period in 2021).

During the Period, our external sales volume of cement, clinker and concrete decreased by 11.0 million tons, increased by 89,000 tons and decreased by 1.6 million m^3 respectively, representing a decrease of 26.3%, an increase of 4.6% and a decrease of 23.4% respectively from the corresponding period last year. During the Period, approximately 83.9% of the cement products we sold were 42.5 or higher grades (82.8% for the corresponding period in 2021) and approximately 27.3% were sold in bags (30.1% for the corresponding period in 2021). Internal sales volume of cement for our concrete production was 1.0 million tons (1.4 million tons for the corresponding period in 2021), representing 3.0% of the total volume of cement sold (3.4% for the corresponding period in 2021).

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

	For the six months ended 30 June					
	2022			2021		
Province/ Autonomous Region	**Sales volume** ***'000 tons***	**Average selling price** ***HK$ per ton***	**Turnover** ***HK$'000***	Sales volume *'000 tons*	Average selling price *HK$ per ton*	Turnover *HK$'000*
Guangdong	**13,013**	**437.4**	**5,691,661**	15,989	446.0	7,130,760
Guangxi	**8,497**	**383.1**	**3,255,360**	12,962	347.0	4,497,597
Fujian	**4,177**	**343.0**	**1,432,782**	4,662	360.3	1,679,865
Hainan	**1,452**	**503.5**	**731,074**	2,001	454.7	909,916
Yunnan	**1,439**	**379.5**	**546,133**	2,577	348.7	898,479
Guizhou	**984**	**377.3**	**371,261**	1,712	229.6	393,079
Shanxi	**724**	**410.6**	**297,254**	1,733	306.2	530,626
Hunan	**383**	**345.2**	**132,213**	-	-	-
Total	**30,669**	**406.2**	**12,457,738**	41,636	385.3	16,040,322

The average selling prices of cement, clinker and concrete for the Period were HK$406.2 per ton, HK$386.9 per ton and HK$532.1 per m^3, representing increases of 5.4%, 28.9% and 5.4% respectively from the corresponding period last year.

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 34.1%, 9.7%, 31.2% and 25.0% of the cost of sales respectively for the Period (31.3%, 10.8%, 35.2% and 22.7% for the corresponding period in 2021 respectively). As for cement products, coal, electricity, materials and other costs represented 41.1%, 11.7%, 22.0% and 25.2% of their costs of sales respectively for the Period (37.6%, 13.0%, 24.3% and 25.1% for the corresponding period in 2021 respectively). Materials cost is the major component of the cost of sales of concrete, representing 79.8% of the cost of sales of concrete for the Period (91.7% for the corresponding period in 2021).

The average price of coal we purchased for the Period was approximately HK$1,166 per ton, representing an increase of 37.0% from the average price of HK$851 per ton for the corresponding period last year, while the average thermal value of coal decreased by 2.8% to 5,186 kcal per kg. During the Period, our unit coal consumption decreased to 140.9 kg per ton of clinker produced from the average of 142.2 kg for the corresponding period last year. Our standard coal consumption decreased to 100.8 kg per ton of clinker for the Period from the average of 104.5 kg for the corresponding period last year. As a result of the increase in coal price, our average coal cost for the Period increased by 35.8% to HK$164.3 per ton of clinker produced from HK$121.0 for the corresponding period in 2021.

Our average electricity cost increased by 12.3% from HK$32.4 per ton of cement to HK$36.4 for the Period. During the Period, we consumed for a total of 1,589.0 million kwh of electricity (2,030.7 million kwh for the corresponding period in 2021), which accounted for 65.9% of the total electricity consumption for the production of cement products (64.4% for the corresponding period in 2021) under direct power supply agreements and price bidding arrangements. Our electricity consumption remained the same as the corresponding period in 2021 at 72.1 kwh per ton of cement. Our residual heat recovery generators generated 780.0 million kwh of electricity for the Period, representing a decrease of 21.9% over 998.4 million kwh in the corresponding period last year. The electricity generated during the Period accounted for approximately 32.3% of our required electricity consumption (31.7% for the corresponding period in 2021) and we achieved a cost saving of approximately HK$469.7 million for the Period (HK$511.3 million for the corresponding period 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 Period was HK$584.0 million, representing a decrease of 26.4% over HK$793.0 million for the corresponding period last year.

Gross Profit and Gross Margin

The consolidated gross profit for the Period was HK$3,302.7 million, representing a decrease of 47.4% from HK$6,272.9 million for the corresponding period last year and the consolidated gross margin was 20.5%, representing a decrease of 10.6 percentage points from 31.1% for the corresponding period last year. The decreases in consolidated gross profit and consolidated gross margin for the Period were mainly attributable to 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 the Period were 22.0%, 21.8% and 13.8%, as compared with 33.2%, 25.5% and 22.3% respectively for the corresponding period last year.

Other Income

Other income for the Period was HK$581.6 million, representing an increase of 59.6% from HK$364.5 million for the corresponding period last year. This was mainly attributable to the increase in income in gain on disposal of a subsidiary of HK$239.1 million as compared with the corresponding period last year.

Selling and Distribution Expenses

Selling and distribution expenses for the Period were HK$276.0 million, representing a decrease of 71.3% from HK$961.3 million for the corresponding period last year. As a percentage to consolidated turnover, selling and distribution expenses decreased to 1.7% for the Period from 4.8% for the corresponding period last year. This was mainly due to the reclassification of transportation cost of cement amounting to HK$225.7 million and transportation cost of concrete amounting to HK$292.0 million from selling and distribution expenses to cost of sales during the Period for better benchmarking with other companies in the industry.

General and Administrative Expenses

General and administrative expenses for the Period were HK$1,233.5 million, representing an increase of 16.2% from HK$1,061.2 million for the corresponding period last year. As a percentage to consolidated turnover, general and administrative expenses for the Period increased to 7.7% for the Period from 5.3% for the corresponding period last year. This was partly due to the increase in allowance for doubtful debts for the amount of HK$90.0 million compared to the corresponding period last year.

Share of Results of Associates

The associates of the Group contributed a profit of HK$11.8 million for the Period (profit of HK$205.0 million for the corresponding period in 2021) of which profit of HK$72.4 million, loss of HK$11.1 million, loss of HK$30.9 million and loss of HK$12.6 million (profit of HK$42.6 million, profit of HK$52.5 million, profit of HK$97.4 million and profit of HK$10.1 million for the corresponding period in 2021) were attributable to the Group's associates operating in Inner Mongolia, Fujian, Yunnan and Guangdong respectively.

Share of Results of Joint Ventures

Our joint ventures contributed a loss of HK$26.2 million for the Period (profit of HK$144.3 million for the corresponding period in 2021).

Taxation

The effective tax rate of the Group for the Period was 16.9%, as compared with 25.4% for the corresponding period last year. 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 the Period would be 19.5% (24.5% for the corresponding period in 2021).

Net Margin

Net margin of the Group for the Period was 10.9%, which was 7.1 percentage points lower than that of 18.0% for the corresponding period last year.

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 30 June 2022, the Group's cash and bank balances and pledged bank deposits included the following amounts:

	As at 30/6/2022 *'000*	As at 31/12/2021 *'000*
HK$	**1,158,077**	253,423
RMB	**2,493,604**	5,910,554
US$	**139**	140

Bank and other borrowings of the Group as at 30 June 2022 and 31 December 2021 were all unsecured, with breakdown as follows:

	As at 30/6/2022 *HK$'000*	As at 31/12/2021 *HK$'000*
Bank loans	**9,065,054**	8,559,287
Loans from related parties	**892,829**	1,854,354
	9,957,883	10,413,641

As at 30 June 2022, bank and other borrowings of the Group which carried interests at fixed and variable rates amounted to HK$6,073.2 million and HK$3,884.7 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 30/6/2022 *'000*	As at 31/12/2021 *'000*
HK$	**3,300,000**	4,300,000
RMB	**5,693,758**	4,998,520

These borrowings are repayable as follows:

	As at 30/6/2022 *HK$'000*	As at 31/12/2021 *HK$'000*
Within one year	**6,945,559**	9,051,263
After one year but within two years	**14,968**	-
After two years but within three years	**2,997,356**	1,362,378

As at 30 June 2022, the Group's unsecured banking facilities amounted to HK$3,300.0 million and RMB10,510.2 million, of which RMB5,580.0 million was unutilized and remained available for drawdown. Under the terms of certain agreements for total banking facilities of HK$5,638.7 million equivalent with expiry dates from August 2022 to 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$4,235.5 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 30 June 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 30 June 2022 and 31 December 2021. As at 30 June 2022, non-RMB denominated debts accounted for 33% of the total debts of the Group (41% as at 31 December 2021).

The Group had net current liabilities of HK$4,643.4 million as at 30 June 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 30 June 2022, there was no charge on assets by the Group (Nil as at 31 December 2021).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had issued guarantees to banks in respect of banking facilities in the amount of RMB2,219.2 million (RMB 1,433.3 million as at 31 December 2021) granted to associates and joint venture, of which RMB1,500.7 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 30 June 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 issue 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 Period**	**Amount unutilized as at 30/6/2022**	**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 Period.

FUTURE PLAN AND CAPITAL EXPENDITURE

Capital Expenditure

As at 30 June 2022, the outstanding capital expenditure for the Group's expansion plans to be invested was approximately HK$20,817.2 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 Period *HK$ million*	Outstanding capital expenditure as at 30/6/2022 *HK$ million*
Construction of production lines for cement and clinker in Wuxuan County, Guangxi, with total annual production capacities of approximately 2.4 million tons of cement and approximately 1.4 million tons of clinker respectively	1,696.7	457.3	430.4	809.0
Technological upgrade of an existing cement production plant in Chenzhou City, Hunan	502.8	-	-	502.8
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 50,000 m^3 in Jiangmen City, Guangdong	299.3	110.3	40.7	148.3
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 400,000 m^3 in Nanning City, Guangxi	570.6	254.6	28.8	287.2
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Guigang City, Guangxi	240.7	199.6	3.0	38.1
Construction of a production plant for prefabricated construction components with design annual capacity of approximately 200,000 m^3 in Baise City, Guangxi	233.3	36.1	10.7	186.5
Construction of a production plant for aggregates with planned annual production capacity of approximately 30.0 million tons in Fengkai County, Guangdong	8,214.2	4,643.5	377.2	3,193.5
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Shangsi County, Guangxi	498.9	154.6	67.0	277.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 2.0 million tons in Pingguang Forest, Shangsi County, Guangxi	705.2	81.9	-	623.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Tianyang District, Guangxi	467.4	163.8	29.2	274.4
Construction of a production plant for aggregates with planned annual production capacity of approximately 4.0 million tons in Napo Town, Tianyang District, Guangxi	1,157.1	-	137.0	1,020.1
Construction of a production plant for aggregates with planned annual production capacity of approximately 6.5 million tons in Wuxuan County, Guangxi	894.8	354.9	106.4	433.5

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2021 *HK$ million*	Expended during the Period *HK$ million*	Outstanding capital expenditure as at 30/6/2022 *HK$ million*
Construction of a production plant for aggregates with planned annual production capacity of approximately 9.8 million tons in Nanning City, Guangxi	1,592.6	567.2	32.1	993.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 9.7 million tons in Guigang City, Guangxi	3,999.3	-	-	3,999.3
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Ding'an County, Hainan	2,156.9	1,528.7	60.0	568.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Weishan County, Yunnan	427.9	137.8	9.6	280.5
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Tongchuan City, Shaanxi	537.6	-	2.2	535.4
Construction of a production plant for aggregates with planned annual production capacity of approximately 3.0 million tons in Luonan County, Shaanxi	344.0	-	1.8	342.2
Construction of a production plant for aggregates with planned annual production capacity of approximately 5.0 million tons in Xianning City, Hubei	1,002.9	-	28.9	974.0
Construction of a production line for inorganic engineered stones with planned annual production capacity of approximately 1.5 million m^2 in Dongguan City, Guangdong	265.8	63.5	54.5	147.8
Construction of two production lines for inorganic engineered stones with total planned annual production capacities of approximately 3.0 million m^2 in Laibin City, Guangxi	368.7	25.6	86.6	256.5
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	630.6	57.1	41.3	532.2
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	493.0	-	53.8	439.2

Projects	Total capital expenditure for the project *HK$ million*	Expended as at 31/12/2021 *HK$ million*	Expended during the Period *HK$ million*	Outstanding capital expenditure as at 30/6/2022 *HK$ million*
Acquisition of 44% equity interests of Zhaoqing Runsheng Quarry Co., Ltd. and construction of a production plant for aggregates with planned annual production capacity of approximately 6.5 million tons	1,536.8	-	-	1,536.8
Acquisition of 85% equity interests of Hezhou Xubao Mining Investment Co., Ltd. and construction of production lines for products of marble quarry for facing with total planned annual production capacities of approximately 1.14 million m^3	1,215.5	-	1,044.8	170.7
Acquisition of 85% equity interests of Zhaoqing Jingang Cement Co., Ltd.	631.1	-	-	631.1
Acquisition of 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.	360.4	-	-	360.4
Acquisition of 65% equity interests of each of Wushan Zhongsheng Mining Co., Ltd. and Wushan Zhongrun Desheng Building Materials Co., Ltd.	1,013.2	-	-	1,013.2
Construction of 6 concrete batching plants with total annual capacity of approximately 3.5 million m^3 of concrete	264.2	21.8	-	242.4
Total	**32,321.5**	**8,858.3**	**2,646.0**	**20,817.2**

Payment of Capital Expenditure

In addition to the foregoing capital expenditure, the Group had outstanding payment for the construction of production plants completed in the previous years, which have already been included under other payables in the condensed consolidated statement of financial position as at 30 June 2022. Total payments for capital expenditure of the Group are expected to be approximately HK$10,094.7 million in the second half of 2022 and HK$8,083.7 million in the year ending 31 December 2023, which will be financed by borrowings and internally generated funds.

STRATEGIES AND PROSPECTS

2022 is a year to connect the past and future actions in the implementation of the "Fourteenth Five-Year" Plan. The Chinese government adhered to the idea of prioritizing stability while pursuing progress, coordinated the prevention and control of the Epidemic with the socio-economic development in a highly efficient manner, increased the effort on macroeconomic policy adjustments, and solidly stabilized the economy while maintaining the operation of the economy within a reasonable range so as to strive to achieve the best results.

The Chinese government has been accelerating the construction of a world leader in transport. In January 2022, the State Council of China issued the "Development Plan for Modernized and Comprehensive Transport System during the 'Fourteenth Five-Year'". It aims for the operational lengths of national railways, highways and urban rail transit to reach 165,000 km, 5.5 million km, and 10,000 km respectively by 2025, representing increases of 10.0%, 4.2% and 14.8% respectively over the end of 2021, among which, the operational lengths of high-speed rails and expressways will reach 50,000 km and 190,000 km respectively, representing increases of 25.0% and 12.4% respectively over the end of 2021. In February, the Ministry of Transport of China issued the "Notice on Actively Expanding Effective Investment in Transportation" to deploy on key tasks such as accelerating the construction of modern, high-quality and comprehensive national transport network, major infrastructure for highways and waterways, as well as accelerating the implementation of "well built, well managed, well maintained, and well operated rural roads" to assist rural revitalization. In May, the Ministry also issued the "Work Plan for Solidly Promoting the Implementation of Major Transportation Projects of the 'Fourteenth Five-Year' Plan" which required the launch of infrastructure investment appropriately in advance and implement a batch of major transportation projects that are of strategic, holistic, leading and fundamental importance so as to exert the significance of the transportation industry in promoting investment and stabilizing growth.

The Chinese government persists in maintaining the position that "residential properties are for living, not speculation", supports local governments to improve real estate policies based on local conditions, supports demand for basic housing needs and housing to improve living conditions, and optimizes supervision on pre-sale funds of commodity housing in order to promote the stable and healthy development of the real estate market. The Chinese government has vigorously increased the supply of affordable rental housing. According to the Ministry of Housing and Urban-Rural Development of China, during the "Fourteenth Five-Year" period, it is planned to newly build 6.5 million units (rooms) of affordable rental housing in 40 major cities. In 2022, focusing on large cities with net inflow of populations, it is aimed to construct and collect 2.4 million units (rooms) of affordable rental housing throughout the year. At the same time, the Chinese government has been vigorously promoting prefabricated construction. It is targeted that by 2022, the proportion of prefabricated buildings to newly constructed buildings shall exceed 25% while by 2025, the proportion of prefabricated buildings to newly constructed buildings shall exceed 30%.

In addition, the Chinese government comprehensively promotes rural revitalization, and drives the construction of rural infrastructure in key areas including highways, water supply, grids, clean energy and farm houses. In 2022, the Chinese government has launched a new round of construction and upgrade for rural roads. According to the Ministry of Transport of China, it is expected that by the end of this year, the reconstruction of rural roads with accumulated length of 150,000 km will be completed, rural road safety and life protection projects of 80,000 km will be implemented and upgrade of 8,000 damaged bridges on rural roads will be completed. During the "Fourteenth Five-Year" period, it aims for achieving approximately 85% access of third-level and above highways to towns and promoting the access of hard roads to natural villages (groups) with larger populations. In addition, it is targeted by 2025 to strive for basically completing the mission of renovating old communities in cities and towns built prior to the end of 2000 which require renovation, which will support the demand for building materials products.

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.

Looking ahead, to achieve the strategic goals of the "Fourteenth Five-Year" period, the Group will 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. The Group will focus on the three key themes of "promoting development, grasping innovation, stabilizing operation", continue to optimize the industrial chain layout, expand strategic regions, benchmark against international first-class standards, accelerate digital and intelligent transformation, and increase investment in innovation, research and development to inject lasting momentum into the high-quality corporate development. We will continuously improve operational efficiency and quality, enhance management standards of environmental protection, safety and health, and actively promote carbon emissions peaking and carbon neutrality. In order to consolidate market competitiveness, we will deepen brand marketing and the construction of sales channels. 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 Period, 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 Period.

REVIEW OF INTERIM REPORT

The interim report encompassing the condensed consolidated financial statements for the Period which were not audited 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.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the Period will be published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.crcement.com) in due course.

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

Hong Kong, 12 August 2022

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.