ASIA CEMENT (CHINA) HOLDINGS CORPORATION
亞洲水泥(中國)控股公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

Revenue increased by 47% to approximately RMB4,946.1 million (2017: approximately RMB3,359.8 million).

Profit attributable to owners of the Company was RMB958.5 million (2017: Profit attributable to owners of the Company was approximately RMB81.9 million). The increase in profit attributable to owners of the Company was mainly attributable to the increase in average selling price of the Company's products.

Basic earning per share amounted to RMB0.612 (2017: Basic earning per share RMB0.052).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Asia Cement (China) Holdings Corporation (the "Company"), the Company and its subsidiaries (collectively the "Group") hereby announces the unaudited condensed consolidated interim results for the six months ended 30 June 2018 together with comparative figures for the corresponding period in 2017. These interim condensed consolidated financial statements for the six months ended 30 June 2018 have not been audited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**4,946,122**	3,359,764
Cost of sales		**(3,130,210)**	(2,740,851)
Gross profit		**1,815,912**	618,913
Other income	*5*	**55,208**	39,236
Other gains and losses	*6*	**(37,315)**	9,531
Distribution and selling expenses		**(218,906)**	(190,031)
Administrative expenses		**(145,618)**	(128,339)
Share of profit of jointly controlled entities		**3,957**	916
Share of profit of an associate		**(28)**	(107)
Finance costs		**(117,982)**	(154,724)
Profit before tax		**1,355,228**	195,395
Income tax expense	*7*	**(364,642)**	(104,465)
Profit for the period	*8*	**990,586**	90,930
Profit for the period attributable to:			
Owners of the Company		**958,530**	81,907
Non-controlling interests		**32,056**	9,023
		990,586	90,930
		RMB	*RMB*
Earnings per share:	*10*		
Basic		**0.612**	0.052
Diluted		**0.612**	0.052

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Notes	**As at 30 June 2018 *RMB'000* (Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**8,926,139**	9,301,776
Quarry	*12*	**188,428**	201,736
Prepaid lease payments	*13*	**712,086**	719,487
Investment properties		**60,391**	60,391
Goodwill		**693,000**	693,000
Other intangible assets		**3,796**	4,414
Interest in a joint ventures		**47,729**	43,772
Interest in an associate		**16,247**	16,275
Restricted bank deposits		**31,980**	30,410
Deferred tax assets		**62,678**	57,474
Long term prepaid rental		**20,000**	22,000
		10,762,474	11,150,735
CURRENT ASSETS			
Inventories	*14*	**716,380**	727,506
Trade and other receivables	*15*	**3,395,236**	2,960,006
Prepaid lease payments	*13*	**23,634**	22,912
Loan to related companies	*16*	**546,599**	546,599
Amount due from an associate		**8,030**	6,153
Amount due from a joint venture		**35,083**	49,281
Amount due from ultimate holding company		**9,302**	–
Restricted bank deposits		**2,568**	6,548
Bank balances and cash		**974,475**	940,247
		5,711,307	5,259,252
CURRENT LIABILITIES			
Trade and other payables	*17*	**936,864**	1,011,148
Amount due to a joint venture		**22,634**	24,216
Tax payables		**165,253**	208,474
Borrowings – due within one year		**2,476,223**	2,991,361
		3,600,974	4,235,199
NET CURRENT ASSETS		**2,110,333**	1,024,053
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,872,807**	12,174,788

	Notes	**As at 30 June 2018** *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**1,886,000**	1,911,998
Deferred tax liabilities		**25,889**	25,636
Provision for environmental restoration		**28,776**	26,770
		1,940,665	1,964,404
NET ASSETS		**10,932,142**	10,210,384
CAPITAL AND RESERVES			
Share capital	*18*	**140,390**	140,390
Reserves		**10,485,210**	9,769,542
Equity attributable to owners of the Company		**10,625,600**	9,909,932
Non-controlling interests		**306,542**	300,452
TOTAL EQUITY		**10,932,142**	10,210,384

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company							
	Share capital *RMB'000*	**Statutory reserves** *RMB'000*	**Other reserves** *RMB'000*	**Special reserve** *RMB'000*	**Retained profits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2017 (audited)	140,390	1,409,927	286,038	1,635,906	5,882,300	9,354,561	280,587	9,635,148
Profit for the period	–	–	–	–	81,907	81,907	9,023	90,930
Appropriation	–	105,415	–	–	(105,415)	–	–	–
Dividends recognised as distribution	–	–	–	–	(47,006)	(47,006)	–	(47,006)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(13,960)	(13,960)
At 30 June 2017 (unaudited)	140,390	1,515,342	286,038	1,635,906	5,811,786	9,389,462	275,650	9,665,112
At 1 January 2018 (audited)	140,390	1,515,342	286,038	1,635,906	6,332,256	9,909,932	300,452	10,210,384
Profit for the period	–	–	–	–	958,530	958,530	32,056	990,586
Appropriation	–	209,154	–	–	(209,154)	–	–	–
Dividends recognised as distribution	–	–	–	–	(242,862)	(242,862)	–	(242,862)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(25,966)	(25,966)
At 30 June 2018 (unaudited)	140,390	1,724,496	286,038	1,635,906	6,838,770	10,625,600	306,542	10,932,142

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**981,719**	299,349
Net cash used in investing activities	**(19,545)**	(68,056)
Net cash used in financing activities	**(927,946)**	(141,102)
Net increase in cash and cash equivalents	**34,228**	90,191
Cash and cash equivalents at beginning of the period	**940,247**	533,420
Cash and cash equivalents at end of the period, represented by bank balances and cash	**974,475**	623,611

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the international Accounting Standard Board that are relevant for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described as follows:

- all recognised financial assets that are within the scope of IFRS 9 are required to be Subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company (the "Directors") anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

- All financial assets and financial liabilities continue to be measured on the same bases as are currently measured under IAS 39 with the exception of impairment requirement(see below).

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group. In particular, the Group will adopt "the simplified approach "to measure the loss allowance for all trade receivables at an amount equal to lifetime expected credit losses.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the HKICPA issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors have performed a review of the existing contractual arrangement with its customers and the Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and revenue recognised in the respective reporting periods.

3. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement products and related products	**4,725,802**	3,195,292
Sales of concrete	**220,320**	164,472
	4,946,122	3,359,764

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2018 (unaudited)

	Cement business *RMB'000*	**Concrete business** *RMB'000*	**Total** *RMB'000*	**Elimination** *RMB'000*	**Consolidated** *RMB'000*
REVENUE					
External sales	**4,725,802**	**220,320**	**4,946,122**	**–**	**4,946,122**
Inter-segment sales	**43,428**	**–**	**43,428**	**(43,428)**	**–**
Total	**4,769,230**	**220,320**	**4,989,550**	**(43,428)**	**4,946,122**
RESULT					
Segment result	**1,480,645**	**8,211**	**1,488,856**	**–**	**1,488,856**
Unallocated income					**24,960**
Central administration costs, directors' salaries and other unallocated expense					**(44,535)**
Share of profit of jointly controlled entities					**3,957**
Share of loss of an associate					**(28)**
Finance costs					**(117,982)**
Profit before tax					**1,355,228**

Six months ended 30 June 2017 (unaudited)

	Cement business *RMB'000*	Concrete business *RMB'000*	Total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
REVENUE					
External sales	3,195,292	164,472	3,359,764	–	3,359,764
Inter-segment sales	38,118	304	38,422	(38,422)	–
Total	3,233,410	164,776	3,398,186	(38,422)	3,359,764
RESULT					
Segment result	394,054	2,694	396,748	(32,104)	364,644
Unallocated income					1,859
Central administration costs, directors' salaries and other unallocated expense					(17,193)
Share of profit of jointly controlled entities					916
Share of profit of an associate					(107)
Finance costs					(154,724)
Loss before tax					195,395

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, share of results of jointly controlled entities and associate, investment income and financial costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage mark-up.

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grant	**27,373**	20,630
Transportation fee income	**830**	1,201
Sales of scrap materials	**5,568**	5,041
Interest income on bank deposits	**6,402**	4,415
Rental income, net of outgoings	**7,916**	5,168
Others	**7,119**	2,781
	55,208	39,236

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	**(36,000)**	14,142
Exchange loss, net	**(1,297)**	(2,028)
Loss on disposal of property, plant and equipment	**(18)**	(1,751)
Loss from changes in fair value of investment property	**–**	(832)
	(37,315)	9,531

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**369,608**	113,930
Withholding tax paid	**–**	–
Underprovision (overprovision) in prior years	**(15)**	(2,744)
Deferred tax credit	**(4,951)**	(6,721)
	364,642	104,465

For the six months ended 30 June 2018 and 2017, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25% and 15% to 25%, respectively.

No provision for Hong Kong Profits Tax and Singapore income tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for the six months ended 30 June 2018 and 2017.

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Depreciation and amortisation	**431,739**	435,736

9. DIVIDENDS

A final dividend of RMB15.5 cents per share for the year ended 31 December 2017, amounting to RMB242,862,000, was paid during the six months ended 30 June 2018.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2018 and 2017.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**958,530**	81,907
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,566,851**	1,566,851
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,566,851**	1,566,851

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying value *RMB'000*
At 1 January 2017 (audited)	10,079,179
Additions	31,594
Depreciation for the period	(414,652)
Disposals	(5,823)
At 30 June 2017 (unaudited)	9,690,298
At 1 January 2018 (audited)	9,301,776
Additions	33,438
Depreciation for the period	(405,859)
Disposals	(3,216)
At 30 June 2018 (unaudited)	8,926,139

12. QUARRY

	Carrying value *RMB'000*
At 1 January 2017 (audited)	250,322
Additions	–
Amortisation during the period	(8,712)
At 30 June 2017 (unaudited)	241,610
At 1 January 2018 (audited)	201,736
Additions	–
Amortisation during the period	(13,308)
At 30 June 2018 (unaudited)	188,428

13. PREPAID LEASE PAYMENT

	Carrying value *RMB'000*
At 1 January 2017 (audited)	758,312
Additions	–
Amortisation during the period	(11,661)
Disposals	(2,000)
At 30 June 2017 (unaudited)	744,651
At 1 January 2018 (audited)	742,399
Additions	5,192
Amortisation during the period	(11,842)
Disposals	(29)
At 30 June 2018 (unaudited)	735,720

14. INVENTORIES

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Spare parts and ancillary materials	**273,464**	284,737
Raw materials	**278,040**	280,404
Work in progress	**82,068**	79,034
Finished goods	**82,808**	83,331
	716,380	727,506

15. TRADE AND OTHER RECEIVABLES

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Trade receivables	**1,209,768**	1,079,847
Less: accumulated allowance	**(198,179)**	(162,179)
	1,011,589	917,668
Bills receivable	**1,955,914**	1,671,217
	2,967,503	2,588,885
Other receivables	**427,733**	371,121
	3,395,236	2,960,006

The Group has a policy of allowing a credit period from 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit term are occasionally allowed to certain selected customers with good credit histories.

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 the reporting period:

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
0 – 90 days	**604,039**	471,271
91 – 180 days	**162,427**	126,673
181 – 365 days	**106,119**	130,518
Over 365 days	**139,004**	189,206
	1,011,589	917,668

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

16. LOAN TO RELATED COMPANIES

Loan to related companies of RMB546,599,000 is unsecured, interest free and repayable in May 2019.

17. TRADE AND OTHER PAYABLES

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Trade and bills payables	**296,529**	381,133
Other payables and accruals	**640,335**	630,015
	936,864	1,011,148
Analysed for reporting purposes as:		
Non-current liabilities	**–**	–
Current liabilities	**936,864**	1,011,148
	936,864	1,011,148

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
0 – 90 days	**267,338**	349,918
91 – 180 days	**9,732**	9,768
181 – 365 days	**5,033**	7,556
Over 365 days	**14,426**	13,891
	296,529	381,133

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days.

18. SHARE CAPITAL

Issued share capital as at 30 June 2018 amounted to RMB140,390,000. There were no movements in the issued share capital of the Company for the six months ended 30 June 2018.

19. COMMITMENTS

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the condensed consolidated financial statements	**506,943**	510,137

20. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Jointly controlled entities:		
Transportation expenses	**50,501**	38,361
Associate:		
Sale of goods	**7,675**	3,230
Ultimate holding company:		
Sale of goods	**38,245**	–

The remuneration of directors was as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**3,235**	2,881

The remuneration of directors is determined by having regard to the performance of individuals and market trends.

BUSINESS AND FINANCIAL REVIEW

In the first half of 2018, the effects of a series of policies for stabilizing growth, promoting reform, structural adjustment, benefiting people's livelihood, and preventing risks continued to be felt. The government also stepped up its efforts in supporting the development of the real economy through measures such as tax cut to reduce burden. The national economy showed signs of stable growth, employment expansion, moderate inflation, and improved balance of international payments. The national GDP growth rate in the first half of 2018 was to be 6.8% year-on-year, staying within a reasonable range of medium-to high-speed rate. Fixed assets investment in China increased by 6.0% year-on-year, while property development investment increased by 9.7% year-on-year.

From January to June 2018, the national cement production volume amounted to 997 million tonnes, representing a slight decrease of 0.6% from that of the corresponding period of 2017. Against the backdrop of stringent environmental requirements during the winter of 2017 and the spring of 2018, off-peak season production was actively implemented across China which, coupled with a general low inventory level of cement enterprises, resulted in a "not soft" cement price in the first quarter, a traditional low season. In the second quarter, with relatively strong downstream demand, enterprises could dispose of all of their output, leading to gradual rise in the cement price, which hovered at high levels between April and May. However, in mid and late June, cement price retreated slightly, due to certain manufacturers' control over inventory as a result of the upcoming off season of the cement market in summer. All in all, the price in the first quarter exceeded expectations, while the price in the second quarter continued to rise, and the industry profit improved significantly. According to statistics, from January to May 2018, the cement industry realized a cumulative profit of RMB51.49 billion, which increased by 164% from that of the same period of last year and was a record high.

In the first half of 2018, the Group actively seized the opportunities brought by stable and healthy development of the industry, continued structural improvement and increasingly stringent environmental requirements to pursue innovations and changes in the aspect of production and sales. By fully utilizing its human resources and big data resources, the Group conducted in-depth analysis and reviewed areas where improvement could be made, and continued to explore potential and to introduce innovation to different areas in a flexible manner, with an aim to increase the Company's profit. In terms of production, the Group's various cost-reduction measures had generated significant results, with more streamlined staff allocation, stable control of unit energy consumption and effective control of production costs against the backdrop of rising price of raw material and fuel. With respect to sales, the Group had reviewed and optimized the existing marketing and sales model, properly adjusted customer segmentation, continued to expand sales volume and market share in the neighbouring areas of the factories while actively participating in tenders for key and large-scale projects. The Group had also achieved satisfactory results in the market development of non-cement products, such as lumber, etc. The above mentioned efforts enabled the Group to continue to achieve full disposal of all output during the first half of 2018, with an aggregate sales volume of cement products of 14.74 million tonnes, which was a 6.0% increase from that of the same period of 2017. Following the realization of profit in the first quarter, the Group achieved stronger growth in profit in the second quarter.

Revenue

The table below shows the sales breakdown by region during the reporting period:

	For the six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Region		
Southeastern region	**1,937,484**	1,242,325
Central region	**1,081,222**	854,330
Southwestern region	**1,490,194**	879,616
Eastern region	**437,222**	383,493
	4,946,122	3,359,764

In the reporting period, the Group's revenue amounted to RMB4,946.1 million, representing an increase of RMB1,586.3 million or 47% from that of RMB3,359.8 million for the corresponding period of 2017. The increase in revenue was mainly attributable to the increase in average selling price of the Company's products.

In respect of revenue contribution for the six months ended 30 June 2018, sales of cement and related products accounted for 96% (2017: 95%) and the sales of ready-mix concrete accounted for 4% (2017: 5%). The table below shows the sales breakdown by product during the reporting period:

	For the six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cement	**4,341,034**	2,910,247
Clinker	**242,600**	211,084
Blast-furnace slag powder	**49,140**	20,742
RMC	**220,320**	164,472
Others	**93,028**	53,219
	4,946,122	3,359,764

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), employee compensation and benefits, depreciation and amortization and other overhead costs. During the period under review, the Group's cost of sales was RMB3,130.2 million (2017: RMB2,740.9 million). The increase in cost of sales was mainly due to the increase in coal cost.

The gross profit for the six months ended 30 June 2018 was RMB1,815.9 million (2017: RMB618.9 million), representing a gross profit margin of 37% on revenue (2017: 18%). The increase in gross profit was mainly attributable to the net effect of increase in average selling price of cement products and coal cost when compared with that of the corresponding period of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For the six months ended 30 June 2018, other income amounted to RMB55.2 million, representing an increase of RMB16.0 million or 41% from RMB39.2 million for the corresponding period in 2017. The increase in other income was attributable to the increase in government grants during the period under review.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss and allowance of doubtful debts. For the period under review, other losses amounted to RMB37.3 million, representing an increase of RMB46.8 million from the gains of RMB9.5 million for the corresponding period in 2017. The increase in losses was principally attributable to the increase in allowance of doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2018, the distribution and selling expenses amounted to RMB218.9 million, representing an increase of RMB28.9 million or 15% from RMB190.0 million for the corresponding period of 2017. The increase in distribution and selling expenses was attributable to increase in transportation fees during the period under review.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increase by 13%, to RMB145.6 million from RMB128.3 million for the corresponding period of 2017. The increase was attributable to increase in employee compensation and benefits during the period under review.

The finance costs decreased by 24% was mainly due to decrease in borrowing and borrowing interest rate.

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB990.6 million, representing an increase of RMB899.7 million from a net loss of RMB90.9 million for the corresponding period of 2017. The increase in net profit was mainly attributable to the net effect of increase in average selling price of cement products and coal cost when compared with that of the corresponding period of the previous year.

Financial Resources and Liquidity

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2018. The total assets approximately RMB16,473.8 million (31 December 2017: approximately RMB16,410.0 million) while the total equity approximately RMB10,932.1 million (31 December 2017: approximately RMB10,210.4 million).

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately RMB974.5 million (31 December 2017: approximately RMB940.2 million).

As at 30 June 2018, the Group's gearing ratio was approximately 34% (31 December 2017: 38%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2018 and 31 December 2017, respectively.

Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2018 and 31 December 2017 are summarized as below:

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Within one year	**2,476,223**	2,991,361
In the second year	**1,886,000**	1,911,998
	4,362,223	4,903,359

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2018 amounted to approximately RMB101.4 million (31 December 2017: approximately RMB104.9 million) and capital commitments as at 30 June 2018 amounted to approximately RMB506.9 million (31 December 2017: approximately RMB510.1 million). Both the capital expenditure and capital commitments were mainly related to the purchase of plant, equipment and investment projects. The Group anticipates funding those commitments from future operating revenue, bank borrowings and other sources of finance when appropriate.

Pledge of Assets

As at 30 June 2018, the Group did not have any pledge or charge on assets.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2018, the Board was not aware of any material contingent liabilities.

Human Resources

As at 30 June 2018, the Group had 3,862 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 30 June 2018, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

Save for the aforesaid, the Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2018.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi ("RMB").

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Prospects

Looking into the second half of the year, the Group is optimistic about the development of the cement industry. From the macro perspective, China's economy will continue to make progress while maintaining stability. The government will continue to carry out proactive and effective fiscal policies and prudent and neutral monetary policies, while imports expansion and consumption upgrade continue to drive economic growth. The Group expects that in the second half of the year, cement market demand will remain stable, and cement price will stay at a high level. The above perception is reflected in the following areas: first, according to the three-year action plan on securing a decisive victory in building a moderately prosperous society in all respects and embarking on a journey to fully build a modern socialist China through transport services (2018–2020) issued by the Ministry of Transport of the People's Republic of China on 25 June, China will deepen supply-side structural reform of transportation, build a high quality modern transportation system, create a high level innovative transportation system and construct transport safety system with high requirements. China will form a higher quality interconnected transport infrastructure network by integrating traffic hubs as functional "nodes", and focusing on high quality rapid transit network, highly efficient transport network, and infrastructure service network with wide coverage. Second, since 2015, China has formulated a top-level design for ecological civilization construction. For the cement industry, the direction, guidelines and the tone set by the environmental initiatives indicate a stricter environment protection requirement in the future, which will effectively facilitate the execution of output reduction in the industry. The continuous easing of the overcapacity problem and elimination of backward production capacities will help drive those capacities that do not meet the requirements for energy consumption, environmental protection, safety and technology, to cease to operate and phase out according to laws and regulations, which will be beneficial for the orderly release of advanced capacities and increase in industry concentration. Third, to ease the overcapacity problem and reduce atmospheric pollution, several provinces and municipalities including Hubei, Jiangxi, Sichuan and Jiangsu where the Company's principal markets are located, as well as Henan and Anhui have issued their plans for off-peak season production for 2018 since April. Compared to last year, the plans for this year indicated more standardised and stringent requirements, with stricter enforcement.

In view of the aforesaid, the Group is of the view that even though the growth rates of fixed assets investment and infrastructure investment in 2018 will slightly decrease, there would not be a large retreat in infrastructure investment, and the growth rates of infrastructure investment and infrastructure construction are expected to be around 7% and 15% respectively. The overall cement demand is expected to remain basically stable. Together with the implementation of off-peak season production and the practice of self-discipline in the industry, supply-demand equilibrium and an orderly competition will continue, while the operating efficiency will be further enhanced. It is expected that cement price in the third quarter will continue the steady upward trend in the second quarter, and the overall profitability of the cement industry is expected to continue to increase in the fourth quarter, which is the traditional peak season of the industry.

The Group will continue to carry out reforms on various management systems. Through comprehensive and orderly arranged training programmes targeted at senior management members and staff at all levels, the Group could enhance its staff responsiveness when handling new tasks. The Group is prepared to break away from existing paradigms, in order to make constant improvement in various areas and enhance the Company's operational performance. Meanwhile, with the vision of achieving a high standard environmental protection, the Group should make progress in emission reduction, safety production and green development to fulfil its corporate social responsibility. All in all, supported by its dedicated staff, the Group will continue to enhance operational performance, actively fulfil its social corporate responsibility in order to maximize values for its shareholders, employees and society.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code ("the CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2018, except code provision A.1.8.

Code provision A.1.8 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. Nevertheless, the Board will review this arrangement from time to time in light of the prevailing circumstances and arrange for appropriate insurance coverage as soon as practicable.

AUDIT COMMITTEE

The Company established the Audit Committee on 27 April 2008 with written terms of reference in compliance with the CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of financial reporting processes and internal control system of the Group. Currently, the Audit Committee comprises Mr. Tsim Tak-lung Dominic (Chairman), Mr. Hsu Shu-tong and Mr. Lee Kao-chao, all of whom are non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2018, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Having made specific enquiry with all Directors, all the Directors confirmed that they have complied with the Model Code throughout the period under review.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the period.

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

The Company's Interim Report 2018 for the six months ended 30 June 2018 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.achc.com.cn) in due course.

By order of the Board
Asia Cement (China) Holdings Corporation
HSU Shu-tong
Chairman

Hong Kong, 13 August 2018

As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Mr. HSU Shu-ping, Dr. WU Chung-lih, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Ms. WU Ling-ling and the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming.