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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 RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

SUMMARY

The directors (“Directors”) of Asia Cement (China) Holdings Corporation (“the Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2018. This announcement is made as part of the Company’s practice to publish its financial results quarterly and pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The unaudited consolidated profit attributable to owners for the nine months ended 30 September 2018 was approximately RMB1,598.5 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the nine months ended 30 September 2018 in line with its practice to publish the Group’s financial results quarterly and pursuant to paragraph 13.09 of the Listing Rules.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the nine months ended	
	30 September	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	7,889,189	5,189,298
Cost of sales	(4,938,242)	(4,175,575)
Gross profit	2,950,947	1,013,723
Other income	81,993	62,267
Other gains and losses	(89,640)	(9,476)
Distribution and selling expenses	(328,244)	(293,490)
Administrative expenses	(217,339)	(195,262)
Share of profit of jointly controlled entities	6,293	1,551
Share of loss of an associate	(111)	(9)
Finance costs	(173,481)	(213,805)
Profit before tax	2,230,418	365,499
Income tax expenses	(578,074)	(165,144)
Profit for the period	1,652,344	200,355
Profit for the period attributable to:		
Owners of the Company	1,598,480	185,421
Non-controlling interests	53,864	14,934
	1,652,344	200,355
	RMB	RMB
Earnings per share:		
Basic	1.020	0.118
Diluted	1.020	0.118

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2018 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2017 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	8,736,392	9,301,776
Quarry	181,648	201,736
Prepaid lease payments	706,603	719,487
Investment properties	60,391	60,391
Goodwill	693,000	693,000
Other intangible assets	3,954	4,414
Interest in joint ventures	50,065	43,772
Interest in an associate	15,364	16,275
Restricted bank deposits	1,420	30,410
Deferred tax assets	70,960	57,474
Long term prepaid rental	20,000	22,000
	10,539,797	11,150,735
CURRENT ASSETS		
Inventories	814,279	727,506
Trade and other receivables	3,874,991	2,960,006
Prepaid lease payments	22,952	22,912
Loan to related companies	546,599	546,599
Amount due from an associate	8,115	6,153
Amount due from a joint venture	31,594	49,281
Restricted bank deposits	3,655	6,548
Bank balances and cash	3,288,886	940,247
	8,591,071	5,259,252
CURRENT LIABILITIES		
Trade and other payables	1,085,134	1,011,148
Amount due to a joint venture	18,140	24,216
Tax payables	202,137	208,474
Borrowings – due within one year	3,028,048	2,991,361
	4,333,459	4,235,199
NET CURRENT ASSETS	4,257,612	1,024,053
TOTAL ASSETS LESS CURRENT LIABILITIES	14,797,409	12,174,788

	As at 30 September 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Borrowings – due after one year	3,142,274	1,911,998
Deferred tax liabilities	31,223	25,636
Provision for environmental restoration	30,012	26,770
	<u>3,203,509</u>	<u>1,964,404</u>
NET ASSETS	<u>11,593,900</u>	<u>10,210,384</u>
CAPITAL AND RESERVES		
Share capital	140,390	140,390
Reserves	11,125,160	9,769,542
	<u>11,265,550</u>	<u>9,909,932</u>
Equity attributable to owners of the Company	11,265,550	9,909,932
Non-controlling interests	328,350	300,452
	<u>11,593,900</u>	<u>10,210,384</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash from operating activities	1,533,386	510,990
Net cash used in investing activities	(9,401)	(70,322)
Net cash from (used in) financing activities	824,654	(301,249)
	<u>2,348,639</u>	<u>139,419</u>
Net increase in cash and cash equivalents	2,348,639	139,419
Cash and cash equivalents at beginning of the year	940,247	533,420
	<u>3,288,886</u>	<u>672,839</u>
Cash and cash equivalents at 30 September	3,288,886	672,839

The Group's unaudited consolidated results for the nine months ended 30 September 2018 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the last annual report for the year ended 31 December 2017.

The Directors do not recommend payment of a dividend in respect of the first nine months of 2018 (2017: Nil).

Business Review and Prospects

In the third quarter of 2018, the State set “shoring up of weakness” as a major task of deepening supply-side structural reform; it stepped up efforts to improve the weak areas in the infrastructure sector, strengthen innovation, develop new growth driver, remove obstacles in the system for eliminating production capacities, and reduce the costs of enterprises. In the face of a complicated and volatile external trade environment, China's economic resilience increased, with continued optimization and adjustment in the domestic economic structure, and a shift in the driving force of economic growth from old to new; the nation's economic growth had remained basically stable. From January to September 2018, the national fixed asset investment saw a 5.4% year-on-year increase, representing a 2.1 percentage points drop from that of last year; infrastructure investment increased by 3.3% year-on-year, down by 16.5 percentage points from that of the same period last year; property development investment increased by 9.9% year-on-year, representing an increase of 1.8 percentage points over the same period last year.

As some investment indicators went up and some came down, demand for cement consumption remained basically stable. From January to September 2018, the national cement output was 1.58 billion tonnes, representing an increase of 1% in the same period of 2017.

Since the start of 2018, with the continuous implementation of the supply-side structural reform and the increasingly stringent environmental protection measures, it has become an industry-wide consensus to conduct off-peak season production and fulfill corporate social responsibility. Affected by the suspension of kiln operation and limited production in the whole industry, there had been a shortage in the supply of clinker, while cement inventory in general stayed at a low level and some enterprises even experienced tight supply situation. On the other hand, downstream demand was basically stable, resulting in a demand that was not low in a traditional off season in the third quarter. It is expected that entering into the fourth quarter, with further increase in market demand and an already low clinker inventory level, the shortage of clinker and cement supply in central and downstream Yangtze River, where the Group operates, will be further aggravated; the market is expected to see an even more prosperous high season.

In the Chengdu region, being the Group's another major market, supply-side structural reform further deepened and off-peak season production was implemented, thus effectively alleviating the acute imbalance in market supply and demand, and resulting in a stable situation rarely seen over the past few years. Cement prices had risen for three consecutive quarters, and the industry's profitability had also greatly improved.

From January to September 2018, the Group sold a total of 22.83 million tonnes of cement products, representing an increase of 1.33 million tonnes or 6.2% from that of 21.50 million tonnes of the same period of 2017. While complying with the State's policy of off-peak season production, the Group fully exploited its advantage in advanced production capacity efficiency and achieved full disposal of all output. In terms of cost, the Group had taken a number of measures to reduce the pressure brought by the rising prices of raw and fuel materials such as sandstone and coal, and effectively controlled the increase in costs. The Group achieved a profit of over RMB1.6 billion for the period from January to September 2018.

Looking into the fourth quarter, the Group expects that there will be no doubt about the strong output and sales, with increase in both quantity and price. First, a new round of infrastructure investment has begun, as part of the effort to boost domestic demand in order to reduce the proportion of export contribution to economic growth. On 17 July, the National Development and Reform Commission resumed approval of urban rail projects. Chengdu and Wuhan both submitted further subway plans. On 31 August, the Ministry of Transport announced a three-year action plan to intensify the development of different types of integrated transport in the Yangtze River Economic Belt, with the focus on bolstering the weak areas in integrated transport infrastructure, and facilitating the formation of a railway-water integrated transport hub centered on major ports along the Yangtze River, such as Nanjing, Wuhan and Chongqing. The construction of infrastructure such as railways, urban rail transit, airports, and hydro engineering works provides a strong support for the market demand of cement. Second, the rural revitalization strategy is now in the advanced stage of implementation. The Infrastructure to Every Village Project, which covers concrete roads and others, is making steady progress, with rural market demand remaining robust. With the continued deepening, refinement, systemization and networking of rural infrastructure, the demand for high-grade cement in rural areas is bound to increase continuously. For those cement enterprises which could not produce high-standard cement, their chance of survival will be reduced. On the other hand, large companies will benefit significantly from this. Third, cement enterprises have commenced platform operation, which will further accelerate the process of industrial concentration. The establishment of platform companies as represented by Zibo Lianhe Cement Enterprise Management Co., Ltd 淄博聯和公司 and Haizhong Building Materials Corporation 海中建材 is conducive to the cement industry's intelligentization and innovative development, optimization of resource allocation, and reduction of disorderly competition. Such will help lay a solid foundation for the high-quality development of the whole industry, and ultimately realise stable, orderly and sustainable development of the cement industry.

In view of the aforesaid, it is expected that the industry's profit in the fourth quarter will grow significantly compared with those of the previous three quarters. As to the Group, we estimate that the sales volume of cement products will reach 31 million tonnes in 2018, exceeding that of last year. The management of the Group is optimistic about its business performance in the fourth quarter of 2018. We will step up our efforts in improving operational efficiency, reducing the costs of production and sales, and standardizing operational management, in order to achieve better performance and win-win situation for shareholders, employees and society.

By Order of the Board
Asia Cement (China) Holdings Corporation
Hsu Shu-tong
Chairman

Hong Kong, 29 October 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, 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.