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 2019

FINANCIAL HIGHLIGHTS

Revenue increased by 22% to approximately RMB6,043.4 million (2018: approximately RMB4,946.1 million).

Profit attributable to owners of the Company was RMB1,510.4 million (2018: Profit attributable to owners of the Company was approximately RMB958.5 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 RMB0.964 (2018: Basic earning per share RMB0.612).

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 2019 together with comparative figures for the corresponding period in 2018. These interim condensed consolidated financial statements for the six months ended 30 June 2019 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 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**6,043,385**	4,946,122
Cost of sales		**(3,400,137)**	(3,130,210)
Gross profit		**2,643,248**	1,815,912
Other income	*5*	**112,980**	55,208
Other gains and losses	*6*	**(19,526)**	(37,315)
Distribution and selling expenses		**(221,299)**	(218,906)
Administrative expenses		**(241,638)**	(145,618)
Share of profits of joint ventures		**4,017**	3,957
Share of loss of an associate		**(1,585)**	(28)
Finance costs		**(142,656)**	(117,982)
Profit before tax		**2,133,541**	1,355,228
Income tax expense	*7*	**(585,004)**	(364,642)
Profit for the period	*8*	**1,548,537**	990,586
Profit for the period attributable to:			
Owners of the Company		**1,510,397**	958,530
Non-controlling interests		**38,140**	32,056
		1,548,537	990,586
		RMB	*RMB*
Earnings per share:	*10*		
Basic		**0.964**	0.612

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**8,257,630**	8,598,033
Quarry	12	**159,305**	163,974
Right-of-use assets		**851,153**	–
Prepaid lease payments		**–**	701,095
Investment properties		**89,730**	89,730
Goodwill		**554,241**	554,241
Other intangible assets		**3,269**	3,991
Interest in a joint ventures		**53,062**	49,045
Interest in an associate		**514,980**	16,565
Restricted bank deposits		**1,424**	1,421
Deferred tax assets		**72,738**	72,615
Long term prepaid rental		**–**	20,000
		10,557,532	10,270,710
CURRENT ASSETS			
Inventories	13	**736,756**	726,239
Trade and other receivables	14	**3,716,287**	4,104,907
Prepaid lease payments		**–**	22,952
Loan to related companies	15	**110,399**	546,599
Amount due from an associate		**12,189**	11,257
Amount due from a joint venture		**19,024**	24,535
Restricted bank deposits		**7,251**	6,456
Bank balances and cash		**6,877,884**	5,008,691
		11,479,790	10,451,636
CURRENT LIABILITIES			
Trade and other payables	16	**943,228**	988,260
Amount due to a joint venture		**37,581**	15,350
Tax payables		**173,476**	439,830
Borrowings – due within one year		**4,421,502**	2,475,485
Lease Liabilities		**7,067**	–
Contract Liabilities	17	**168,384**	136,355
		5,751,238	4,055,280
NET CURRENT ASSETS		**5,728,552**	6,396,356
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,286,084**	16,667,066

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**3,133,426**	4,154,659
Deferred tax liabilities		**46,094**	38,783
Lease Liabilities		**111,451**	–
Provision for environmental restoration		**33,676**	31,278
		3,324,647	4,224,720
NET ASSETS		**12,961,437**	12,442,346
CAPITAL AND RESERVES			
Share capital	*18*	**140,390**	140,390
Share premium and reserves		**12,486,468**	11,947,519
Equity attributable to owners of the Company		**12,626,858**	12,087,909
Non-controlling interests		**334,579**	354,437
TOTAL EQUITY		**12,961,437**	12,442,346

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 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
At 1 January 2019 (audited)	140,390	1,724,496	286,038	1,635,906	8,301,079	12,087,909	354,437	12,442,346
Profit for the period	–	–	–	–	1,510,397	1,510,397	38,140	1,548,537
Appropriation	–	585,850	–	–	(585,850)	–	–	–
Dividends recognised as distribution	–	–	–	–	(971,448)	(971,448)	–	(971,448)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(57,998)	(57,998)
At 30 June 2019 (unaudited)	140,390	2,310,346	286,038	1,635,906	8,254,178	12,626,858	334,579	12,961,437

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**2,307,109**	981,719
Net cash used in investing activities	**(207,329)**	(19,545)
Net cash used in financing activities	**(230,587)**	(927,946)
Net increase in cash and cash equivalents	**1,869,193**	34,228
Cash and cash equivalents at beginning of the period	**5,008,691**	940,247
Cash and cash equivalents at end of the period, represented by bank balances and cash	**6,877,884**	974,475

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 properties and financial instruments, which are measured at fair values, as appropriate.

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 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and 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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 16 Leases

Key requirements of IFRS 16 are described as follows:

IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after 1 January 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in CHINA were recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, was recognized as accrued expenses/prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on 1 January 2019. Comparative information is not restated.

Lease liabilities were recognized on 1 January 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019. Right-of-use assets are measured at either an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounts for those leases for which the lease term ends on or before 31 December 2019 as short-term leases.

c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on 1 January 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on 31 December 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on 1 January 2019 is 3.79%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on 31 December 2018 is explained as follows:

	RMB'000
The future minimum lease payments of non-cancellable operating lease commitments on 31 December 2018	182,096
Less: Recognition exemption for short-term leases	4,831
Less: Recognition exemption for leases of low-value assets	44
Undiscounted amounts on 1 January 2019	177,221
Lease Liabilities on 1 January 2019	122,325

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from 1 January 2019.

The impact on assets, liabilities and equity as of 1 January 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on 1 January 2019 RMB'000	**Adjustments Arising from Initial Application RMB'000**	**Restated on 1 January 2019 RMB'000**
Prepayments for leases – current	22,952	(22,952)	–
Prepayments for leases – non-current	701,095	(701,095)	–
Prepaid rental – current (included trade and other receivables)	2,000	(2,000)	–
Prepaid rental – non-current (included long-term prepaid rental)	20,000	(20,000)	–
Right-of-use assets	–	868,372	868,372
Total effect on assets	746,047	122,325	868,372
Lease liabilities – current	–	7,307	7,307
Lease liabilities – non-current	–	115,018	115,018
Total effect on liabilities	–	122,325	122,325

3. REVENUE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement products and related products	**5,633,638**	4,725,802
Sales of concrete	**409,747**	220,320
	6,043,385	4,946,122

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 2019 (unaudited)

	Cement business	**Concrete business**	**Total**	**Elimination**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
REVENUE					
External sales	**5,633,638**	**409,747**	**6,043,385**	**–**	**6,043,385**
Inter-segment sales	**87,335**	**9,891**	**97,226**	**(97,226)**	**–**
Total	**5,720,973**	**419,638**	**6,140,611**	**(97,226)**	**6,043,385**
RESULT					
Segment result	**2,271,302**	**29,966**	**2,301,268**	**–**	**2,301,268**
Unallocated income					**33,683**
Central administration costs, directors' salaries and other unallocated expense					**(61,186)**
Share of profits of joint ventures					**4,017**
Share of loss of an associate					**(1,585)**
Finance costs					**(142,656)**
Profit before tax					**2,133,541**

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 profits of joint ventures					3,957
Share of loss of an associate					(28)
Finance costs					(117,982)
Profit before tax					1,355,228

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, share of results of joint ventures 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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grant	**34,205**	27,373
Transportation fee income	**1,019**	830
Sales of scrap materials	**2,758**	5,568
Interest income on bank deposits	**72,035**	6,402
Rental income, net of outgoings	**1,385**	7,916
Others	**1,578**	7,119
	112,980	55,208

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	**(7,164)**	(36,000)
Exchange loss, net	**(11,724)**	(1,297)
Loss on disposal of property, plant and equipment	**(638)**	(18)
	(19,526)	(37,315)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**574,106**	369,608
Withholding tax paid	**–**	–
Underprovision (overprovision) in prior years	**3,710**	(15)
Deferred tax credit	**7,188**	(4,951)
	585,004	364,642

For the six months ended 30 June 2019 and 2018, 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 2019 and 2018.

The Company is not subject to income tax in the Cayman Islands or any other jurisdiction.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation	**413,665**	431,739

9. DIVIDENDS

A final dividend of RMB62 cents per share for the year ended 31 December 2018, amounting to RMB971,448,000, was paid during the six months ended 30 June 2019.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

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	
	2019	2018
	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)	**1,510,397**	958,530
	'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 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
At 1 January 2019 (audited)	8,598,033
Additions	54,019
Depreciation for the period	(391,055)
Disposals	(3,367)
At 30 June 2019 (unaudited)	8,257,630

12. QUARRY

	Carrying value
	RMB'000
At 1 January 2018 (audited)	201,736
Additions	–
Amortisation during the period	(13,308)
At 30 June 2018 (unaudited)	188,428
At 1 January 2019 (audited)	163,974
Additions	–
Amortisation during the period	(4,669)
At 30 June 2019 (unaudited)	159,305

13. INVENTORIES

	30 June 2019	31 December 2018
	RMB'000	RMB'000
	(unaudited)	*(audited)*
Spare parts and ancillary materials	**224,164**	295,296
Raw materials	**286,767**	222,854
Work in progress	**123,180**	102,930
Finished goods	**102,645**	105,159
	736,756	726,239

14. TRADE AND OTHER RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**1,303,036**	1,273,519
Less: accumulated allowance	**(199,607)**	(188,417)
	1,103,429	1,085,102
Bills receivable	**2,157,925**	2,638,644
	3,261,354	3,723,746
Other receivables	**454,933**	381,161
	3,716,287	4,104,907

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 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 90 days	**653,213**	593,805
91 – 180 days	**186,712**	243,534
181 – 365 days	**121,292**	88,980
Over 365 days	**142,212**	158,783
	1,103,429	1,085,102

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.

15. LOAN TO RELATED COMPANIES

Loan to related companies of RMB110,399,000 is unsecured, interest free and repayable in January 2020.

16. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills payables	**406,529**	392,771
Other payables and accruals	**536,699**	595,489
	943,228	988,260
Analysed for reporting purposes as:		
Non-current liabilities	**–**	–
Current liabilities	**943,228**	988,260
	943,228	988,260

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 2019 *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
0 – 90 days	**369,540**	361,572
91 – 180 days	**17,016**	11,431
181 – 365 days	**8,766**	3,909
Over 365 days	**11,207**	15,859
	406,529	392,771

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

17. CONTRACT LIABILITIES

	30 June 2019 *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
Receipt in advance of delivery for sales of cement products and related products	**160,753**	130,027
Receipt in advance for sales of concrete	**7,631**	6,328
	168,384	136,355

18. SHARE CAPITAL

Issued share capital as at 30 June 2019 amounted to RMB140,390,000. There were no movements in the issued share capital of the Company for the six months ended 30 June 2019.

19. COMMITMENTS

	30 June 2019 *RMB'000* **(unaudited)**	31 December 2018 *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	**17,066**	517,565

20. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Joint ventures:		
Interest income	**527**	850
Purchase	**10,808**	7,553
Transportation expenses	**65,464**	50,501
Associate:		
Sale of goods	**15,079**	7,675
Ultimate holding company:		
Sale of goods	**14,990**	38,245
Administration expenses	**6,207**	–

The remuneration of directors was as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**3,313**	3,235

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 2019, driven by a series of reform measures, China's economy effectively overcame the impact of various downside risks and continued the development trend of making progress while maintaining stability. The main macroeconomic indicators remained within a reasonable range, and the economic structure continued to optimize. In the first half of 2019, the national GDP increased by 6.3%, which was slower than that of the same period of last year. However, the main economic indicators were in line with expectations, and the economic fundamentals continued to have positive momentum while maintaining stability. The national fixed asset investment from January to June saw a 5.8% year-on-year increase, which was 0.2 percentage point higher than the growth rate of the January-May period; the national infrastructure investment from January to June increased by 4.1% year-on-year, which was 0.1 percentage point higher than the growth rate of the January-May period; while the property development investment in China increased by 10.9% year-on-year from January to June, and such growth rate dropped by 0.3 percentage point when compared with that of January-May period.

From January to June 2019, the national cement production volume amounted to 1.04 billion tonnes, representing a 6.8% year-on-year increase, which was the highest growth in five years. The market price continued the trend in the fourth quarter of last year, which hovered at high levels at the start of the year and declined towards the end of the period. Nevertheless, the overall price of cement rose by about RMB20/tonne year-on-year.

The central and downstream region of the Yangtze River and the Sichuan province are the two major markets on which the Group focuses. The situation of the two markets in the first half of 2019 is as follows:

A. After the traditional off-season of the central and downstream region of the Yangtze River in January and February, demand began to rise, with cement prices gradually in an uptrend and remaining high in April and May. In June, due to the heavy rainfall in southern China, high school and university entrance examinations and other factors, demand from the downstream market was significantly weakened when compared with the previous month, while the cement price dropped, though at a declining rate not so significant.

B. In Sichuan, the price of bulk cement had stabilized since November of last year; the price of bagged cement, on the other hand, started to rise in April until June, when it decreased slightly due to the import of overseas cement. The price of bagged cement is expected to stabilize in subsequent period.

In the first half of the year, the Group continued to explore the potential of existing production and sales structure and approach, carry out reforms and innovation and strengthen internal control management, to improve the Company's overall efficiency:

A. In terms of production, the Group had increased investment in environmental protection and continued to promote energy-saving and consumption reduction technologies. Through the modification and replacement of existing equipment and the application of a number of advanced environmental protection technologies, it not only optimized resource allocation in various stages of production, but also reduced energy consumption. All emissions met the statutorily required standards.

B. On the aspect of sales:

a. Continued to maintain industry consensus to safeguard market stability and drive the cement market towards a healthy and orderly development.

b. Promoted widespread use of client application ("APP") and "YaNiBaoGang" APP, and facilitated the optimisation of operations management system and workflow, thereby getting its business operations smarter and more convenient.

c. Fine-tuned the dealer incentive system, and adopted a more scientific customer management approach to make value assessment more objective.

d. Executed a salesperson performance bonus scheme based on net profit goal to stabilize and boost cement sales, with an aim to generate greater profits for the Group.

In the first half of 2019, the total sales volume of the Group's cement and clinker was 14.74 million tonnes, which was similar to that of the same period of last year. But the Group recorded a net profit of RMB1,549 million, representing a significant increase of 56% from that of the first half of last year.

Revenue

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

	For the six months ended	
	30 June 2019	30 June 2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Region		
Southeastern region	**2,259,257**	1,937,484
Central region	**1,170,658**	1,081,222
Southwestern region	**2,073,691**	1,490,194
Eastern region	**539,779**	437,222
	6,043,385	4,946,122

In the reporting period, the Group's revenue amounted to RMB6,043.4 million, representing an increase of RMB1,097.3 million or 22% from that of RMB4,946.1 million for the corresponding period of 2018. 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 2019, sales of cement and related products accounted for 93% (2018: 96%) and the sales of ready-mix concrete accounted for 7% (2018: 4%). The table below shows the sales breakdown by product during the reporting period:

	For the six months ended	
	30 June 2019	30 June 2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cement	**5,107,147**	4,341,034
Clinker	**346,962**	242,600
Blast-furnace slag powder	**51,457**	49,140
RMC	**409,747**	220,320
Others	**128,072**	93,028
	6,043,385	4,946,122

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 RMB3,400.1 million (2018: RMB3,130.2 million). The increase in cost of sales was mainly due to the increase in cost of raw materials.

The gross profit for the six months ended 30 June 2019 was RMB2,643.2 million (2018: RMB1,815.9 million), representing a gross profit margin of 44% on revenue (2018: 37%). The increase in gross profit was mainly attributable to the net effect of increase in average selling price of cement products and cost of raw materials 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 2019, other income amounted to RMB113.0 million, representing an increase of RMB57.8 million or 105% from RMB55.2 million for the corresponding period in 2018. The increase in other income was attributable to the increase in interest income 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 RMB19.5 million, representing an decrease of RMB17.8 million from the losses of RMB37.3 million for the corresponding period in 2018. The decrease in losses was principally attributable to the decrease in allowance of doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2019, the distribution and selling expenses amounted to RMB221.3 million, representing an increase of RMB2.4 million or 1% from RMB218.9 million for the corresponding period of 2018. 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 66%, to RMB241.6 million from RMB145.6 million for the corresponding period of 2018. The increase was attributable to increase in employee compensation and benefits and project cost during the period under review.

The finance costs increased by 21% was mainly due to increase in borrowing.

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB1,548.5 million, representing an increase of RMB557.9 million from a net profit of RMB990.6 million for the corresponding period of 2018. The increase in net profit was mainly attributable to the net effect of increase in average selling price of cement products and cost of raw materials 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 2019. The total assets approximately RMB22,037.3 million (31 December 2018: approximately RMB20,722.3 million) while the total equity approximately RMB12,961.4 million (31 December 2018: approximately RMB12,422.3 million).

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately RMB6,877.9 million (31 December 2018: approximately RMB5,008.7 million).

As at 30 June 2019, the Group's gearing ratio was approximately 41% (31 December 2018: 40%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2019 and 31 December 2018, respectively.

Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2019 and 31 December 2018 are summarized as below:

	30 June 2019 *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
Within one year	**4,421,502**	2,475,485
Over second year	**3,133,426**	4,154,659
	7,554,928	6,630,144

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2019 amounted to approximately RMB54.0 million (31 December 2018: approximately RMB145.0 million) and capital commitments as at 30 June 2019 amounted to approximately RMB17.1 million (31 December 2018: approximately RMB517.6 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 2019, 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 2019, the Board was not aware of any material contingent liabilities.

Human Resources

As at 30 June 2019, the Group had 3,891 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 2019, 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

On 18 February 2019, the Group had been injected an amount of RMB500 million into Yuan Ding, which represents the 40% equity interest of Yuan Ding.

Save for the aforesaid, the Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2019.

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 2019, the Group is optimistic about the development of the cement industry, which can be mainly reflected in the followings:

1. Since the second half of 2018, there were counter-cyclical investments despite the economy was under downward pressure. These investment projects gradually commenced construction upon entering 2019. The investment amount of various infrastructure projects such as highway, railway and rail transit projects reached trillion yuan. Infrastructure investment, being an important pillar for steady economic growth, also provides strong support to cement demand.

2. Pollution control is one of the major items on the government's agenda, and its impact on the whole industry cannot be overlooked. A number of local governments have begun to implement the summer off-peak season production scheme in the cement industry to control air pollution. The reduction in supply will render strong support for the cement price to stay at high levels.

3. The industry's elimination of excess capacity, strengthened self-discipline and off-peak season production will continue to drive steady growth of economic benefits of the entire industry. The "2019 China's Large Cement Enterprises Leadership Roundtable" held in Shanghai in April 2019 put forth that industry leaders should take the lead in the elimination of backward capacity and extensive implementation of off-peak season production. Participants of the roundtable had reached a consensus on the aspects of capacity reduction confirmation and structural optimisation, with an aim to further reduce overcapacity in the cement industry.

4. In response to the downward pressure on the economy, China promoted a new round of policies on large-scale tax and fee reduction to increase support for the real economy. On 1 April, the manufacturing VAT rate dropped from 16% to 13%, while starting from 1 July, some standard administrative fees has been lowered, and the second round of measures to reduce general industrial and commercial electricity rates has commenced. The aforesaid series of new policies will generate significant benefits to the Group.

All in all, the Group is of the view that the cement industry is currently in a plateau phase. Driven by the government's steady growth measures, property and infrastructure investments remain stable. In the meantime, environmental protection, energy conservation and emission reduction, off-peak production and other policies will continue to be implemented. As such, the cement market will basically be in equilibrium in the second half of the year. The Group plans to sell 16.50 million tonnes of cement and clinker in the second half of the year and plans to sell 31.20 million tonnes of cement and clinker for the whole year, thus maintaining stable sales volume. It is expected that the average price for the whole year of 2019 will be higher than that of last year, and the Group is optimistic about its overall profitability for the entire year.

In the second half of 2019, the Group will adhere to the operation management direction of efficiency enhancement, cost reduction, structural optimization and quality improvement. While continuing its dedication to the promotion of reforms of various management systems, the optimisation of internal operation process, as well as the advancement of informationisation and intelligent management, the Group upholds its corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", and fulfils its corporate social responsibility while improving profitability.

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 2019, 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 2019, 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 2019, 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 2019 (six months ended 30 June 2018: 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 2019 for the six months ended 30 June 2019 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, 7 August 2019

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHANG Tsai-hsiung, 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.